

Vote Bulletin: Toshiba Corporation

Company	Toshiba Corporation (6502:JP)
Market and Sector	Japan, Industrial Conglomerates
Meeting Date	24 March 2022
Key Resolutions ^{1,2}	<p>Item 1: Management proposal seeking to confirm the views of shareholders regarding moving forward with a reformulated corporate strategy plan to drive long-term value as announced on February 7, 2022</p> <p>Item 2: Shareholder proposal requesting a partial amendment of the company’s Articles of Incorporation (<i>withdrawn</i>)</p> <p>Item 3: Shareholder proposal seeking the re-examination of the initial strategy – as announced in November 2021 – to drive long-term value</p>
Key Topics	Board quality and effectiveness; purpose, strategy, and financial resilience
Board Recommendation	The board recommended supporting item 1 and not supporting item 3.
BlackRock Vote	BlackRock did not support items 1 and 3.

Overview

Headquartered in Tokyo, Japan, Toshiba Corporation (Toshiba) is a multinational industrial conglomerate that delivers products and services globally through several business divisions: Building Solutions, Digital Solutions, Electronic Devices and Storage Solutions, Energy Systems and Solutions, and Infrastructure Systems and Solutions.^{3,4}

As a fiduciary to our clients, BlackRock Investment Stewardship (BIS) seeks to have regular dialogue with executives and board directors to discuss issues – including environmental, social, and governance matters – that are material to the companies in which BlackRock’s clients invest.

BlackRock’s clients are typically invested for the long-term and are also minority shareholders. Therefore, we engage company leadership to reflect a long-term investor perspective and better understand how the company is managing risks and opportunities in the best economic interest of their shareholders. We have found that companies focused on these issues can enhance their ability to maximize long-term financial returns for

¹ Toshiba Corporation. “Convocation Notice of the Extraordinary General Meeting of Shareholders.” 8 March 2022.

² Toshiba Corporation. “[Notice regarding Corrections of the Convocation Notice of the Extraordinary General Meeting of Shareholders.](#)” March 2022.

³ Toshiba Corporation. “[Toshiba Group Business Domains.](#)”

⁴ Toshiba Corporation. “[Business Strategy of Toshiba Group.](#)” 7 February 2022

BlackRock's clients. As such, BIS looks to company boards to have a clearly defined role in overseeing executive leadership's approach to material risks and opportunities, and the company's strategy overall, in alignment with shareholders' long-term interests.

BIS has regularly engaged with Toshiba's management team and members of the board of directors on a range of governance and sustainability issues – specifically corporate strategy and financial resilience, as well as board quality and effectiveness – which can have a material impact on the company's long-term financial performance. Over the past few years, Toshiba has gone through several leadership changes and faced strategic challenges that have raised shareholder concerns regarding the potential to deliver long-term value, particularly for long-term shareholders like BlackRock's clients.

Rationale for BlackRock's Vote

Item 1: Management proposal seeking to confirm the views of shareholders regarding moving forward with a reformulated corporate strategy plan to drive long-term value, as announced on February 7, 2022

BIS did not support management's proposal seeking shareholders' views to proceed with a plan that intends to separate Toshiba into two independent, publicly traded companies. It is in the best interests of long-term shareholders, like BlackRock's clients, that the newly appointed interim CEO and COO have adequate time to work with the board to further review and reassess the strategic direction of the company.

Given that interim leadership was appointed only three weeks before the Extraordinary General Meeting (EGM)⁵ and not directly involved in development of the original and reformulated "Strategic Reorganization" plans, long-term shareholders will benefit from providing them adequate time to work with the board to assess the strategic direction of the company.⁶ From our perspective as long-term investors on behalf of BlackRock's clients, it is important that shareholders, are given a better understanding, prior to the June 2022 Annual General Meeting, of interim leaderships' overall long-term vision for the company.

Item 3: Shareholder proposal seeking the re-examination of the initial strategy – as announced in November 2021 – to drive long-term value

BIS did not support the shareholder proposal because it may ultimately serve to limit the strategic options the company could potentially undertake to reassess corporate strategy and, thus, reduce potential opportunities to further drive long-term value creation for shareholders, such as BlackRock's clients.

The proponent specifically asks the "Strategic Review Committee (SRC) to continue its process of evaluating how best to enhance corporate value and review a change in ownership structure" inclusive of private transactions and minority investments from financial or strategic parties.⁷ The proponent also asks the SRC to regularly report on all its efforts, proposals received, and matters evaluated, in detail to the company's shareholders.

The requirement to publicly disclose all details of any proposals could deter preliminary offers and potentially reduce the likelihood of bids being received. It is also the board's responsibility to consider the long-term value of potential offers and recommend those it assesses to be in the best economic interest of shareholders for their consideration.

⁵ On March 1, 2022, the company announced a series of interim leadership changes, effective immediately, including the appointment of Mr. Taro Shimada as interim CEO and Mr. Goro Yanase as interim COO. The following week, the company published the notice announcing the March 2022 EGM.

⁶ In 2021, Toshiba established the Strategic Review Committee (SRC) as part of a series of public commitments to address shareholder concerns. Toshiba's board and the SRC worked for several months to formulate a long-term "Strategic Reorganization" plan intended to "pursue sustainable and profitable growth and enterprise value creation." Sources: Toshiba Corporation. "Convocation Notice of the Extraordinary General Meeting of Shareholders." 8 March 2022. Page 8, and "Toshiba to hold Extraordinary General Meeting of Shareholders on March 24th – Press Release." Page 4.

⁷ Toshiba Corporation. "Convocation Notice of the Extraordinary General Meeting of Shareholders." 8 March 2022. Page 13.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.⁸

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship
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⁸ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.