

# **TOSHIBA**

Leading Innovation >>>



## **FY2017 Toshiba Tec Management Policy (Mid-Term Business Plan: MTBP)**

**August 30, 2017**

**Takayuki Ikeda**

**President & Chief Executive Officer**

**Toshiba Tec Corporation**

# Agenda

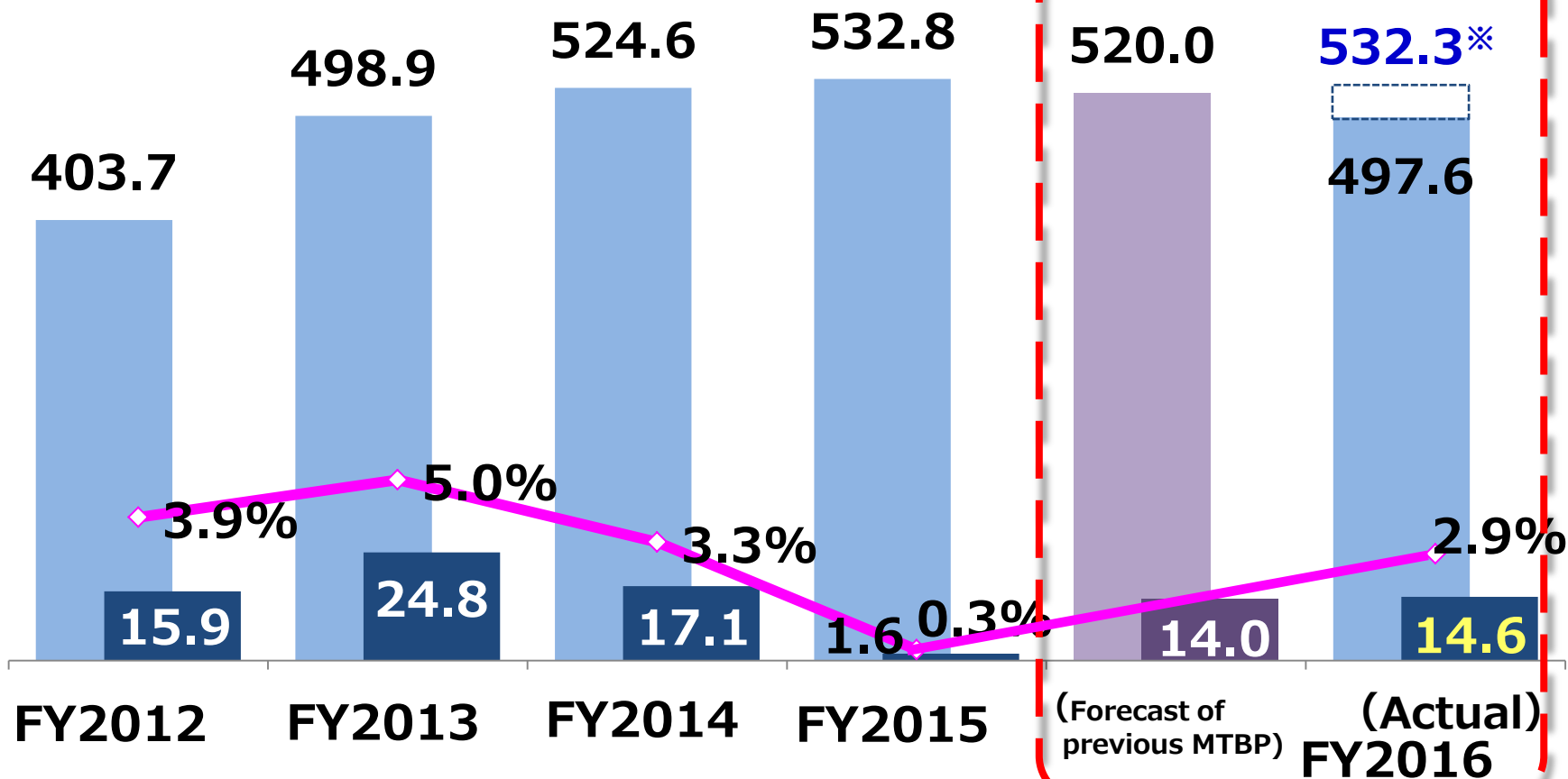
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- 1. Summary of FY2016**
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# 1-1. Trends of Business Results (Total)

**FY2016 : Operating income increased due to the recovery of the overseas retail business**  
**Net sales slightly decreased due to the impact of yen appreciation**

Net Sales/Operating Income (Billion yen)



# 1-2. Achievements and Issues

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## Achievement

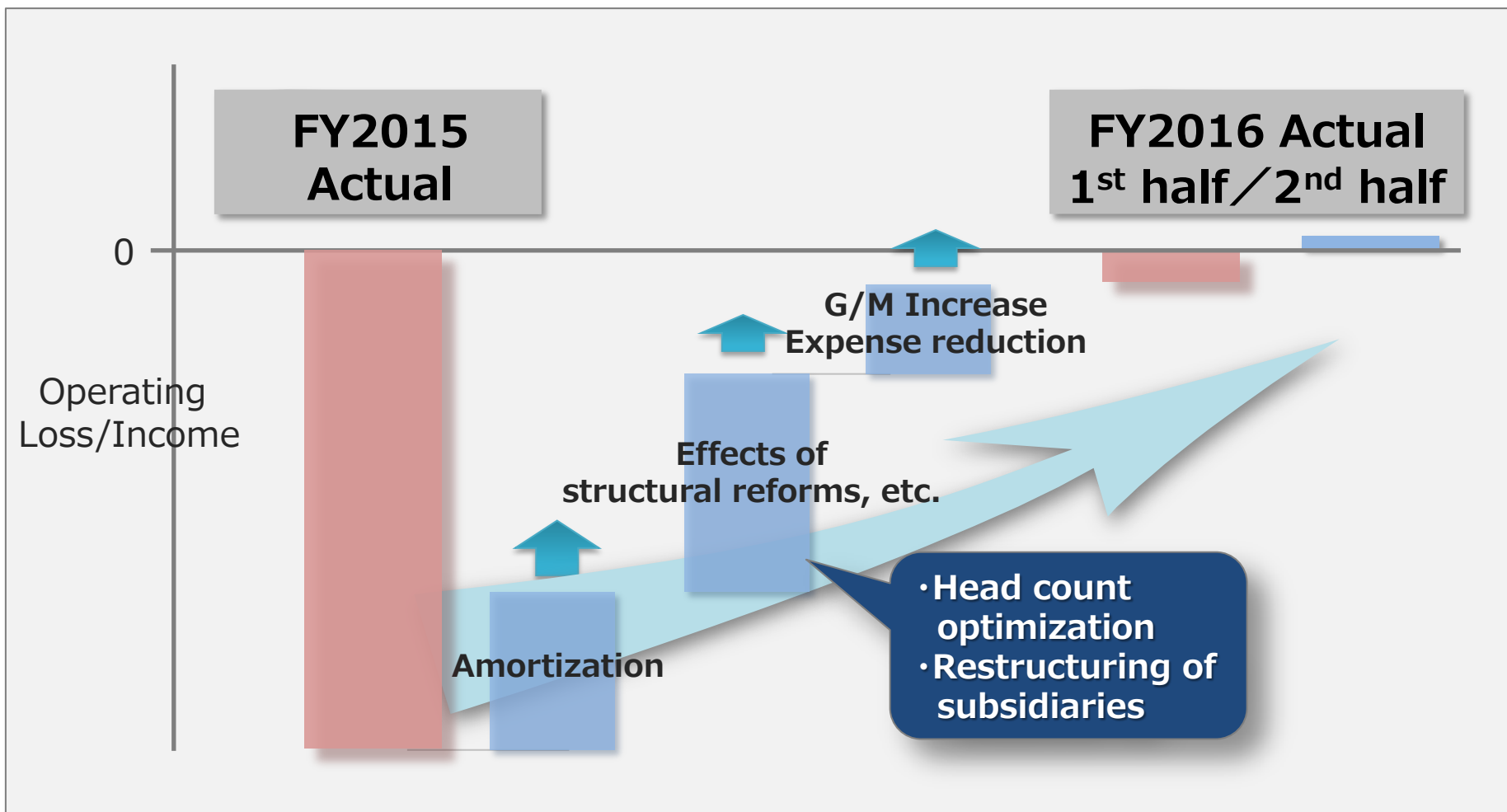
- A steady progress of structural reforms in the GCS business
- Strategic moves to expand solutions business center on the retail business
- A healthy and stabilized financial base

## Issues

- Strengthening of our ability to make proposals in selling solutions
- Improving service business efficiency

# 1-3. Recovery of the GCS business

Operating loss significantly reduced in FY2016 by implementing structural reforms



# 1-4. Strategic moves to expand solutions business

## Expansion of solutions business through collaboration with business partners

16/Oct

Field test of sales promotion for tourists at Karuizawa, using a beacon in collaboration with smart phone

17/Feb

Field test of electronic receipt system (equipped with personal data protection function)

Mar

Initiate business collaboration with ABEJA, a strong solution provider in the AI field

Mar

Field test to visualize pre-purchase information by using RFID technology with Adastria

Apr

Delivery of RFID readable self-checkout system to GU, one of the group companies of the Fast Retailing Group

July

Field test of "Store Channel" service, a small business region advertising platform

<Field test of electronic receipt system>



<Field test to visualize pre-purchase information>



<RFID readable self-checkout system>

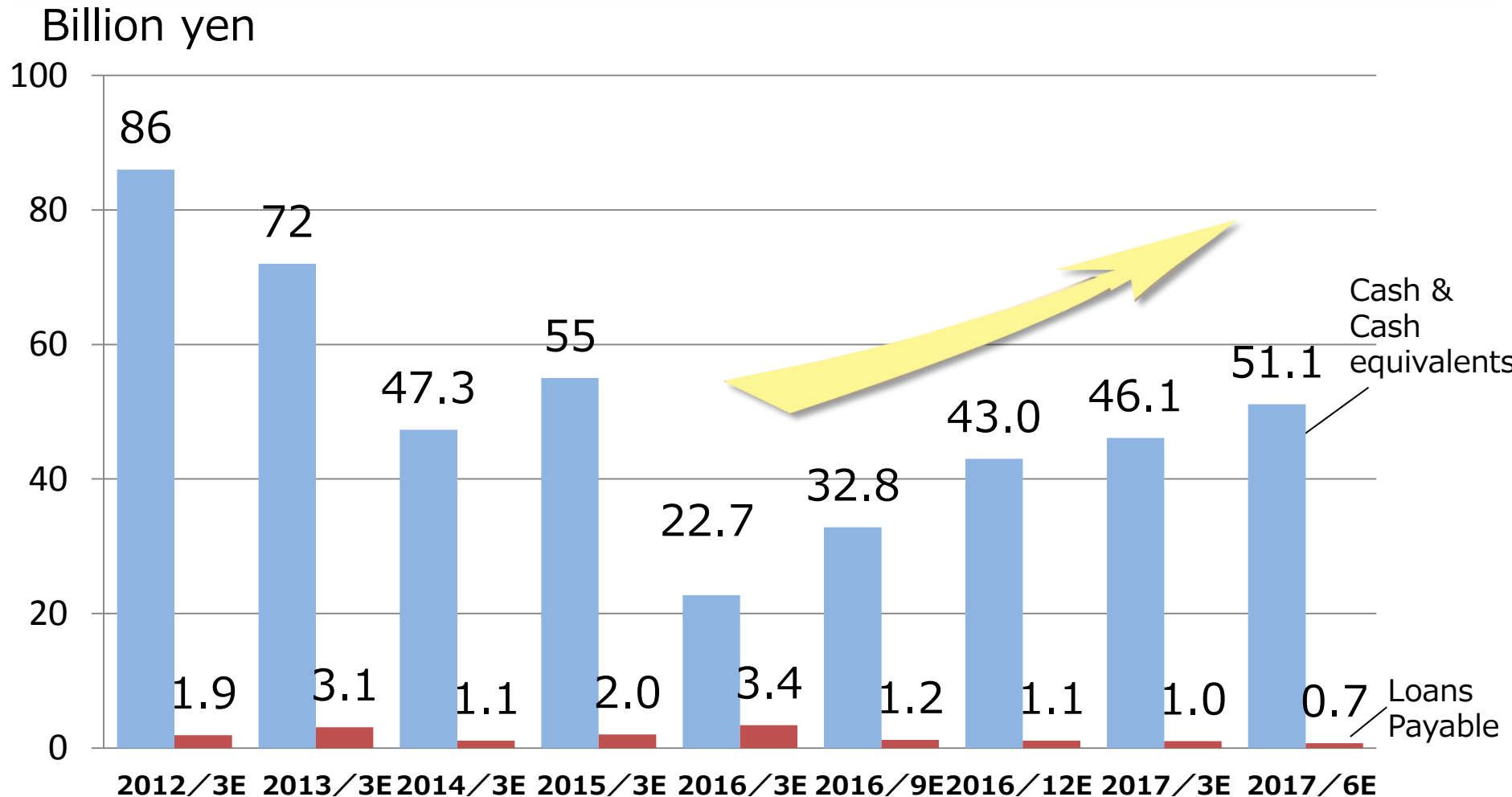


< Store Channel >



# 1-5. Recovery to a stabilized financial base

A healthy financial position allows us to adopt flexible growth strategies moving forward



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## 2-1. Retail market at tipping point①

The need for attracting customers & improving store management has been increasing among retailers at tipping point of their business style

### Business environments of retailers

#### Econ-omy

- Difficulty in employment due to lack of manpower, rise of wage levels etc.

#### Soci-ety

- Rapid growth of EC
  - Blurring lines between physical stores and EC
  - More convenient and comfortable shopping environment
- Much concern on food safety

#### Poli-tics

- Promotion of IC tag
- Promotion of BMS\*

#### Tech-nol-ogy

- Adoption of state-of-the-art technologies like AI, IoT, RFID, Robotics, big data etc.

### Factors for investment

#### Attracting customers

Provision of convenience, safety and experience :

- 1.Omni-Channel service
- 2.Traceability of commodities
- 3.Promotion with big data analysis

#### Improving store management

4. Streamline store operations
5. Streamline manufacture and logistics

Expansion of business opportunities throughout store, manufacture & logistics

## 2-2. Retail market at tipping point②

**Catering to Omni-channel service  
causes logistic costs to rise for retail business**

### Implement of Omni-channel service

- ✓ Expand lineup of EC items dealt with
- ✓ Bolster “Last one mile” capability



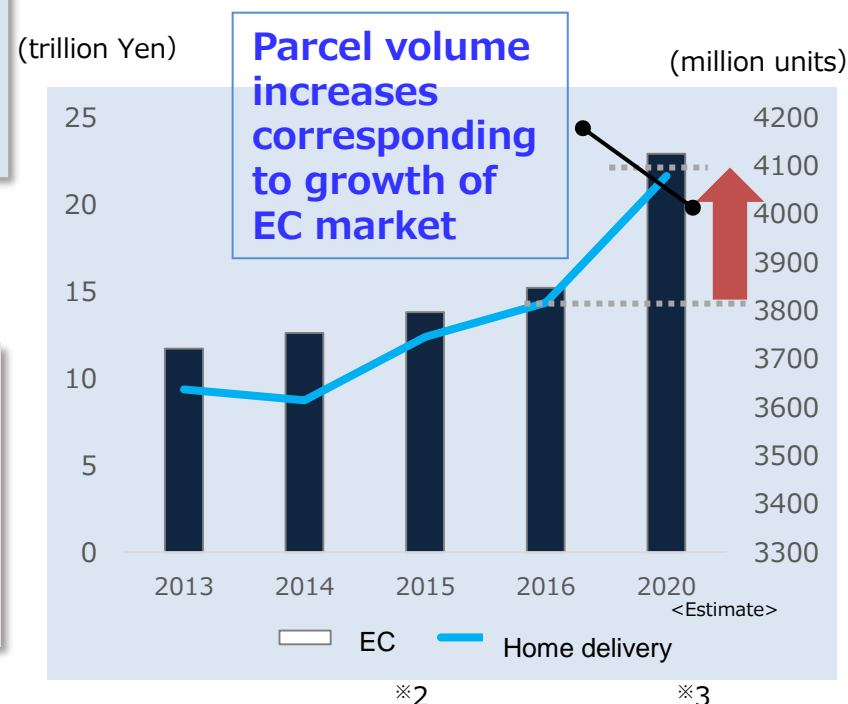
### Rise of logistics cost to sales\*1

- ✓ All industries : +0.34% ↑
- ✓ Retail industry etc. : +0.38% ↑

➡ **Retailers work on saving  
logistics cost**

【Reference】

### EC & Home delivery market (Japan)



Source : \*1: JILS

\*2 : MITI, NRI(Projection)

\*3 : MLIT, Mizuho Bank(Projection)

## 2-3. Printing market at tipping point

**MFP:** Under slow demand of H/W, many suppliers move to higher value-added service business

**AI/IJ\*:** Substantial growth is expected by aiming at new customers

### Business environments

**MFP**

- Slow demand of H/W
- Intense competition by suppliers in limited demand

**AI**

- Rapid growth of EC entails streamline of operational process throughout store, manufacture and logistics

**IJ**

- Potential demand in manufacture and applications for “food, clothes & shelter”
- Diversifying needs lead to production with large variety & small volume

### Business opportunities

**【Office】**

Total office solutions covering device management, document filing and services

**【Supply Chain】**

Visualization of process throughout manufacture and logistics

**【IJ print head】**

Growing demand for higher image quality and watercolor ink technology

## 2-4. Toshiba Tec' strengths

Pursue growing business opportunities in the LMR※ markets by leveraging Toshiba Tec's globally-developed strengths

(Ex) Trend of investment by retailers

**1** Improvement of operational efficiency at stores

**2** Promotion by big data analysis

**3** Strengthening of traceability

**4** Streamlining of logistics & manufacturing

**5** Response to the Omni-channel

Toshiba Tec's strengths



### #1 retail customer base



POS units sold  
Global top share  
•Japan approx. 50%  
•Global approx. 25%

### Wide H/W& S/W lineup



Stores・Logistics・manufacturing :  
POS system・BCS・RFID, etc.  
Office : ECO Hybrid, etc.

### Global support network



Cover 120 countries & regions  
•Location of sales & service :  
more than 300  
•Number of maintenance staff :  
more than 5,000

Aim at becoming a global one-stop solution company

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# 3-1. Our Vision for FY2019




## 3-2. Positioning of FY2017 MTBP

**Plant the seeds of growth for the future by investing profits from core businesses to solutions & service business**

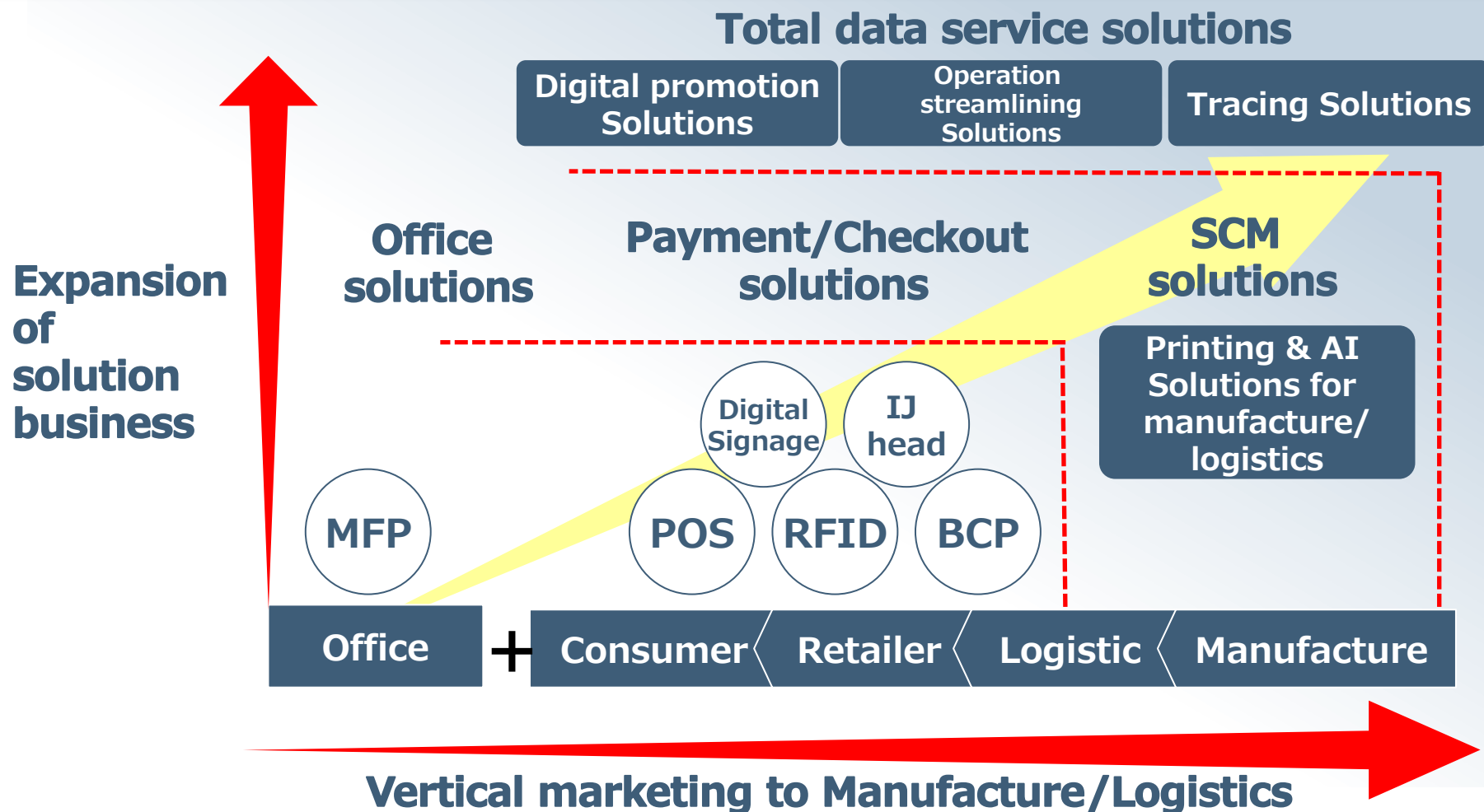
	Policy	LMR domains	Office domain
CR & Productivity improvement <b>Establishment of profit stability</b>	Productivity improvement 	<ul style="list-style-type: none"> <li>• Improve R&amp;D productivity</li> <li>• Improve operational efficiency &amp; quality of service business</li> </ul>	
<b>Strengthening of core business</b>	Secure revenue 	<p>&lt;Retail&gt;</p> <ul style="list-style-type: none"> <li>• Respond to changes of business environment (labor shortage, inbound, etc.)</li> </ul> <p>&lt;Logistics/Manufacturing&gt;</p> <ul style="list-style-type: none"> <li>• Satisfy various customer needs by offering a versatile product lineup equipped with AI/IJ technologies</li> </ul>	<p>&lt;Office&gt;</p> <ul style="list-style-type: none"> <li>• Increase revenue by selling both core &amp; differentiated products               <ul style="list-style-type: none"> <li>- MFP 5 series</li> <li>- Hybrid Loops</li> </ul> </li> </ul>
		<ul style="list-style-type: none"> <li>• Expand service maintenance business and improve its profitability</li> </ul>	

**Invest profits from core businesses to solutions & service business**

<b>Growth through solutions &amp; service business</b>	Plant the seeds of growth 	<ul style="list-style-type: none"> <li>• Enhance business domains to logistics &amp; manufacturing</li> <li>• Penetrate into vertical markets</li> <li>• Promote a business plan of integrated data service, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen office solution via cloud computing</li> </ul>
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### 3-3. Solution roadmap

Establish a robust business foundation by implementing both offensive and defensive approaches along with expanding business domains from traditional store/office to manufacturing and logistics





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## 4-1. Core Business (Domestic Retail)

Continuously launch products responding to the changing demands of the market, such as labor saving, inbound, IC credit, consumption tax increase, etc.

FY2016

FY2017

FY2018

FY2019

FY2020

FY2021

Sales expansion of products meeting the labor saving  
(Self-checkout, Semi-self, Self-order)



Sales expansion of products meeting new demands of inbound  
(Duty-free, Multiple currency payment, Multiple languages)



Response to the credit card  
equipped with integrated circuit(IC)



Response to consumer tax increase and reduced tax  
rate (at the time of POS・ECR replacement, etc.)

## 4-2. Core Business (Overseas Retail)

**Reorganize the business foundation aiming at a medium and long-term growth by promoting a trilateral structure**

### America・ Europe

**Increase in-house share & number of customers**

- Increase sales to the existing customers by providing wider range of products
- Enhance professional services business
- Penetrate into the market of medium sized retailers

### Emerging countries

**Strengthen relationship with business partners**

- Strengthen maintenance business by standardizing the menu
- Increase competitiveness by introducing low-cost models

## 4-3. Core Business (Printing)

Respond to a variety of printing needs in the market by adding differentiated solutions to our main products and services

### Printing



MFP 5 series  
developed by  
platform  
design



### Eco Solution



Hybrid  
Paper reuse  
system

PAPER REUSE SYSTEM  
Loops



### AI



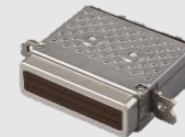
Support versatile  
fields of stores  
and SCM by auto  
recognition technology



### IJ



The highest level  
of resolution  
in the industry  
by unique ink  
circulation structure



Total  
Printing  
Business



Office



One to One leaflets



Paper reuse system



Printing of coupon  
/report at store



Inventory count  
/Product search

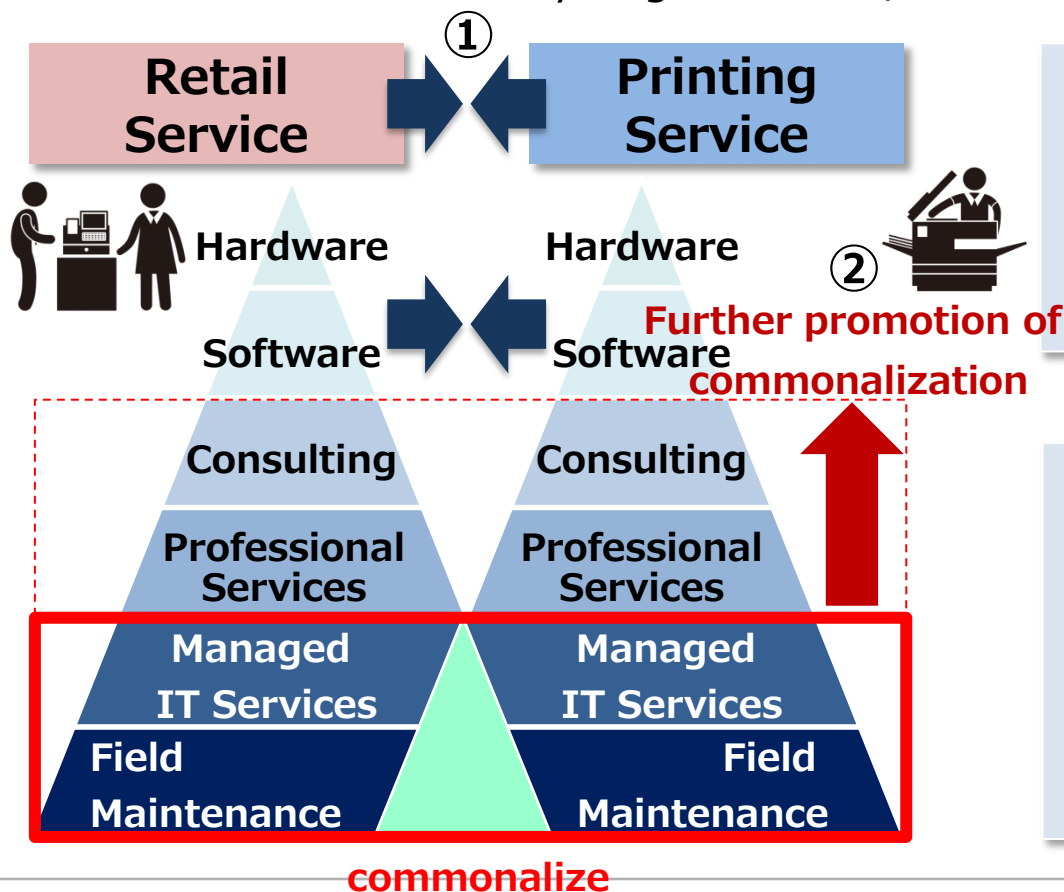


Special printing of  
advertisement/packaging

## 4-4. Core Business (Service)

**Improve both customer satisfaction (CS) and operational efficiency  
by creating a one-stop maintenance service structure  
bridging the retail and printing businesses**

- ① Started to integrate maintenance & service organizations, being traditionally operated by products, to realize one-stop service
- ② Enhance areas of synergies from H/W maintenance to IT related and consulting



## 【Professional Services】

- Enhance & integrate existing application
- Customize application meeting the customer needs

## 【Managed IT Services】

- MPS (Managed•Printing•Service)
- Remote monitoring of HW/SW
- Test services
- Comprehensive introduction and operation, including IT field

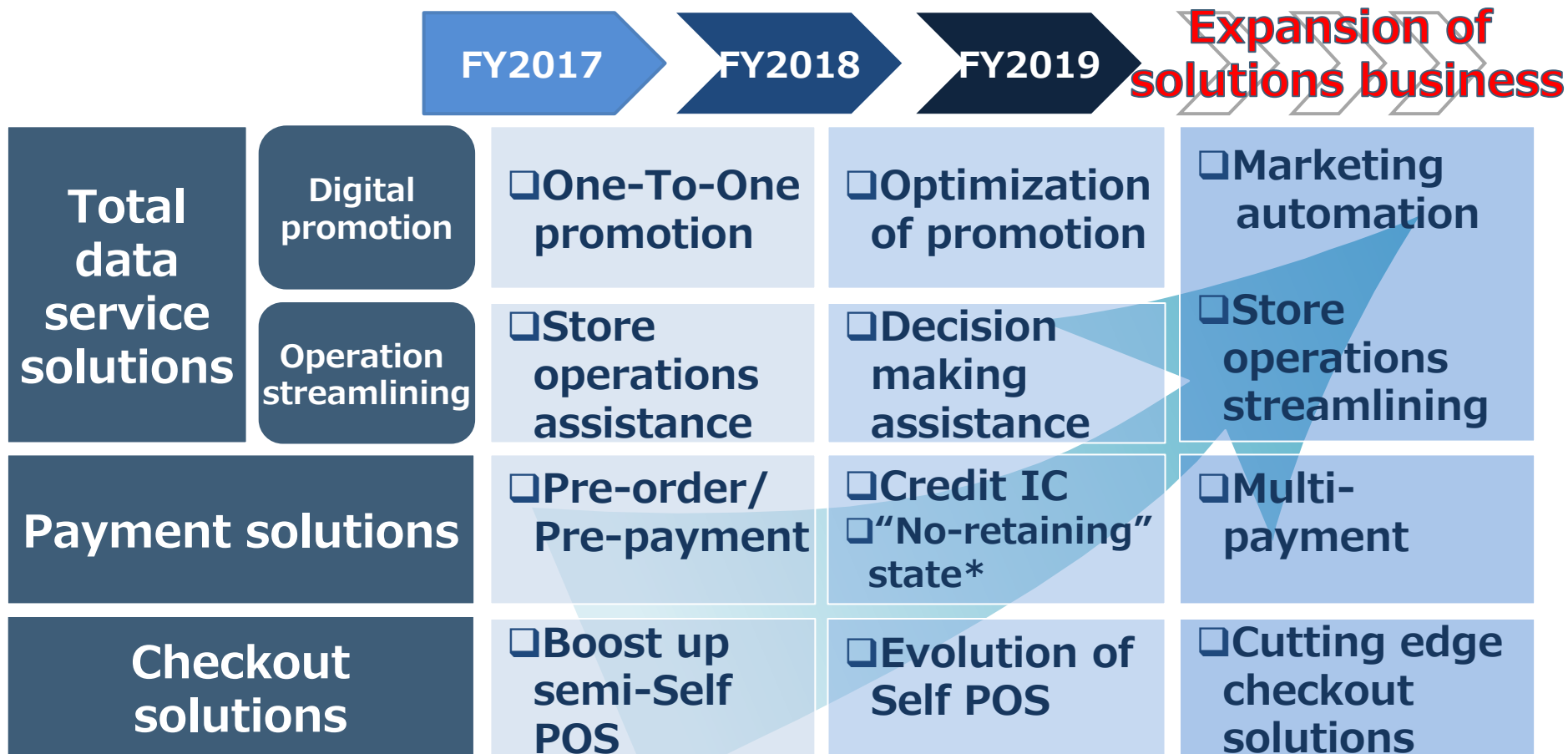
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## 5-1. Solutions & Service Business (Retail)

**Offer dealers substantial support on digital promotion and versatile payment service system**



\*State in which credit-card merchants do not store, process or pass over credit-card information in or through machines or on the network owned by the merchants.

## 5-2. Solutions & Service Business (Printing)

### Total office solutions via cloud computing

#### MFP remote diagnosis / maintenance

- Centralized management of networked devices



Versatility  
Via cloud  
computing

Operability via  
cloud computing  
&  
UI customization

#### Print management, Document security

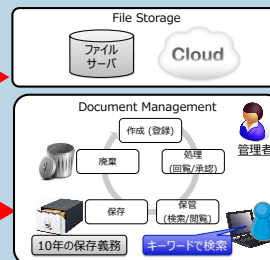
- Print management by grouping devices



### Document Management

#### File conversion, workflow automation

- Forward scanned document to assigned destinations



#### Document filing & search

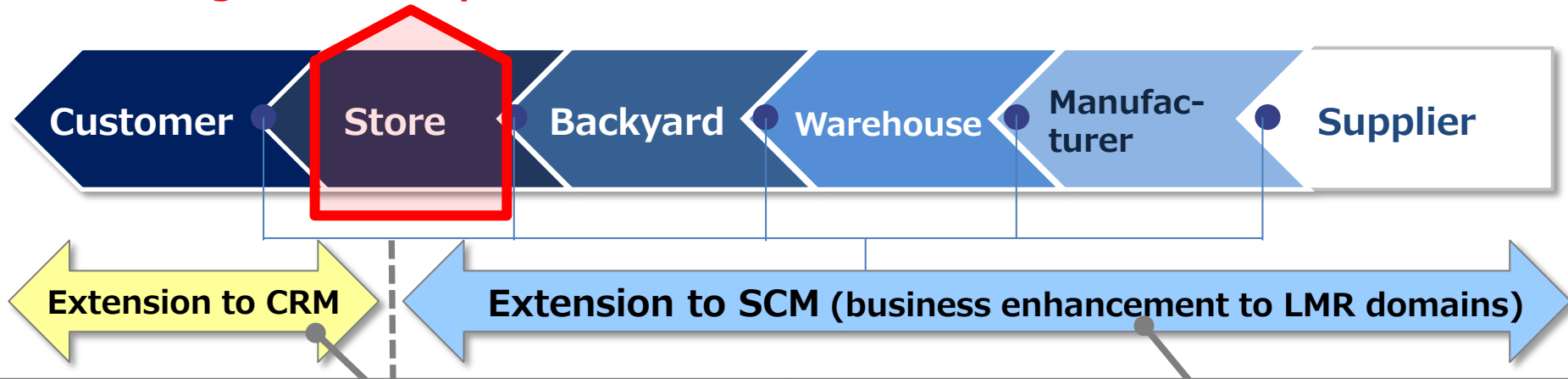
- Consolidated management of electronic files & document life cycle





## 5-3. Solutions & Service Business (Retail/Printing)

Target market up to now



### Response to customer's buying behavior

#### Promotional marketing

- Digital promotion
  - Data analysis
- (Traffic line/layout)

#### Convenience & Comfortability

- Omni-channel
- O2O
- Versatile payment

### Vertical marketing to manufacturer/logistics

#### SCM Streamlining

- Manufacturing line
  - Logistics line
  - Visualization
- (D/B+RFID etc.)

#### Safety & Security

- Traceability
- (Food, Medicine etc.)

**"Total data service solution platform" integrates every step from Supplier to Customer**

**[Our strengths]**

**[Retail customer base] [Variety of HW/SW lineup] [Global service support] [Alliance among groups]**

## 5-4. Strategies to achieve the Vision for FY2019

**Further strengthen our capability to provide solutions and improve service business efficiency to accelerate solutions & service business development**

**Strengthen  
capability to  
provide solutions**

**Collaboration  
with versatile  
partners**

Pursue every opportunity, including business alliance and M&A, to help us strengthen solutions business

**Establish  
optimized  
structure**

Strengthen regional management and provide solutions mostly fitting to each region by establishing optimized sales and service structures by regions

**Improve  
efficiency**

**One-stop  
service operation**

Accelerate one-stop operation of maintenance and service business by bridging individual business organizations

**Continuous  
Innovation・  
Improvement of  
Quality**

Improve both operational efficiency and quality of service business by utilizing the latest technologies, such as IoT, etc.

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## 6-1. Financial Target in FY2019

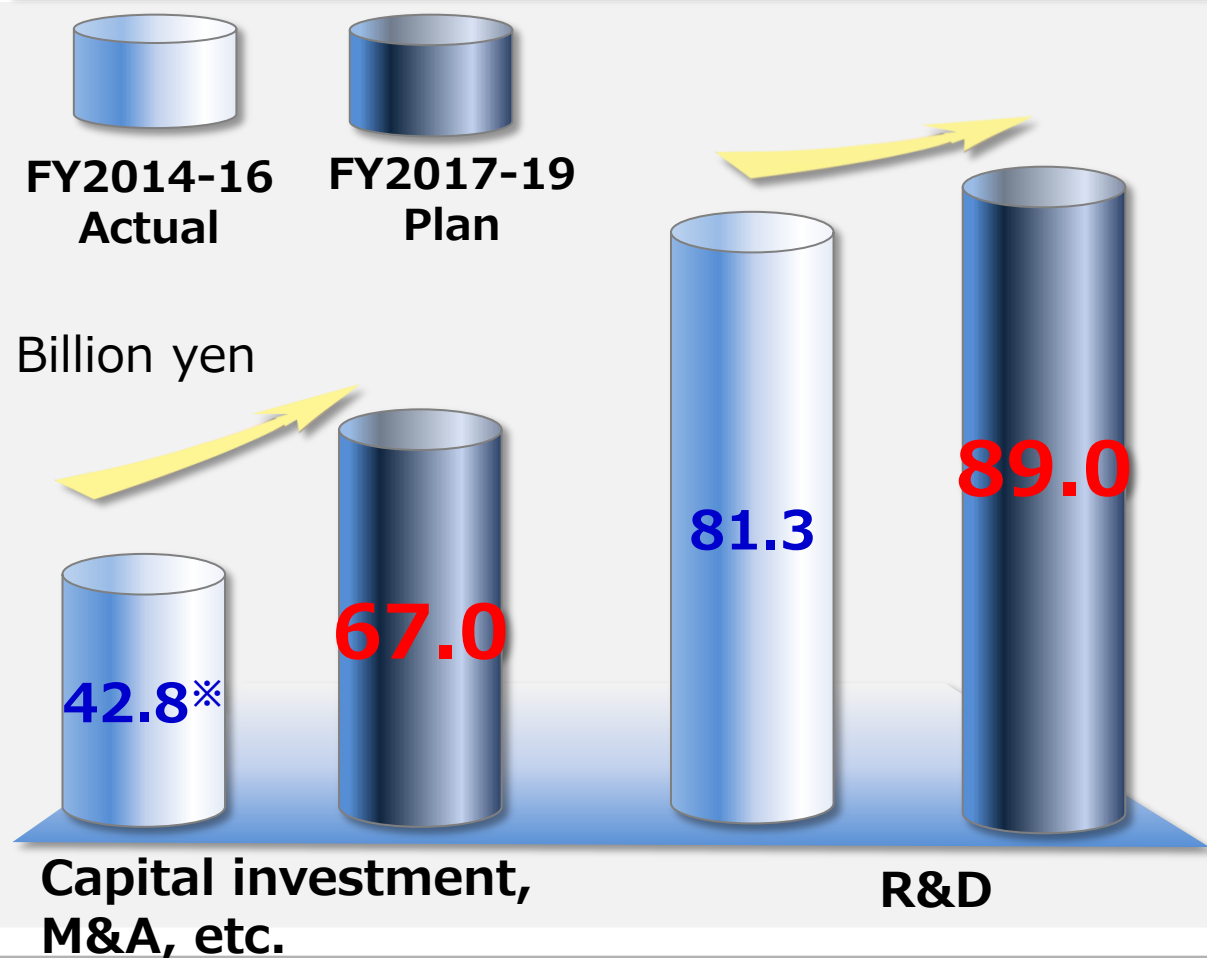
**Aim at a 5% operating income in FY2020  
by establishing profit stability as well as achieving  
growth through creativity & innovation**

(Billion Yen)	FY2016 (Actual)	FY2017 (Forecast)	FY2019 (Target)
Net Sales	497.6	490.0※	530.0
Operating Income	14.6	16.0	23.0
Rate of Sales	2.9 %	3.3 %	4.3 %
Net Income	7.8	6.0	10.0
Exchange Rate	108.73Yen/USD 119.30Yen/EUR	105Yen/USD 115Yen/EUR	110Yen/USD 120Yen/EUR

※A primary reason for FY2017 net sales reduction vs FY2016 is a transfer of TOSEI business, a domestic subsidiary, to the 3<sup>rd</sup> party at the end of FY2016

## 6-2. Resources Injections

Concentration and selection of resource allocation  
in line with cash flows generation  
~Active investment for future business growth~



### ■ Capital investment

- Molds for new products, etc.
- Equipment for production increase
- Renewal, Rationalization

### ■ M&A, etc.

- Aimed at creating & expanding new business domains
- Aimed at strengthen solutions business

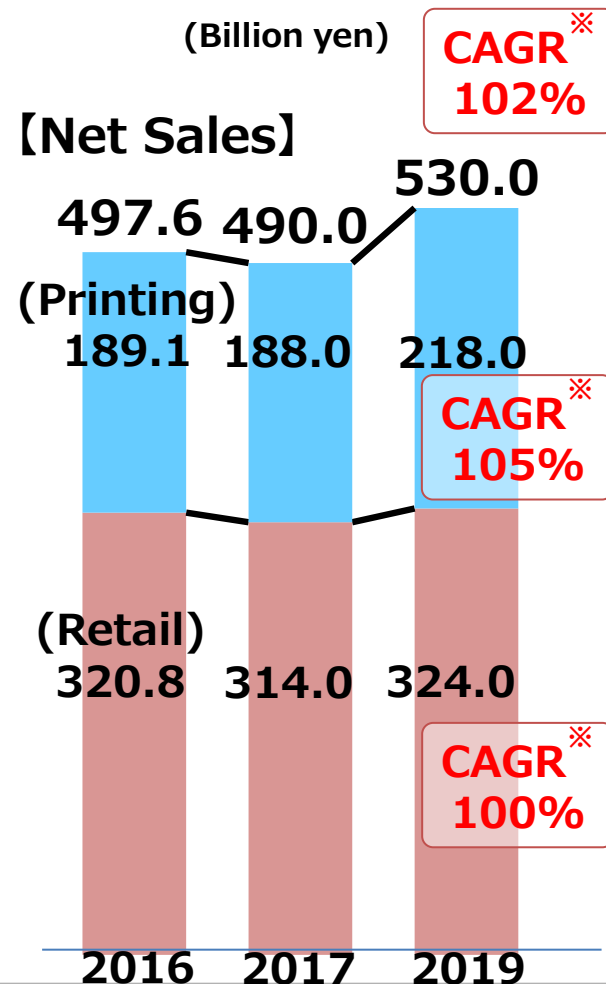
### ■ R&D

- Value creation & productivity improvement

## 6-3. Sales & Operating Income Targets (by segment)

**Dual implementation of a growth strategy and establishment of profit stability by segment**

(Billion yen)		FY2016 (Actual)	FY2017 (Forecast)	FY2019 (Target)	CAGR (2016/ 2019)	CAGR <sup>※</sup> (2016/ 2019)
RS	Net Sales	320.8	314.0	324.0	100	100
	Operating Income	11.3	10.0	11.0		
PS	Net Sales	189.1	188.0	218.0	105	105
	Operating Income	3.4	6.0	12.0		
Total	Net Sales	497.6	490.0	530.0	102	102
	Operating Income	14.6	16.0	23.0		



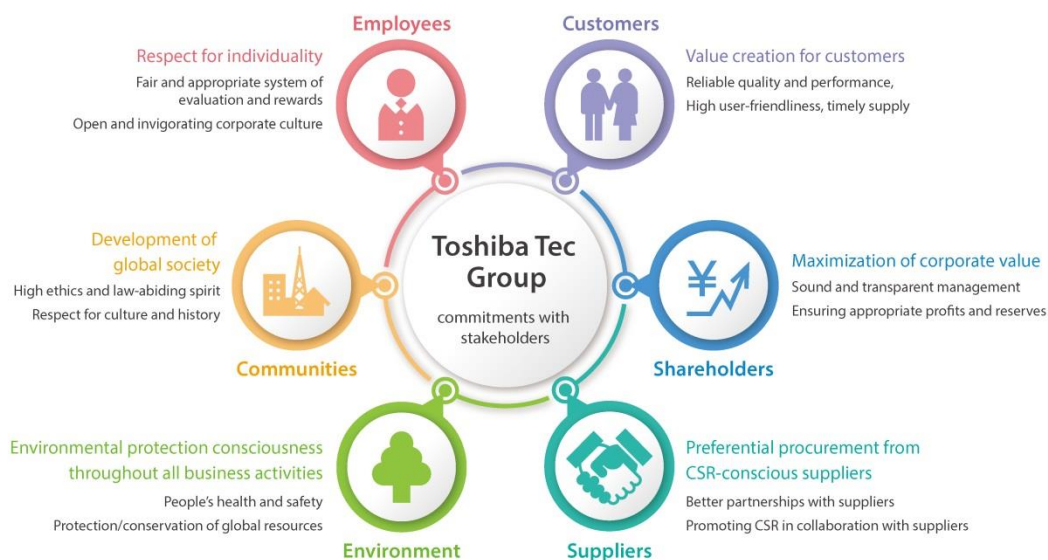
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# 7. CSR Management

**Aim at continuously meeting all stakeholders' expectations**



## ◆ Corporate governance

- Improve the efficiency and transparency of management
- Reinforce the functions for the Board of Directors and the Board of Corporate Auditors
- Establishment of nominating & compensation committees

## ◆ Internal control function

- Execution of appropriate process and thorough management
- Improvement in transaction process of accounting operation
- Promotion of Compliance

## ◆ Environmental Management

- Conduct business management in harmony with promotion of environmental management
- Encourage positive information disclosure and communication



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Forward-looking statements concerning TOSHIBA TEC's future performance contained in this presentation represent certain reasonable assumptions based on economic, financial and competitive data and information currently available. However, actual results will be affected by the business and competitive environment and may differ materially from forecasts.