Financial Report

For the Fiscal Year ended March 31, 2019

Toshiba Corporation

FIVE-YEAR SUMMARY

Toshiba Corporation and Consolidated Subsidiaries
The Fiscal Years ended March 31

	Millions of yen, except per share amounts and ratio				
	2019	2018	2017	2016	2015
Net sales (Note 6)	**¥ 3,693,539**	¥ 3,947,596	¥ 4,043,736	¥ 4,346,485	¥ 4,851,060
Operating income (loss) (Note 7)	**35,447**	86,184	96,537	(581,376)	(72,496)
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**10,909**	82,378	44,945	(499,439)	(122,333)
Net income (loss) attributable to shareholders of the Company	**1,013,256**	804,011	(965,663)	(460,013)	(37,825)
Comprehensive income (loss) attributable to shareholders of the Company	**1,083,664**	819,189	(844,585)	(752,518)	90,638
Equity attributable to shareholders of the Company	**1,456,659**	783,135	(552,947)	328,874	1,083,996
Total equity (Note 8)	**1,699,045**	1,010,734	(275,704)	672,258	1,565,357
Total assets	**4,297,344**	4,458,211	4,269,513	5,433,341	6,334,778
Per share of common stock: (Yen) (Notes 9 and 12)	**2,691.21**	1,201.78	(1,306.03)	776.74	2,560.09
Earnings (loss) per share attributable to shareholders of the Company (Yen) (Notes 10, 11 and 12)					
–Basic	**1,641.85**	1,628.88	(2,280.76)	(1,086.45)	(89.33)
–Diluted	**–**	–	–	–	–
Shareholders' equity ratio (%) (Note 9)	**33.9**	17.6	(13.0)	6.1	17.1
Return on equity ratio (%) (Notes 9 and 13)	**90.5**	698.6	–	(65.1)	(3.6)
Price-to-earnings ratio (PER) (Note 14)	**2.15**	1.89	–	–	–
Net cash provided by (used in) operating activities	**124,855**	37,367	134,163	(1,230)	330,442
Net cash provided by (used in) investing activities	**1,305,434**	(146,713)	(178,929)	653,442	(190,130)
Net cash provided by (used in) financing activities	**(645,018)**	(63,613)	(204,220)	135,747	(125,795)
Cash, cash equivalents and restricted cash the end of the fiscal year	**1,335,520**	548,657	723,231	975,529	185,721
Number of employees (Note 15)	**128,697**	141,256	153,492	187,809	198,741

Notes: 1) The Group's Consolidated Financial Statements are based on US Generally Accepted Accounting Principles.
2) The Memory business (including its SSD business, but excluding its image sensor business) was classified as discontinued operations in accordance with Accounting Standards Codification ("ASC") No.205-20 "Presentation of Financial Statements - Discontinued Operations" in the fiscal year ended March 31, 2018. Results of the prior fiscal years have been revised to reflect these changes. The results of the Memory business were reported as discontinued operations for the first two months of the fiscal year ended March 31,2019, and the results of the rest of the year were accounted for using the equity method.
3) The Westinghouse Group's Nuclear Power business was classified as discontinued operations in accordance with ASC 205-20 in the fiscal year ended March 31, 2017. Results of the prior years have been revised to reflect these changes.
4) The Healthcare Systems & Services segment and Home Appliances business were classified as discontinued operations in accordance with ASC 205-20 in the fiscal year ended March 31, 2016. Results of the prior years have been revised to reflect these changes.
5) The Group adopted Accounting Standards Updates ("ASU") No. 2016-15 "Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)", ASU No. 2016-18 "Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" and ASU No. 2017-07 "Compensation Retirement Benefits Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" effective from the first quarter of the fiscal year ended March 31, 2019. Results of the prior years have been revised to reflect these changes, except for ASU 2017-07, which was not reflected before the fiscal year ended March 31,2016.
6) Consumption tax is not included in the Net sales.
7) Operating income (loss) is derived by deducting the cost of sales, selling, general and administrative expenses and impairment loss on goodwill from net sales. This result is regularly reviewed to support decision-making in allocation of resources and to assess performance. Certain expenses such as restructuring charges and legal settlement costs are not charged to operating income (loss).
8) Total equity is the sum of Equity attributable to shareholders of the Company and Equity attributable to noncontrolling interests.
9) The calculation of "Per share of common stock", "Shareholders' equity ratio" and "Return on equity ratio" is based on Equity attributable to shareholders of the Company in the consolidated balance sheets.
10) Basic earnings (loss) per share attributable to shareholders of the Company ("EPS") is computed based on the weighted-average number of shares of common stock outstanding during each period.
Diluted EPS assumes the dilution that could occur if convertible bonds were converted or stock acquisition rights were exercised to issue common stock, unless their inclusion would have an antidilutive effect.
11) Diluted net earnings per share attributable to shareholders of the Company has been omitted because the Company did not have potential common stock that were outstanding.
12) The proposal to consolidate every 10 shares of the Company into 1 share on October 1, 2018 as the effective date was approved at the Ordinary General Meeting of Shareholders for 179th Fiscal Year, which was held on June 27, 2018.
Accordingly, the Company consolidated the shares at 10 for 1 effective as of October 1, 2018.
The results of the prior fiscal years have been revised to reflect these changes.
13) Return on equity ratio for the years ended on March 31, 2017 has been omitted because the average equity attributable to shareholders of the Company during the period is less than zero.
14) Price-to-earnings ratio ("PER") for the years ended on March 31, 2017, 2016 and 2015 have been omitted because of Net loss attributable to shareholders of the Company.
15) The number of employees are the sum of the workers who are expected to work or have worked over a year between the regular employees and fixed-term employees.

SCOPE OF CONSOLIDATION

As of the fiscal year ended March 31, 2019, Toshiba Group ("the Group") comprised of Toshiba Corporation ("the Company") and 350 consolidated subsidiaries and operated businesses primarily related to six segments, which are Energy Systems & Solutions, Infrastructure Systems & Solutions, Retail & Printing Solutions, Storage & Electronic Devices Solutions, Industrial ICT Solutions and Others, and its products extend a wide variety of applications. 120 affiliates were accounted for by the equity method as of the fiscal year ended March 31, 2019.

RESULTS OF OPERATIONS

(1) Overview of Consolidated Results

Year Ended March 31

	Millions of yen	
	2019	Change*
Net sales	**3,693.5**	(254.1)
Operating income (loss)	**35.4**	(50.8)
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**10.9**	(71.5)
Net income (loss) attributable to shareholders of the Company	**1,013.3**	209.3

(* Change from the previous fiscal year)

During FY2018 (April 2018-March 2019), growth was generally solid in the US, but less certain elsewhere. Growth has clearly slowed in the Eurozone since autumn. In the UK, growth slowed due to the uncertainties surrounding Brexit. In China, domestic demand growth eased in respect to consumption and investment in capital goods, and as a result of trade frictions with the US, import and export growth has slowed since autumn 2018, causing negative growth year over year by the end of CY2018, prompting the government to implement measures such as partially easing monetary policy and tax reductions. In Japan, the overall economy moved towards a slower recovery compared to FY2017 due to weakened exports since autumn, mainly to China, although consumer spending patterns have improved and capital investment is trending upward.

In FY2019 (April 2019-March 2020), the global economy is expected to continue to grow at a slow pace, reflecting monetary policy measures in Western countries, and the positive effect of economic measures in China. Forecasts for the Japanese economy indicate a continued moderate recovery supported by financial and other measures, although a consumption tax increase is scheduled for October 2019.
In these circumstances, the Group achieved a healthier financial condition by closing the sale of the Memory business, advancing structural reforms that included finalizing the sale of the PC business and decided to withdraw from a nuclear power construction project in the UK. The “Toshiba Next Plan” was introduced as a five-year transformation plan for Toshiba Group, aimed at making it one of the world’s leading cyber-physical systems (CPS) technology companies. The plan establishes the direction and measures that will transform the Group’s business to realize future growth, and provides solid foundations for building the new Toshiba under its new brand identity. Toshiba also decided to strengthen shareholder returns by repurchasing up to 700.0 billion yen of its own shares.
In these conditions, Toshiba Group’s net sales decreased by 254.1 billion yen to 3,693.5 billion yen. Although Infrastructure Systems & Solutions and Storage & Electronic Devices Solutions recorded higher sales, Energy Systems & Solutions saw lower sales, primarily due to the deconsolidation of Landis+Gyr and lower sales in Thermal & Hydro Power Systems and Transmission & Distribution Systems. Industrial ICT Solutions also saw lower sales, as did Others, due to the deconsolidation of the PC business. Operating income was 35.4 billion yen, a decrease of 50.8 billion yen, 17.9 billion yen of which was attributable to the FY2018 scaling back of emergency measures in place in FY2017, including partial restoration of bonus payments in FY2018. While Industrial ICT Solutions reported higher operating income and Others also reported improving operating income due to the deconsolidation of the PC business, Energy Systems & Solutions, Infrastructure Systems & Solutions, Storage & Electronic Devices Solutions and Retail & Printing Solutions all saw decreases. Income (loss) from continuing operations, before income taxes and noncontrolling interests decreased by 71.5 billion yen to 10.9 billion yen, mainly due to lower operating income, and also reflecting the impact of the gain on the sale of Landis+Gyr recorded in non-operating income in FY2017. Net income (loss) attributable to shareholders of the Company was 1,013.3 billion yen, an increase of 209.3 billion yen, inclusive of profit from completion of the sale of the Memory business.

Consolidated Results by Segment are as follows:

	Millions of yen				
	Net Sales			Operating Income (Loss)	
		Change*			Change*
Energy Systems & Solutions	652.7	(188.4)	(22)%	(24.0)	(14.3)
Infrastructure Systems & Solutions	1,291.9	+45.1	+4%	39.9	(8.1)
Retail & Printing Solutions	485.4	(37.4)	(7)%	20.2	(6.8)
Storage & Electronic Devices Solutions	900.9	+21.3	+2%	11.4	(35.9)
Industrial ICT Solutions	253.1	(5.8)	(2)%	8.1	+6.8
Others	420.4	(108.8)	(21)%	(25.0)	+6.6
Eliminations	(310.9)	+19.9	–	4.8	+0.9
Total	3,693.5	(254.1)	(6)%	35.4	(50.8)

(* Change from the previous fiscal year ended March 31, 2018)

1) Energy Systems & Solutions:
The Energy Systems & Solutions segment saw lower sales of 652.7 billion yen, 188.4 billion yen decrease from the previous year. Although Nuclear Power Systems recorded higher sales, Thermal & Hydro Power Systems and Transmission & Distribution Systems recorded lower sales, and Landis+Gyr was deconsolidated.

The segment as a whole recorded operating loss of 24.0 billion yen, a decrease from the previous year by 14.3 billion yen. Although Nuclear Power Systems achieved an increase in operating income and Thermal & Hydro Power Systems saw improvement, Landis+Gyr was deconsolidated and Transmission & Distribution Systems saw deterioration.

2) Infrastructure Systems & Solutions:
The Infrastructure Systems & Solutions segment saw higher sales of 1,291.9 billion yen, 45.1 billion yen increase from the previous year, as Public Infrastructure, Building and Facilities and Railways and Industrial Systems saw increased sales.

The segment as a whole saw lower operating income of 39.9 billion yen, 8.1 billion yen decrease from the previous year. Public Infrastructure saw an increase in operating income, however, Building and Facilities and Railways and Industrial Systems saw lower operating income.

3) Retail & Printing Solutions:
Retail & Printing Solutions saw lower sales of 485.4 billion yen, a 37.4 billion yen decrease from the previous year, as a result of both the Printing and the Retail businesses having generated lower sales, the latter due to a decrease in large-scale contracts in the domestic market.

The segment as a whole saw a decrease in operating income of 20.2 billion yen, 6.8 billion yen decrease from the previous year. Overseas retail business saw an increase; however, the Retail business as a whole and the Printing business saw decreases in operating income.

4) Storage & Electronic Devices Solutions:
The Storage & Electronic Devices Solutions segment saw higher sales of 900.9 billion yen, 21.3 billion yen increase from the previous year. Although Semiconductors saw decreased sales, HDDs & Others saw increased sales.

The segment as a whole saw lower operating income of 11.4 billion yen, 35.9 billion yen decrease from the previous year, as each business saw lower operating income.

5) Industrial ICT Solutions:
The Industrial ICT Solutions segment saw decreased sales of 253.1 billion yen, 5.8 billion yen decrease from the previous year, on effects of selling affiliate companies engaged in sales of IT solutions, and despite higher sales in system projects for the government and the manufacturing industry, and increased sales at affiliate companies.

The segment as a whole saw higher operating income of 8.1 billion yen, 6.8 billion yen increase from the previous year, largely due to higher income from domestic system projects and effects of reductions in fixed costs as a result of structural reforms.

6) Others:
The Others segment saw lower sales of 420.4 billion yen, 108.8 billion yen decrease from the previous year, and an operating loss of 25.0 billion yen, increase of 6.6 billion yen from the previous year, as the transfer of the PC business was completed on October 1, 2018, resulting in the deconsolidation of the business in the third quarter of FY2018.

Note:

- Toshiba's consolidated financial statements are based on US generally accepted accounting principles ("GAAP") pursuant to the provisions of Article 120-3 of the Ordinance on Accounting of Companies. Operating income (loss) is derived by deducting the cost of sales and selling, general and administrative expenses, and impairment loss on goodwill from net sales. This result is regularly reviewed to support decision-making in allocations of resources and to assess performance. Legal settlement costs etc. are not included in it.
- The Healthcare Systems & Services segment, the Home Appliances business, the Nuclear Power Generation business in Westinghouse Group, and the Memory business are classified as discontinued operations in accordance with ASC 205-20 "Presentation of Financial Statements - Discontinued Operations". The results of these businesses have been excluded from net sales, operating income (loss), and income (loss) from continuing operations, before income taxes and noncontrolling interests. Net income of the Group is calculated by reflecting results of these businesses to income (loss) from continuing operations, before income taxes and noncontrolling interests. In addition, these businesses are also classified as discontinued operations for the Group's consolidated balance sheets and are indicated separately.

DIVIDEND

The Company will continue to consider strategic investments to increase medium-to long-term corporate business value and aims to increase its dividend and to secure a planned average consolidated dividend payout ratio of approximately 30%. The Company will enhance profit distribution to shareholders through repurchase of its own shares, according to the situation.(Note).

The financial position of the Company improved primarily due to the transfer of shares of Toshiba Memory Corporation, completed on June 1, 2018. A preliminary settlement was made with September 30, 2018 as the preliminary settlement date, and the Company was able to confirm a distributable amount sufficient to carry out return to shareholders. With regard to distribution of dividends, taking into consideration the above-mentioned policy on return to shareholders and the fact that no dividend has been paid for a considerable time, a special dividend of 20 yen per share was paid and the Company made the decision to pay 10 yen per share at the end of the fiscal period. As a result, the total full year dividend will be 30 yen per share.

In November 8, 2018, the Company also decided to acquire treasury stock up to 700.0 billion yen in the period from November 9, 2018 to November 8, 2019.

(Note) For the time being, equity method profit and loss for Toshiba Memory Holdings Corporation is excluded from this policy.

CAPITAL EXPENDITURES

CAPITAL EXPENDITURE OVERVIEW

(1) Overview

Under the Toshiba Next Plan announced on November 8, 2018, the Group's policy is to accelerate investment for medium- to long-term organic growth. Capital expenditures for the current fiscal year increased by 63.4 billion yen from the previous fiscal year to 148.9 billion yen (on an order basis). Toshiba Memory Corporation is not included in these figures.

Major capital expenditures by segment are as shown below. In Energy Systems & Solutions, the Group invested in strengthening its renewable energy generation business. In Infrastructure Systems & Solutions, the Group invested in strengthening its production system for SCiB™ rechargeable batteries. In Storage & Electronic Devices Solutions, the Group invested in increasing production capacity aimed at expanding demand for power devices.

Business Segment	Capital expenditures (billions of yen) (Note 1)
Energy Systems & Solutions	31.5
Infrastructure Systems & Solutions	65.4
Retail & Printing Solutions	7.6
Storage & Electronic Devices Solutions	27.2
Industrial ICT Solutions	2.1
Others	15.1
Total	148.9

Notes: 1) Calculated based on orders and includes intangible assets.

(2) Primary Capital expenditures

<table>
<tr><th></th><th>Segment</th><th>Outline</th></tr>
<tr><td>Completed during the term</td><td>Storage & Electronic Devices Solutions</td><td>• Interior fittings for manufacturing building and manufacturing facilities for power device
(Kaga Toshiba Electronics Corporation)</td></tr>
<tr><td rowspan="3">Ordered during the term</td><td>Energy Systems & Solutions</td><td>• New construction of biomass power plant to strengthen the renewable energy generation business
(SIGMA POWER Ariake Corporation)</td></tr>
<tr><td>Infrastructure Systems & Solutions</td><td>• Manufacturing building and manufacturing facilities, etc. for rechargeable battery
(Toshiba Infrastructure Systems & Solutions Corporation)
• Construction of new technology center
(Toshiba Carrier Corporation)
• Construction of new base building
(Toshiba Carrier Air Conditioning (China) Co., Ltd.)</td></tr>
<tr><td>Storage & Electronic Devices Solutions</td><td>• Power device manufacturing equipment
(Kaga Toshiba Electronics Corporation)</td></tr>
</table>

Shares and Stock Acquisition Rights of the Company

As of March 31, 2019

(1) Total Number of Authorized Shares: 1,000,000,000

(Note) In October 2018, the Articles of Incorporation were changed in accordance with the share consolidation, bringing the total number of authorized shares to 1.0 billion.

(2) Total Number of Issued Shares: 544,000,000

(Note) 1. As a result of the issuance of new shares in August 2018 for the purpose of granting restricted stock compensation, the number of shares increased by 250,310.
2. As a result of the share consolidation of 10 shares into 1 share in October 2018, the number of shares decreased by 5,868,861,603.
3. As a result of the cancellation of treasury stock in December 2018, the number of shares decreased by 66,095,733.
4. As a result of the cancellation of treasury stock in March 2019, the number of shares decreased by 42,000,000.

(3) Total Number of Shareholders: 270,570

(4) Principal Shareholders

Name of Shareholder	Number of shares (in thousands)	Shareholding ratio (percentage)
GOLDMAN, SACHS & CO. REG	54,713	10.1
SMP PARTNERS (CAYMAN) LIMITED AS TRUSTEE OF ECM MASTER FUND	32,000	5.9
GOLDMAN SACHS INTERNATIONAL	22,024	4.1
CHINOOK HOLDINGS LTD	21,192	3.9
KING STREET CAPITAL MASTER FUND, LTD	13,703	2.5
The Dai-ichi Life Insurance Company, Limited	11,516	2.1
Nippon Life Insurance Company	11,035	2.0
STATE STREET BANK WEST CLIENT- TREATY 505234	10,155	1.9
Toshiba Employees Shareholding Association	10,064	1.9
KSS TRADING I LTD	9,567	1.8

(Notes) 1. For the purpose of calculation of shareholding ratio in the above table of principal shareholders, treasury shares are excluded from total number of issued shares (denominator).
2. The change report on large-volume holdings offered for public inspection on June 1, 2018 notes that, as of June 1, 2018, Farallon Capital Management L.L.C. and CHINOOK HOLDINGS LTD jointly hold 350,398 thousand shares (ratio of stock certificates, etc. held: 5.37%) as shown below. As the Company cannot confirm the beneficial ownership or number of shares held by Farallon Capital Management L.L.C. as of the end of the current fiscal year, Farallon Capital Management L.L.C. is not included in the above table. The number of shares referred to in this note is the number of shares prior to share consolidation in October 2018.

Name of company	Number of stock certificates, etc. held (in thousands)	Ratio of stock certificates, etc. held (percentage)
Farallon Capital Management, L.L.C.	138,475	2.12
CHINOOK HOLDINGS LTD	211,923	3.25
Total	350,398	5.37

3. The change report on large-volume holdings offered for public inspection on December 19, 2018 notes that Effissimo Capital Management Pte Ltd. held 73,718 thousand shares as of December 14, 2018 (ratio of stock certificates, etc. held: 11.30%). However, as the Company was unable to confirm the beneficial ownership or number of shares held at the end of the current fiscal year, Effissimo Capital Management Pte Ltd. is not included in the above table.
4. The report on large-volume holdings offered for public inspection on March 12, 2019 notes that King Street Capital Management, L.P. held 31,694 thousand shares as of March 8, 2019 (ratio of stock certificates, etc. held: 5.41%). However, as the Company was unable to confirm the beneficial ownership or number of shares held at the end of the current fiscal year, King Street Capital Management, L.P. is not included in the above table.

(5) Shareholding Ratio by Category :

Category	Status of share (100 shares per share unit)								Status of share below the share unit
	Government and local public entities	Financial institutions	Securities companies	Other entities	Overseas entities and others		Individuals and others	Total	
					Other than individuals	Individuals			
The number of shareholders	1	48	46	1,606	731	290	225,196	227,918	–
Shares (Share unit)	1	549,578	84,494	91,686	3,784,900	1,731	910,503	5,422,893	1,710,700
Ratio of share unit	0.00	10.13	1.56	1.69	69.79	0.03	16.79	100.00	–

(Note) 1. The number of treasury stock of 2,735,038 are described in 27,350 share units in “Individuals and the other” and in 38 shares in “Status of share below the share unit”
2. 23 share units registered by the name of Japan Securities Depository Center, Incorporated are included in “Individuals and other” above.

(6) Stock Acquisition Rights:

There is no relevant item.

Outline of Main Group Companies

As of March 31, 2019

Segment	Name of Company	Paid in Capital	Voting Rights Ratio (Percentage)	Main Business	Location
Energy Systems & Solutions	Toshiba Energy Systems & Solutions Corporation	56,500 (Millions of yen)	100.0	Development, manufacturing, sale, and service of products and systems relating to the energy business	Kawasaki
	Toshiba Plant Systems & Services Corporation	11,876 (Millions of yen)	51.5	Engineering, construction, trial operation, alignment, maintenance, and service of power systems and social infrastructure & industrial systems	Yokohama
Infrastructure Systems & Solutions	Toshiba Infrastructure Systems & Solutions Corporation	10,000 (Millions of yen)	100.0	Development, manufacturing, sale, and service of products and systems relating to the social infrastructure business	Kawasaki
Retail & Printing Solutions	Toshiba TEC Corporation	39,970 (Millions of yen)	52.7	Development, design, manufacturing, sale, and maintenance of retail information systems and office equipment	Shinagawa-ku, Tokyo
Storage & Electronic Devices Solutions	Toshiba Electronic Devices & Storage Corporation	10,000 (Millions of yen)	100.0	Development, manufacturing, sale, and related businesses of discrete semiconductors, system LSIs, HDDs, and related products	Minato-ku, Tokyo
Industrial ICT Solutions	Toshiba Digital Solutions Corporation	23,500 (Millions of yen)	100.0	Consultation, development, sale, maintenance, and operation and management of IT-related solutions	Kawasaki
Others	Toshiba America, Inc.	1,884 (US dollars)	100.0	Holding company and operating company in the North America	US
	Toshiba(China) Co., Ltd.	249,362 (Thousands of CNY)	100.0	Operating company in the China	China
	Toshiba of Europe Limited	13,522 (Thousands of pounds sterling)	100.0	Operating company in the Europe, Middle East and Africa	UK
	Toshiba Asia Pacific Pte. Ltd.	6,784 (Thousands of Singapore dollars)	100.0	Operating company in the Asia-Pacific	Singapore

(Notes) 1. The Company has 350 consolidated subsidiaries (including the companies listed above) in accordance with US GAAP, and 120 affiliated companies accounted for by the equity method.

2. As the Company sold 80.1 % of the issued shares of Toshiba Client Solutions Co., Ltd. in October 2018, said company was removed from the main consolidated subsidiaries.

3. With the sale of all shares of the former Toshiba Memory Corporation in June 2018, the former Toshiba Memory Corporation is no longer a wholly owned subsidiary. At the same time, the Company reinvested in K.K. Pangea, which was the parent company of Toshiba Memory Corporation, thereby K.K Pangea and the former Toshiba Memory Corporation became affiliates accounted for by the equity method. Subsequently, K.K. Pangea and the former Toshiba Memory Corporation implemented an absorption-type merger in August 2018 in which K.K. Pangea was the surviving company and the former Toshiba Memory Corporation was the absorbed company. At the same time, K.K. Pangea changed its name to Toshiba Memory Corporation. Due to the acquisition of shares in Toshiba Memory Holdings Corporation established in March 2019 through a share transfer that makes Toshiba Memory Corporation the wholly owned subsidiary resulting from the share transfer, Toshiba Memory Holdings Corporation became an affiliate accounted for by the equity method of the Company.

4. In April 2019, the Company incorporated in the battery business of Toshiba Infrastructure Systems & Solutions Company, and the shares of Toshiba Elevator and Building Systems Corporation, Toshiba Lighting & Technology Corporation, and Toshiba Carrier Corporation, which are sub-subsidiaries of Toshiba Infrastructure Systems & Solutions Corporation, through a company split, and newly established the Building Solutions segment, which includes the businesses of the three succeeded companies. Also in FY2019, the Company changed the segment name of the Storage & Electronic Device Solutions to Electronic Device & Storage Solutions and the segment name of the Industrial ICT Solutions division to Digital Solutions.

5. Voting rights ratio includes those which are held indirectly.

The plans described below are identified by the Group based on information available to the Group as of June 25, 2019 and involved inherent uncertainties, and, therefore, the actual results may differ.

Management Policies of the Toshiba Group Moving Forward (Issues to be Addressed)

◎ Toshiba Next Plan

In November 2018, the Company formulated the Toshiba Next Plan, the overall business plan that aims to transform Toshiba for the upcoming five years. The details of the plan are as follows:

1. Overview and Vision

The Group aims to become one of the world's leading cyber-physical systems ("CPS") (Note 1) technology companies by combining the knowledge and capabilities accumulated over years of experience in a wide range of businesses, from infrastructure to electronic devices, with its strengths in information processing, digital and AI technologies. To reach this goal, the Group has developed the Toshiba Next Plan to establish the direction and measures that will transform its business to realize future growth, including five-year numerical targets.

The Group intends to continue contributing to the development of society by providing services and solutions that can help to solve issues facing the world today.

(Note 1) CPS means the system to collect data from the physical world to be analyzed and processed using digital technology. CPS create value through a constant feedback loop between the cyber and physical worlds.

2. Outline of the Toshiba Next Plan

(1) Targets and Four Reforms

The basic objective of the Toshiba Next Plan is to enhance shareholder value by maximizing enterprise value and generating value for its customers, business partners and employees. For this purpose, the Group will implement measures to improve core earning power, and will also secure investments for growth. At the end of fiscal year 2021, the Group aims to generate sales of 3.7 trillion yen and ROS of over 6%. By the end of fiscal year 2023, we are targeting to raise sales to 4 trillion yen and ROS to the 10%.By the end of the plan's five-year timeframe, we are working to maximize corporate value and expand TSR (Note 2) through profitable growth.

The Group will deploy four reforms to improve core earning power. Through structural reform, the Group will exit non-focus businesses, withdrawing from the liquid natural gas (LNG) Agreement and the nuclear power plant business in the UK. The Group is also working to optimize its work force, reorganize its production bases and reduce the number of subsidiaries. To reform procurement, the Group will apply various measures to lower its cost rate. Reforms of sales activities will improve overall efficiency while strengthening the sales force. Measures are also now in place to strengthen evaluations of project order acceptance. In process reform, investments will be made to renew IT infrastructure and to change numerous processes throughout the Group toward improving operational efficiencies.

Additionally, the Group has planned capital expenditure of approximately 810 billion yen and R&D investments of approximately 930 billion yen to grow new businesses, improve profit margins and generate future cash flows.

(Note 2) TSR stands for Total Shareholders Return, and refers to the overall yield and return on an investment, including capital gain and dividends, received by shareholders.

(2) Business Portfolio and Action Plans

The Group will thoroughly manage its business portfolio by checking the competitiveness of each business and their markets. In businesses where expansion is anticipated, the Company will cultivate organic growth with appropriate investments. Action plans are in place to improve margins in currently low performing businesses. Progress will be monitored regularly and firmly.

(3) Policy on Shareholder Returns

The Company's Board of Directors resolved matters concerning the repurchase of the Company shares of up to 700 billion yen. Within the five years of the Toshiba Next Plan, the Company will aim to increase its dividend and to secure a planned average consolidated dividend payout rate of approximately 30% (Note 3). The Company will enhance profit distribution to shareholders through repurchases of its own shares, according to the situation.

(Note 3) For the time being, equity in earnings or losses of Toshiba Memory Holdings Corporaiton is excluded from The Company's policy on shareholder returns.

(4) Development of New Growth Fields

The Company sees opportunities in changes in the environment brought about by destructive innovation amid such mega-trends as growing urban infrastructure needs, expanding mobility of people and goods, automation through advanced technological development, expanding advanced medical technologies, and the shift to renewable energy. We aim to grow new businesses by bringing together the Group's unique technologies and resources and investing the management resources for growth. In lithium-ion rechargeable batteries, the Group will promote growth in markets where the SCiB™ can demonstrate its distinctive features. In power electronics, the Group will leverage its strengths in device technology, and will secure a competitive advantage with differentiated products in the mobility and industrial system markets. In precision medicine, the Group will use leading edge technologies in the life-science field to achieve very early cancer detection and optimized individual treatment.

(5) The Group’s Digital Transformation

As the digital revolution is increasingly felt throughout society, the Group will transform itself by promoting cultural change throughout the organization in order to adopt to digitization. The Company will build a standardized IoT architecture that defines the basic design and design philosophy of hardware, operating systems (OS), networks, and applications software. By doing so, we aim to bring together Toshiba’s demonstrated knowledge in diverse business fields and to make this open and broadly available as we target growth as a CPS technology company.

(6) Establishing the Structure for Execution

To revitalize the venture spirit that is an integral part of Toshiba’s DNA, the Company will introduce an initiative to incubate entrepreneurship. Furthermore, to accelerate its digital transformation, The Company will take measures to develop internal talent while proactively seeking to hire new talent from outside.

The organizational structure will be changed to strengthen business operations and secure faster decision making through simplification that consolidates business units and removes layers within the corporate hierarchy. Internal control functions will be reinforced by widening the expanding the scope of internal auditing. In order to ensure executive compensation is in line with shareholder’s interests and that effective incentives are in place to maximize long term enterprise value. The Company has decided to change its executive officer compensation system. The majority of performance linked compensation will be paid in restricted stock.

◎ Implementation of the Toshiba Next Plan

I. Monitoring Business

The status of businesses targeted for monitoring in the Toshiba Next Plan is as follows.

1. System LSI business

Although we reduced development expenses by streamlining our product areas, we were affected by declines in sales volume stemming from the deterioration of the Chinese market. In the future, we will limit logic LSI projects based on profitability, and will further narrow our focus to analog and microcomputer fields applying our strengths in automotive digital and motor control technologies. In addition, we will reduce fixed costs by implementing early retirement programs, continuing special measures targeting management level employee, and optimizing research expenses and manufacturing and sales fixed costs.

2. Thermal power business

Due to internationally accelerated efforts to prevent emissions of greenhouse gases, investment in coal-fired power has been restrained and investment has shifted to renewable energy, and as a result, the number of new thermal power projects has declined. In response to the current environment, we have been strengthening our services and solutions business, reforming the layout of manufacturing facilities, and optimizing the allocation of personnel.

3. Industrial motors

Changes in material prices and foreign exchange rates caused by global economic developments and the trade policies of different countries have affected production costs and profitability. In response, we have reviewed our equipment lineup and raised prices for low-margin equipment. We have also implemented measures to optimize personnel and production systems.

4. Mobile HDD

We recognize that the market size of the Mobile HDDs will contract. In response, we are working to stabilize earnings by accelerating automated production and by ensuring production capacity matches projected demand. Amid the accelerating shift toward Nearline HDDs for data centers, we are also developing near-line HDDs and working to secure product certification from customers.

II. Implementation of the Early Retirement Incentive Program

As part of efforts to optimize the work force in the context of reforming production under the Toshiba Next Plan, at Toshiba Energy Systems & Solutions Corporation, Toshiba Digital Solutions Corporation, and some of their subsidiaries have accepted early retirement programs offered by the companies.

And on May 2019, Toshiba Device and Storage Corporation has decided to accept the early retirement programs.

◎ Removal of grace period pertaining to delisting due to confirmation that the liabilities in excess of assets have been cleared

At the end of fiscal year 2016, the Company was informed by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. that its stock had been designated as a “a security on alert” subject to a grace period pertaining to delisting due to liabilities in excess of assets. In fiscal year 2017, however, the Company increased capital through a third-party allotment and sold assets relating to Westinghouse Electric Company. As a result, shareholders’ equity improved and at the end of fiscal year 2017 liabilities in excess of assets were eliminated. Consequently, the two stock exchanges in June 2018 removed Toshiba’s stock from the grace period pertaining to delisting.

◎ **Reduction of the amount of Common Stock, etc.**

The Company, with an effective date of July 31, 2018, transferred the entire amount of capital legal reserves of 299,999,997,000 yen and reduced common stock of 499,999,997,000 yen by 299,999,997,000 yen, transferring the entire amount to other capital surplus. At the same time, 758,687,345,174 yen was reclassified as retained earnings brought forward. By this means, the Company funded the deficit in retained earnings brought forward in the Company's standalone balance sheet.

◎ **The agreement related to LNG in the US**

The Group resolved to sell for the agreement related to LNG in the US (the "agreement") to Total Gas & Power Asia Private Limited ("Total"), the Singaporean arm of Total S.A., the French major energy company. On May 31, 2019, the Group entered into a share transfer agreement (the "Transfer") with Total to transfer all of the issued shares of Toshiba America LNG Corporation ("TAL"), a consolidated subsidiary of the Group.

With the intent of selling LNG to customers in Japan and overseas, the Group has been preparing for the start of a liquefaction service in 2020 by executing series of agreements required for the agreement related to LNG in the US (the "LNG agreement"), including signing a 20-year liquefaction tolling agreement with FLNG Liquefaction 3, LLC ("FLIQ3"), a US LNG service provider, (the "Liquefaction Agreement") in 2013, followed by a pipeline capacity agreement (the "LNG Related Agreement"), and the transfer of those rights to TAL, which was established in 2017. In parallel, Toshiba Energy Systems & Solutions Corporation ("ESS"), which is responsible for the LNG agreement, entered into an agreement with TAL to receive the entire LNG capacity produced by TAL, through the Liquefaction Agreement and has subsequently promoted negotiations with multiple potential customers for LNG, in order to sell the entire annual capacity of 2.2 million tons of LNG, the volume that TAL has the right to liquefy.

The LNG Related Agreement is based on the premise that TAL will utilize the liquefaction capacity of FLIQ3 and pipeline capacity for the stipulated annual amount for 20 years, and that TAL has an obligation to pay fixed amounts for services and operations to FLIQ3 and the pipeline company, regardless of whether or not it sells LNG to customers through ESS. The Company provides a parent company guarantee for TAL in respect of its obligations under the liquefaction contract with FLIQ3.

On November 8, 2018, the Group entered into an agreement with China's ENN Ecological Holdings Co., Ltd. ("ENN") to transfer all of the issued shares of TAL to ENN, and also agreed that all contracts related to the LNG agreement entered into by the Group, including trading agreements between the Group and customers would either be transferred to ENN and its affiliates or canceled upon the completion of the share transfer agreement. However, the Group decided to terminate the agreement on April 17, 2019 and at the same time, the Group decided to restart the bidding process to transfer the LNG agreement to a third party.

On examining multiple proposals from potential buyers, the Group selected Total. The decision was made on the basis of the maximization of the Group's corporate value, and from the comprehensive perspectives of overall clarity, minimization of loss, and securing a full release from further risk of loss related to the LNG agreement.

Upon the completion of all the necessary procedures required for closing, including obtaining FLIQ3's approval , the Group will transfer to Total all outstanding shares of TAL held by Toshiba America Inc., a wholly owned subsidiary in the US, at a price of US$15 million (approx. 1.7 billion yen).

ESS will also transfer to Total its agreement with TAL requiring it to receive the entire amount of LNG, securing full dismissal of the responsibility to receive LNG from TAL under that agreement. In return, ESS will pay a one-time payment of US$815 million (approx. 91.2 billion yen) to Total. LNG sales contracts that ESS has concluded to date will be transferred to Total, with the agreement of the customers. The economic value of these contracts is reflected in the one-time payment. The Total agreement also provides that Total will provide a substitute guarantee over the obligations of TAL under the Liquefaction Agreement with FLIQ3. Upon approval by FLIQ3, Toshiba will be released from its guarantee over TAL. Once all of these transactions are concluded, TAL will be deconsolidated from the Group. In addition, ESS will be fully relieved from all obligations based on the contracts between the Group companies in relation to the LNG agreement and the Group will complete its full withdrawal from the LNG agreement.

With the conclusion of the Transfer, the Group anticipates that losses due to one-time payment and related expenses will be approximately 93.0 billion yen (US$ 838 million), and it plans to recognize this amount in the fiscal year 2019.

◎ **Toshiba Memory Corporation**

In June 2018, the Company transferred all shares of the former Toshiba Memory Corporation to K.K. Pangea and re-invested 350.5 billion yen in K.K. Pangea, becoming an affiliate of Toshiba Corporation accounting for under the equity method .Thereafter, in August 2018, K.K. Pangea carried out an absorption-style merger with the former Toshiba Memory Corporation with K.K. Pangea as the surviving company and the former Toshiba Memory Corporation as the absorbed company, and Pangea changed its name to Toshiba Memory Corporation. It also implemented a sole-share transfer making Toshiba Memory Corporation the wholly-owned subsidiary in the share transfer and establishing Toshiba Memory Holdings Corporation as the parent company on March 1, 2019, and Toshiba Memory Holdings Corporaiton was accounted for under the equity method

The Company plans to continue to hold the shares it owns in Toshiba Memory Holdings Corporation for the foreseeable future as a stable shareholder, cooperating to realize the new listing of the shares in accordance with the shareholder agreement concluded.

◎ **Shareholders Returns**

In November 2018, while securing the necessary resources to implement the Toshiba Next Plan, including investment in growth fields, etc., for the portion of the significant amount of capital gains recorded with the completion of the transfer of the shares in former Toshiba Memory Corporation with no immediate plans for use, to secure ample room for growth investment in the future, and in consideration of maintaining a sound shareholders' equity ratio based on the nature of the business, the Company decided that returning an amount of those capital gains that would not impact the risk tolerance to our shareholders and would lead to enhanced ROE (return on equity). After further considering the cost of capital, we determined that a shareholder return would be appropriate from the standpoint of further enhancing shareholder value, resolving to acquire up to 700.0 billion yen at treasury stock, from November 9, 2018 through November 8, 2019. The Company confirmed that it had a sufficient distributable amount to implement shareholder returns according to the temporary financial statements after temporarily closing its accounts on September 30, 2018. Because of this and considering that it has not paid a dividend for a considerable time, in February 2019, the Company decided to pay a special dividend of 20 yen per share recorded in the shareholder registry as of December 31, 2018, and to pay a year-end dividend of 10 yen per share in order to distribute the surplus. The total full year dividend will be 30 yen per share.

Toshiba Corporation and Consolidated Subsidiaries
As at March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars (Note 1)
Assets	**2019**	2018	**2019**
Current assets:			
Cash and cash equivalents	**¥ 1,335,520**	¥ 500,820	**$ 12,031,712**
Notes, accounts receivable and contract assets (Notes 6 and 12):			
Notes receivable	**79,072**	50,255	**712,360**
Accounts receivable and contract assets	**955,649**	940,315	**8,609,450**
Allowance for doubtful notes, accounts receivable and contract assets	**(19,466)**	(22,424)	**(175,369)**
Inventories (Note 7)	**468,878**	469,767	**4,224,126**
Other receivables (Note 6)	**82,944**	163,706	**747,243**
Prepaid expenses and other current assets (Notes 4 and 20)	**131,261**	180,176	**1,182,532**
Current assets of discontinued operations (Note 3)	**–**	1,296,481	**–**
Total current assets	**3,033,858**	3,579,096	**27,332,054**
Long-term receivables and investments:			
Long-term receivables (Notes 6 and 12)	**8,603**	7,862	**77,505**
Investments in and advances to affiliates (Notes 3, 5 and 8)	**501,052**	148,120	**4,513,982**
Marketable securities and other investments (Notes 4, 5 and 10)	**85,965**	89,858	**774,459**
Total long-term receivables and investments	**595,620**	245,840	**5,365,946**
Property, plant and equipment (Notes 4, 16, and 21):			
Land	**42,442**	42,079	**382,360**
Buildings	**642,613**	629,742	**5,789,306**
Machinery and equipment	**1,243,888**	1,232,282	**11,206,199**
Construction in progress	**28,939**	18,984	**260,712**
	1,957,882	1,923,087	**17,638,577**
Accumulated depreciation	**(1,572,162)**	(1,557,452)	**(14,163,622)**
Total property, plant and equipment	**385,720**	365,635	**3,474,955**
Other assets:			
Goodwill and other intangible assets (Notes 4, 9 and 16)	**116,595**	126,510	**1,050,405**
Deferred tax assets (Note 17)	**99,003**	76,326	**891,919**
Other assets (Notes 3,4 and 20)	**66,548**	64,804	**599,532**
Total other assets	**282,146**	267,640	**2,541,856**
Total assets	**¥ 4,297,344**	¥ 4,458,211	**$ 38,714,811**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
As at March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars (Note 1)
Liabilities and equity	**2019**	2018	**2019**
Current liabilities:			
Short-term borrowings (Notes 10 and 20)	**¥ 26,991**	¥ 89,891	**$ 243,162**
Current portion of long-term debt (Notes 10 and 20)	**330,753**	211,667	**2,979,757**
Notes and accounts payable	**660,792**	684,687	**5,953,081**
Other payables and accrued expenses (Notes 24 and 26)	**297,334**	303,568	**2,678,685**
Accrued income and other taxes (Note 17)	**49,422**	54,270	**445,243**
Advance payments received (Note 12)	**301,450**	288,720	**2,715,766**
Other current liabilities (Notes 3, 4, 12, 20, 23 and 24)	**211,677**	448,529	**1,907,000**
Current liabilities of discontinued operations (Note 3)	**–**	349,608	**–**
Total current liabilities	**1,878,419**	2,430,940	**16,922,694**
Long-term liabilities:			
Long-term debt (Notes 10 and 20)	**76,935**	390,860	**693,108**
Accrued pension and severance costs (Note 11)	**434,487**	443,092	**3,914,297**
Deferred tax liabilities (Note 17)	**57,515**	55,782	**518,153**
Other liabilities (Notes 4, 17, 20, 23, 24, 26 and 27)	**150,943**	126,803	**1,359,847**
Total long-term liabilities	**719,880**	1,016,537	**6,485,405**
Total liabilities	**¥ 2,598,299**	¥ 3,447,477	**$ 23,408,099**
Equity attributable to shareholders of the Company (Note 18):			
Common stock:			
Authorized–1,000,000,000 shares issued:			
2019–544,000,000 shares 2018–652,070,702 shares	**¥ 200,044**	¥ 499,999	**$ 1,802,198**
Additional paid-in capital	**–**	357,153	**–**
Retained earnings (accumulated deficit) (Note 2)	**1,528,463**	223,615	**13,769,937**
Accumulated other comprehensive loss (Note 2)	**(262,311)**	(295,572)	**(2,363,162)**
Treasury stock, at cost:			
2019–2,735,038 shares	**(9,537)**		**(85,919)**
2018–424,847 shares		(2,060)	
Total equity attributable to shareholders of the Company	**1,456,659**	783,135	**13,123,054**
Equity attributable to noncontrolling interests	**242,386**	227,599	**2,183,658**
Total equity	**¥ 1,699,045**	¥ 1,010,734	**$ 15,306,712**
Commitments and contingent liabilities (Notes 22, 23 and 24)			
Total liabilities and equity	**¥ 4,297,344**	¥ 4,458,211	**$ 38,714,811**

The accompanying notes are an integral part of these statements.
On October 10, 2018, Toshiba executed a share consolidation in a ratio of 10 shares to 1. Accordingly, the total number of authorized shares, the shares issued, and treasury shares are assumed to have been consolidated at the beginning of the previous fiscal year.

Consolidated Statements of Operations

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars (Note 1)
	2019	2018	**2019**
Sales and other income:			
Net sales	**¥ 3,693,539**	¥ 3,947,596	**$ 33,275,126**
Interest and dividend income	**6,249**	7,799	**56,297**
Equity in earnings of affiliates (Notes 3 and 8)	**12,901**	10,250	**116,225**
Other income (Notes 4, 5, 15 and 20)	**49,487**	184,599	**445,829**
	3,762,176	4,150,244	**33,893,477**
Costs and expenses:			
Cost of sales (Notes 4, 9, 13, 16, 21, 25 and 26)	**2,783,564**	2,983,039	**25,077,153**
Selling, general and administrative expenses (Notes 9, 13, 14, 25 and 26)	**864,690**	878,373	**7,790,000**
Impairment loss on goodwill (Notes 4 and 9)	**9,838**	–	**88,631**
Interest expenses	**10,563**	29,364	**95,162**
Other expenses (Notes 4, 5, 6, 15, 20, and 24)	**82,612**	177,090	**744,252**
	3,751,267	4,067,866	**33,795,198**
Income from continuing operations, before income taxes and noncontrolling interests	**10,909**	82,378	**98,279**
Income taxes (Note 17):			
Current	**30,793**	(21,709)	**277,414**
Deferred	**(15,241)**	(40,229)	**(137,306)**
	15,552	(61,938)	**140,108**
Income (loss) from continuing operations, before noncontrolling interests	**(4,643)**	144,316	**(41,829)**
Income from discontinued operations, before noncontrolling interests (Notes 3 and 20)	**1,040,240**	696,068	**9,371,532**
Net income before noncontrolling interests	**1,035,597**	840,384	**9,329,703**
Less: Net income attributable to noncontrolling interests	**22,341**	36,373	**201,271**
Net income attributable to shareholders of the Company	**¥ 1,013,256**	¥ 804,011	**$ 9,128,432**

Per Share Data

	Yen		US dollars (Note 1)
Basic net earnings per share attributable to shareholders of the Company (Note 19)			
Earnings (loss) from continuing operations	**¥ (43.72)**	¥ 217.30	**$ (0.39)**
Earnings from discontinued operations	**¥ 1,685.57**	¥ 1,411.58	**$ 15.18**
Net earnings	**¥ 1,641.85**	¥ 1,628.88	**$ 14.79**
Cash dividends per share	**¥ 30.00**	¥ –	**$ 0.27**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars (Note 1)
	2019	2018	**2019**
Net income before noncontrolling interests	**¥ 1,035,597**	¥ 840,384	**$ 9,329,703**
Other comprehensive income (loss), net of tax (Note 18)			
Net unrealized gains and losses on securities (Note 2 and 5)	**40**	12,928	**360**
Foreign currency translation adjustments	**62,172**	(39,210)	**560,109**
Pension liability adjustments (Note 11)	**5,043**	29,799	**45,432**
Net unrealized gains and losses on derivative instruments (Note 20)	**999**	1,512	**9,000**
Total other comprehensive income	**68,254**	5,029	**614,901**
Comprehensive income before noncontrolling interests	**1,103,851**	845,413	**9,944,604**
Less:Comprehensive income attributable to noncontrolling interests	**20,187**	26,224	**181,865**
Comprehensive income attributable to shareholders of the Company	**¥ 1,083,664**	¥ 819,189	**$ 9,762,739**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Equity

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen							
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to non controlling interests	Total equity
Balance at March 31, 2017	¥ 200,000	¥ 140,144	¥ (580,396)	¥ (310,750)	¥ (1,945)	¥ (552,947)	¥ 277,243	¥ (275,704)
Issuance of new shares (Note 18)	299,999	279,687				579,686		579,686
Change in ownership for noncontrolling interests and others		(62,678)				(62,678)	(64,886)	(127,564)
Dividends attributable to noncontrolling interests							(10,982)	(10,982)
Comprehensive income:								
Net income			804,011			804,011	36,373	840,384
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 5)				12,610		12,610	318	12,928
Foreign currency translation adjustments				(27,046)		(27,046)	(12,164)	(39,210)
Pension liability adjustments (Note 11)				28,128		28,128	1,671	29,799
Net unrealized gains and losses on derivative instruments (Note 20)				1,486		1,486	26	1,512
Total comprehensive income						819,189	26,224	845,413
Purchase and disposal of treasury stock, net, at cost					(115)	(115)		(115)
Balance at March 31, 2018	499,999	357,153	223,615	(295,572)	(2,060)	783,135	227,599	1,010,734
Cumulative effect of application of ASU 2014-09 (Note 2)			3,822			3,822	481	4,303
Cumulative effect of application of ASU 2016-01 (Note 2)			37,147	(37,147)				
Cumulative effect of application of ASU 2016-16 (Note 2)			(3,273)			(3,273)	(979)	(4,252)
Transfer to additional paid-in capital from common stock (Note 18)	(299,999)	299,999						
Transfer to retained earnings (accumulated deficit) from additional paid-in capital (Note 18)		(657,794)	657,794					
Change in ownership for noncontrolling interests and others	44	642				686	4,829	5,515
Dividends attributable to shareholders of the Company			(11,448)			(11,448)		(11,448)
Dividends attributable to noncontrolling interests							(9,731)	(9,731)
Comprehensive income:								
Net income			1,013,256			1,013,256	22,341	1,035,597
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 5)				20		20	20	40
Foreign currency translation adjustments				62,429		62,429	(257)	62,172
Pension liability adjustments (Note 11)				7,102		7,102	(2,059)	5,043
Net unrealized gains and losses on derivative instruments (Note 20)				857		857	142	999
Total comprehensive income						1,083,664	20,187	1,103,851
Purchase, disposal and retirement of treasury stock, net, at cost			(392,450)		(7,477)	(399,927)		(399,927)
Balance at March 31, 2019	¥ 200,044	¥ –	¥1,528,463	¥ (262,311)	¥ (9,537)	¥1,456,659	¥ 242,386	¥1,699,045

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Thousands of US dollars (Note 1)							
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to non controlling interests	Total equity
Balance at March 31, 2018	$ 4,504,495	$ 3,217,595	$ 2,014,550	$ (2,662,811)	$ (18,559)	$ 7,055,270	$ 2,050,442	$ 9,105,712
Cumulative effect of application of ASU 2014-09 (Note 2)			**34,432**			**34,432**	**4,334**	**38,766**
Cumulative effect of application of ASU 2016-01 (Note 2)			**334,657**	**(334,657)**				
Cumulative effect of application of ASU 2016-16 (Note 2)			**(29,486)**			**(29,486)**	**(8,820)**	**(38,306)**
Transfer to additional paid-in capital from common stock (Note 18)	**(2,702,693)**	**2,702,693**						
Transfer to retained earnings (accumulated deficit) from additional paid-in capital (Note 18)		**(5,926,072)**	**5,926,072**					
Change in ownership for noncontrolling interests and others	**396**	**5,784**				**6,180**	**43,504**	**49,684**
Dividends attributable to shareholders of the Company			**(103,135)**			**(103,135)**		**(103,135)**
Dividends attributable to noncontrolling interests							**(87,667)**	**(87,667)**
Comprehensive income: Net income			**9,128,433**			**9,128,433**	**201,270**	**9,329,703**
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 5)				**180**		**180**	**180**	**360**
Foreign currency translation adjustments				**562,423**		**562,423**	**(2,315)**	**560,108**
Pension liability adjustments (Note 11)				**63,982**		**63,982**	**(18,549)**	**45,433**
Net unrealized gains and losses on derivative instruments (Note 20)				**7,721**		**7,721**	**1,279**	**9,000**
Total comprehensive income						**9,762,739**	**181,865**	**9,944,604**
Purchase, disposal and retirement of treasury stock, net, at cost			**(3,535,586)**		**(67,360)**	**(3,602,946)**		**(3,602,946)**
Balance at March 31, 2019	**$ 1,802,198**	**$ –**	**$ 13,769,937**	**$ (2,363,162)**	**$ (85,919)**	**$ 13,123,054**	**$ 2,183,658**	**$ 15,306,712**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of US dollars (Note 1)
	2019	2018	**2019**
Cash flows from operating activities			
Net income before noncontrolling interests	**¥ 1,035,597**	¥ 840,384	**$ 9,329,703**
Adjustments to reconcile net income (loss) before noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**78,518**	118,070	**707,369**
Provisions for pension and severance costs, less payments	**(13,031)**	9,016	**(117,396)**
Deferred income taxes	**(12,641)**	(99,776)	**(113,883)**
Equity in earning of affiliates, net of dividends	**(6,608)**	(8,167)	**(59,531)**
(Gain) loss from sales, disposal and impairment of property, plant and equipment and intangible assets, net	**23,276**	(2,597)	**209,693**
Gain from sales and impairment of securities, net	**(936,386)**	(51,501)	**(8,435,910)**
Changes in operating assets and liabilities:			
Increase in notes, accounts receivable and contract assets	**(41,935)**	(74,367)	**(377,793)**
Increase in inventories	**(65,899)**	(30,156)	**(593,685)**
Increase (decrease) in notes and accounts payable, trade	**(10,396)**	31,256	**(93,657)**
Increase (decrease) in accrued income and other taxes	**(14,111)**	1,691	**(127,126)**
Increase (decrease) in advance payments received	**7,241**	(17,085)	**65,234**
Others	**81,230**	(679,401)	**731,802**
Net cash provided by operating activities	**124,855**	37,367	**1,124,820**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	**4,749**	25,811	**42,784**
Proceeds from sale of securities	**1,637**	2,759	**14,747**
Acquisition of property, plant and equipment	**(122,555)**	(179,027)	**(1,104,099)**
Acquisition of intangible assets	**(15,682)**	(20,881)	**(141,279)**
Purchase of securities	**(1,913)**	(16,737)	**(17,234)**
Increase in investments in affiliates	**(30,381)**	(117,214)	**(273,703)**
Proceeds from sale of Landis+Gyr Group AG stock	**–**	149,728	**–**
Proceeds from sale of Toshiba Memory Corporation stock	**1,458,289**	–	**13,137,739**
Others	**11,290**	8,848	**101,712**
Net cash provided by (used in) investing activities	**1,305,434**	(146,713)	**11,760,667**
Cash flows from financing activities			
Proceeds from long-term debt	**4,605**	2,826	**41,486**
Repayment of long-term debt	**(198,906)**	(256,333)	**(1,791,946)**
Decrease in short-term borrowings, net	**(63,047)**	(239,271)	**(567,991)**
Proceeds from stock offering	**–**	573,447	**–**
Dividends paid	**(22,249)**	(10,940)	**(200,441)**
Purchase of treasury stock, net	**(399,924)**	(115)	**(3,602,919)**
Others	**34,503**	(133,227)	**310,838**
Net cash used in financing activities	**(645,018)**	(63,613)	**(5,810,973)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**1,592**	(1,615)	**14,342**
Net increase (decrease) in cash, cash equivalents and restricted cash	**786,863**	(174,574)	**7,088,856**
Cash, cash equivalents and restricted cash at the beginning of the fiscal year	**548,657**	723,231	**4,942,856**
Cash, cash equivalents and restricted cash at the end of the fiscal year	**1,335,520**	548,657	**12,031,712**
Less: Cash, cash equivalents and restricted cash of discontinued operations at the end of the fiscal year	**–**	32,299	**–**
Cash, cash equivalents and restricted cash of continuing operations at the end of the fiscal year	**¥ 1,335,520**	¥ 516,358	**$ 12,031,712**

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2019 and 2018

Cash, cash equivalents and restricted cash of continuing operations at the end of the fiscal year are included in the following accounts in the consolidated balance sheets.

Cash and cash equivalents	**¥ 1,335,520**	¥ 500,820	**$ 12,031,712**
Restricted cash included in other assets	**–**	15,538	**–**
Cash, cash equivalents and restricted cash of continuing operations at the end of the fiscal year	**¥ 1,335,520**	¥ 516,358	**$ 12,031,712**

For the fiscal year ended March 31, 2018, restricted cash of ¥15,538 million is cash collateral for guarantees on third party lease contracts.

Supplemental disclosure of cash flow information

	Millions of yen		Thousands of US dollars
	2019	2018	**2019**
Cash paid during the fiscal year:			
Interest	**¥ 10,383**	¥ 23,375	**$ 93,541**
Income taxes	**70,263**	104,845	**633,000**
Sale of Landis+Gyr Group AG stock:			
Assets transferred (net of cash and cash equivalents)	**–**	290,311	**–**
Liabilities relinquished	**–**	94,566	**–**
Sale of Toshiba Memory Corporation stock:			
Assets transferred (net of cash and cash equivalents)	**1,372,076**	–	**12,361,045**
Liabilities relinquished	**538,760**	–	**4,853,694**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2019

1. PRINCIPLES AND PROCEDURES OF ACCOUNTING TREATMENT, AND PRESENTATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Group issued American Depository Receipts in February 1962, and European Depository Receipts in February 1970. By doing so, the Group prepared and disclosed consolidated financial statements based on the terminology, forms and preparation methods required in connection with offering and placement of American Depository Receipts ("US GAAP Consolidated Financial Statements"). For this reason, the Group submitted an "Application for approval pursuant to handling guideline No. 86 for the Regulations of Consolidated Financial Statements" to the Minister of Finance on March 22, 1978, and obtained approval under the Ministry of Finance Certificate No. 494 on March 31 of the same year. Since then, the Group has prepared and disclosed US GAAP Consolidated Financial Statements.

The Group had been registered with the US Securities and Exchange Commission since the issuance of American Depositary Receipts in February 1962; however, it is no longer registered after the expiration of the deposit contract in November 1978.

Significant differences between the accounting principles and the presentation methods adopted by the Group for the consolidated financial statements compared to the ones in Japan, are described as follows:

As used in the notes accompanying the consolidated financial statements, "the Company" represents Toshiba Corporation and "the Group" represents Toshiba Corporation and its consolidated subsidiaries, unless the context otherwise requires.

1) Format of consolidated statements of operations
Consolidated statements of operations are prepared in a single-step income statement, under which profit or loss is presented by deducting total costs and expenses from total sales and other income.

2) Consolidation of variable interest entities
In accordance with Accounting Standards Codification ("ASC") No.810 "Consolidation" ("ASC No.810"), the consolidated financial statements include the accounts of the variable interest entities ("VIEs") for which the Group is the primary beneficiary as described in Note 28.

3) Goodwill and other intangible assets
In accordance with ASC No.350 "Intangibles – Goodwill and Other", the Group does not amortize goodwill and other intangible assets with indefinite useful lives but tests it for impairment at least annually.

4) Allowance for compensated absences
In accordance with ASC No.710 "Compensation-General", the Group accrues a liability for amounts to be paid as a result of employees' rights to compensated absences.

5) Accrued pension and severance costs
Accrued pension and severance costs are recorded in accordance with ASC No.715 "Compensation-Retirement Benefits". Settlements and curtailments of retirement benefit plans and the transfer to the Japanese government of the substitutional portion of employee pension are also accounted in accordance with this ASC.

6) Discontinued operations
In accordance with ASC No.205-20 "Presentation of Financial Statements - Discontinued Operations", the financial position and the results of operations relating to discontinued operations are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations. Refer to Note 3 for the presentation of discontinued operations. In addition, the related balances in the notes to financial statements of the previous fiscal year are reclassified to reflect these changes.

7) Income tax expenses or benefits
In accordance with ASC No. 740-20 "Intra-period Tax Allocation", the Group allocates total income tax expenses or benefits to different components of comprehensive income and shareholders' equity. Refer to Note 17 for the presentation of income taxes.

8) The amount of expenses for newly issued shares
The amount of expenses for newly issued shares after considering the tax effect is deducted from Additional paid-in capital.

9) Equity securities
In accordance with ASC No. 321 "Investments-Equity Securities", equity securities are measured at fair value and the changes are recognized in net income.

US DOLLAR AMOUNTS

US dollar amounts are included solely for convenience of readers. These translations should not be construed as a representation that the yen could be converted into US dollars at this rate or any other rates. The amounts shown in US dollars are not intended to be computed in accordance with generally accepted accounting principles in the United States for the translation of foreign currency amounts. The rate of ¥111=US $1, the approximate current rate of exchange at March 31, 2019, has been used throughout for the purpose of presentation of the US dollar amounts in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and VIEs for which the Group is the primary beneficiary in accordance with the ASC No.810. All significant intra-entity transactions and account balances are eliminated on consolidation.

Investments in affiliates over which the Group has the ability to exercise significant influence are accounted for under the equity method of accounting. Net income (loss) attributable to shareholders of the Company includes its equity in net income (loss) of such affiliates after elimination of unrealized intra-entity gains. The proportionate share of the income or loss of the companies accounted for under the equity method is recognized from the most recent available financial statements.

2) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The Group has identified significant areas where it believes assumptions and estimates are particularly critical to the consolidated financial statements. These are the determination of impairment of long-lived tangible and intangible assets and goodwill, recoverability of receivables, realization of deferred tax assets, uncertain tax positions, pension accounting measurement, revenue recognition and other valuation allowances and reserves including contingencies for litigations. Actual results could differ from those estimates.

3) CASH EQUIVALENTS

All highly liquid investments with original maturities of 3 months or less at the date of purchase are considered to be cash equivalents.

4) FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign consolidated subsidiaries and affiliates that operate in a local currency environment are translated into Japanese yen at applicable current exchange rates at the end of the fiscal year. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The effects of these translation adjustments are included in accumulated other comprehensive income (loss) and reported as a component of equity. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in other income or other expenses in the consolidated statements of operations.

5) ALLOWANCE FOR DOUBTFUL NOTES AND ACCOUNTS RECEIVABLE

An allowance for doubtful notes and accounts receivable is recorded based on a combination of the write-off history, aging analysis and an evaluation of any specific known troubled accounts. When all collection efforts are exhausted including legal recourse, the accounts or portions thereof are deemed to be uncollectible are charged against the allowance.

6) MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities contain both debt securities and equity securities. The Group classifies debt securities as available-for-sale which are measured at fair value, with unrealized gains and losses included in accumulated other comprehensive income (loss), net of tax. Equity securities are measured at fair value, with changes recorded as net income (loss).The Group elects to measure an equity security that does not have a readily determinable fair value under the cost method minus impairment, if any, and recognizes positive or negative changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Realized gains or losses on the sale of securities are based on the average cost of a particular security held at the time of sale.

Other investments without quoted market prices are stated at cost.

Decreases in the fair value of equity securities measured at cost are evaluated qualitatively for indicators of impairment. Any resulting impairments are recorded as a loss for the estimated decline in fair value. In addition, debt securities and other investments are regularly reviewed for other-than-temporary impairments in the carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the Group's intent and ability to retain marketable securities and investment securities for a period of time sufficient to allow for any anticipated recovery in market value. When such a decline exists, the Group recognizes an impairment loss to the extent of such decline.

7) INVENTORIES

Raw materials, finished products and work in process for products are stated at the lower of cost or net realizable value, cost being determined primarily by the average cost method. Finished products and work in process for contract items are stated at the lower of cost or estimated realizable value, cost being determined by accumulated production costs.

Certain inventory held by the Group is designated for long-term contracts and is included in current assets in accordance with the operating cycle for construction-type contracts.

8) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant renewals and additions, are carried at cost. Depreciation for property, plant and equipment is computed primarily by the straight-line method.

The estimated useful lives of buildings are 3 to 60 years, and those of machinery and equipment are 2 to 20 years. Maintenance and repairs, including minor renewals and betterments, are expensed as incurred.

9) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, other than goodwill and intangible assets with indefinite useful lives, are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. If the estimate of undiscounted cash flow is less than the carrying amount of the asset, an impairment loss is recorded based on the fair value of the asset. Fair value is determined by using the anticipated cash flows discounted at a rate commensurate with the risk involved. For assets held for sale, an impairment loss is further increased by costs to sell. Long-lived assets to be disposed of other than by means of sale, are considered to be held and used until disposed of.

10) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Goodwill is assigned to reporting units. If the carrying amount of a reporting unit exceeds its fair value, the implied fair value of goodwill is calculated. If the carrying amount of reporting units' goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized to the amount equal to that excess on the condition that it should not exceed the total amount of goodwill allocated to that reporting unit. The annual goodwill measurement date is generally January 1 for each reporting unit. In addition to the annual impairment test, an impairment test is performed if any situation that indicates a decline in enterprise fair value (for example, an adverse change in the business climate, etc.) arises.

Intangible assets with finite useful lives, consist primarily of core and current technology and software, are amortized using the straight-line method over their respective contractual periods or estimated useful lives.

11) ENVIRONMENTAL LIABILITIES

Liabilities for environmental remediation and other environmental costs are accrued when environmental assessments or remedial efforts are probable and the costs can be reasonably estimated, based on current law and existing technologies. Such liabilities are subsequently adjusted as further information develops or circumstances change. Costs of future obligations are not discounted to their present values.

12) INCOME TAXES

The provision for income taxes is computed based on the income (loss) from continuing operations, before income taxes and noncontrolling interests included in the consolidated statements of operations. Deferred income taxes are recorded to reflect the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, and are measured by applying currently enacted tax laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that a law regarding the change is enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Group recognizes the financial statement effects of tax positions when they are more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

13) ACCRUED PENSION AND SEVERANCE COSTS

The Group have various retirement benefit plans covering substantially all employees. Prior service costs resulting from amendments to the plans are amortized over the average remaining service period of the employees that are expected to receive the benefits. Unrecognized actuarial gains and losses that exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets are also amortized over the average remaining service period of the employees expected to receive the benefits.

14) NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY
Basic net earnings (loss) per share attributable to shareholders of the Company ("EPS") are computed based on the weighted-average number of shares of common stock outstanding during each period.

15) REVENUE RECOGNITION
The Group adopted Accounting Standard Update (ASU) No. 2014-09 "Revenue from Contracts with Customers" effective from the first quarter of fiscal year ended March 31, 2019.

The key goods and services of the Group include mass-produced standard products (e.g., semiconductors, multi-function peripherals, and Point of Sale (POS) systems), made-to-order products under a construction-type or production-type contract with specifications unique to a customer (e.g., nuclear power generation systems, thermal power generation systems, and building & facility solutions) and services, such as maintenance services.

The Group recognizes revenue when (or as) the promised goods or services are transferred to customers, which occurs when (or as) the customers obtain control of the promised goods or services.

The revenue is calculated by deducting expected rebates from the promised consideration under the agreement with a customer.

16) PROVISION FOR CONTRACT LOSSES
A provision for contract losses is recorded in its entirety when the loss first becomes evident.

17) SHIPPING AND HANDLING COSTS
The Group includes shipping and handling costs, which totaled ¥40,042 million ($360,739 thousand) and ¥42,746 million for the fiscal years ended March 31, 2019 and 2018 respectively, in selling, general and administrative expenses.

18) DERIVATIVE FINANCIAL INSTRUMENTS
The Group uses a variety of derivative financial instruments, which include forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options for the purpose of currency exchange rate and interest rate risk management. The Group's policies prohibit holding or issuing derivative financial instruments for speculative or trading purposes. Refer to Note 20 for descriptions of these financial instruments.

The Group recognizes all derivative financial instruments, such as forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options in the consolidated financial statements at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in fair value of derivative financial instruments accounted for as fair value hedges are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in fair value of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective as a hedge, are recorded in accumulated other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

The Group utilizes forward exchange contracts and foreign-currency-denominated debt in order to hedge the risk of fluctuation of exchange rate on the investments in foreign subsidiaries. The income or loss on the hedging derivative or non derivative instrument in a hedge of a net investment in foreign subsidiaries is reported in other comprehensive income as a part of foreign currency translation adjustment to the extent it is effective as a hedge. The amounts of the hedge whose effectiveness cannot be recognized are recorded in income (loss). When all or partial investments in foreign subsidiaries are sold or when an entity is liquidated, the hedge amounts are recorded in income (loss).

19) SALES OF RECEIVABLES
The Group has transferred certain trade notes and accounts receivable under several securitization programs. When a transfer of financial assets is eligible to be accounted for as a sale under ASC No.860 "Transfers and Servicing" ("ASC No.860"), these securitization transactions are accounted for as a sale and the receivables sold under these facilities are excluded from the accompanying consolidated balance sheets.

20) ASSET RETIREMENT OBLIGATIONS
The Group records asset retirement obligations at fair value in the period incurred. The fair value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability increases due to the passage of time based on the time value of money until the obligation is settled. Subsequent to the initial recognition, the liability is adjusted for any revisions to the expected amount of the retirement obligation, and for accretion of the liability due to the passage of time.

21) ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2014, Financial Accounting Standard Board (FASB) issued ASU No. 2014-09 "Revenue from Contracts with Customers." ASU No. 2014-09 supersedes all previous revenue recognition requirements and affects any entity that either enters into contracts with customers for transfers of goods or services, or enters into contracts for transfers of nonfinancial assets, unless those contracts are within the scope of other standards. Under ASU No. 2014-09, an entity should apply the five-step approach to recognizing revenue. ASU No. 2014-09 also requires an entity to disclose its contracts with customers; the significant judgments, and changes in judgments, made in applying the new standard to those contracts; and the qualitative and quantitative information about assets recognized from the costs of obtaining or fulfilling a contract with a customer. The Group adopted ASU No. 2014-09 effective from the first quarter, beginning April 1, 2018, and applied the modified retrospective method to contracts that were not completed as of the date of adoption. In association with the adoption of ASU No.2014-09, the Group had been analyzing the details of its contracts. As a result, the Group changed its revenue recognition for certain transactions from at the point of completion to a fixed term based on the transfer of control of goods or services. In addition, the Group modified the separation of performance obligations and the allocation of transaction prices for transactions whose revenue had been deferred due to the absence of vendor-specific objective evidence of the fair value of goods or services transferred for allocating transaction prices. While the adoption of ASU No. 2014-09 partially affected the Group's revenue recognition, especially with regard to the transactions above, the Group assessed the impact on the consolidated financial statements as immaterial.

The Group adopted ASU No. 2016-01 "Financial Instruments Overall Recognition and Measurement of Financial Assets and Financial Liabilities" effective from the first quarter, beginning April 1, 2018. ASU No. 2016-01 made revisions concerning the recognition, measurement, presentation and disclosure of financial instruments, and the amendments in this update require equity investments excluding investments in consolidated subsidiaries and affiliated companies to be measured at fair value, with changes in fair value recognized in net income (loss). As a result of adopting this standard, a cumulative-effect adjustment to retained earnings of 37,147 million yen was recognized as the after-tax unrealized gains of available-for-sale equity securities previously recognized in accumulated other comprehensive income at the beginning of the fiscal year.

The Group adopted ASU No. 2016-16 "Income Taxes Intra-Entity Transfers of Assets Other Than Inventory" effective from the first quarter, beginning April 1, 2018. This ASU requires recognition of the income tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. Prior to the adoption of this ASU, US GAAP prohibited the recognition of income tax consequences for asset transfers, other than inventory, until the asset was sold to a third party. ASU No. 2016-16 requires an entity to recognize the cumulated adjustment amount to opening retained earnings at the beginning of the fiscal year on a modified retrospective basis, and the Group assessed the impact of the adoption on the consolidated financial statements as immaterial.

The Group adopted ASU No. 2016-18 "Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" effective from the first quarter, beginning April 1, 2018. This ASU requires an entity to report restricted cash and cash equivalents in cash and cash equivalents in the consolidated cash flow statement. As a result of adopting this standard, cash, cash equivalents and restricted cash in the consolidated cash flow statements for the fiscal years ended March 31, 2019 and 2018 indicate cash and cash equivalents including restricted cash.

The Group adopted ASU No. 2017-07 "Compensation Retirement Benefits Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" effective from the first quarter, beginning April 1, 2018. This ASU requires an entity to separate the service component from other components of the net benefit cost, and to recognize it with other employee compensation costs in the income statement. Other components of the net benefit cost are recognized separately, such as in other income (expense). As a result of adopting this standard, 1,923 million yen ($17,324 thousand) from cost of sales and 2,699 million yen ($24,315 thousand) from selling, general and administrative expenses were reclassified to other expenses for the fiscal year ended March 31, 2019 and 3,801 million yen from cost of sales and 18,313 million yen from selling, general and administrative cost were reclassified to other expenses for the fiscal year ended March 31, 2018.

The Group adopted ASU No. 2016-15 "Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)" effective from the first quarter, beginning April 1, 2018. This ASU adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. As a result of adopting this standard, 4,274 million yen of cash flows from operating activities was reclassified to cash flows from investing activities in the consolidated cash flow statement for the fiscal year ended March 31, 2018.

22) RECENT PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02 “Leases”. ASU No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities in the consolidated balance sheets, with some exceptions, related to their lease agreements that are classified as operating leases.

The Group will adopt ASU No. 2016-02 effective from the first quarter, beginning April 1, 2019, and will recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings. In applying ASU No. 2016-02, for contracts that have expired or still effective as of the initial application date, the Group will adopt a series of practical expedients that allows an entity to not need to reassess, whether a lease contract contains a lease, an existing lease classification and the capitalization of any initial direct costs. The Group also will elect to apply the short-term lease exemption.

As a result, right-of-use assets and lease liabilities in the consolidated balance sheets will increase by ¥174,005 million ($1,567,613 thousand) and ¥176,825 million ($1,593,018 thousand), respectively. The Group has assessed the impact on the opening balance of retained earnings, other items within profit or loss , and the consolidated statement of cash flows as immaterial.

23) RECLASSIFICATIONS

Certain reclassifications to the prior year's consolidated financial statements and related footnote amounts have been made to conform to the presentation for the current year.

3. DISCONTINUED OPERATIONS

Westinghouse Group's Nuclear Power business

In the March 29, 2017 press release titled "Notice on Chapter 11 Filing by Westinghouse Electric Company and its Group Entities," the Company announced that Westinghouse Electric Company ("WEC"), WEC's US subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse Group operating companies outside the US (collectively, the "Filing Companies" or "WEC Group"), all of which were previously reported in the Energy Systems & Solutions segment, have resolved and then filed for a voluntary petition under Chapter 11 of the US Bankruptcy Code on March 29, 2017 (US time) with the Bankruptcy Court of New York. In addition, with the commencement of the filing, WEC Group was deconsolidated from the Group as WEC Group is no longer under the control of the Company.

The aforementioned Chapter 11 filing by the Filing Companies would meet the Group's objective to eliminate risks in the overseas nuclear power business related to AP1000 and corresponds to the disposal of a major business line and represents a strategic shift that will have a major effect on the Group's business operation and financial results.

Consequently, pursuant to ASC No.205-20, the results of operations of the component that was disposed of are presented separately in the consolidated statements of operations as those of discontinued operations.

The results of operations of the relevant component that was disposed of, reclassified as discontinued operations, are as follows.

Assets and liabilities of the component that was disposed of presented in the consolidated balance sheets as of March 31, 2019 and 2018 are immaterial.

Results of operations

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Sales and other income	**¥ 40,301**	¥ 272,925	**$ 363,072**
Net sales	**–**	–	**–**
Other income	**40,301**	272,925	**363,072**
Costs and expenses	**(2,219)**	16,789	**(19,991)**
Cost of sales	**–**	–	**–**
Selling, general and administrative expenses	**(2,219)**	–	**(19,991)**
Other expenses	**–**	16,789	**–**
Income from discontinued operations, before income taxes and noncontrolling interests	**42,520**	256,136	**383,063**
Loss on sale of shares of discontinued operations, before income taxes and noncontrolling interests	**(29,188)**	–	**(262,955)**
Income taxes	**–**	–	**–**
Income from discontinued operations, before noncontrolling interests	**13,332**	256,136	**120,108**
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	**–**	–	**–**
Net income from discontinued operations attributable to shareholders of the Company	**¥ 13,332**	¥ 256,136	**$ 120,108**

Notes: For the fiscal year ended March 31, 2018, other income principally represents the gain on the sale of claims including the subrogated right (right to assert claims) and includes reversals of provisions for losses on guarantees or for loan losses due mainly to the completion of construction work for which the Company provided parent company guarantees. Other expenses principally represents the loss on the valuation of the shares of the WEC Group, which the Company additionally acquired in conjunction with the exercise of put options by Kazatomprom, a minority shareholder of WEC, and includes the allowance for doubtful notes and accounts for claims on the WEC Group that was recorded by the Company in connection with letter of credit commissions.

For the fiscal year ended March 31, 2019, Selling, general and administrative expenses is the reversal of allowance for doubtful notes and accounts receivable due mainly to the collection of a portion of operating receivables from the WEC Group.

The Company and the owners of a project in Georgia, US, for the construction of two nuclear power plants with Westinghouse AP1000 reactors reached an agreement that sets the limit of the Company's parent company guarantee obligation at US$3,680 million (412.6 billion yen) ("maximum limit"), and that specifies that payments to Southern Company, the parent company of Georgia Power Company, are to be made in installments during the period from October 2017 to January 2021. This agreement was signed in the United States on June 9, 2017. In addition, the Company and the owners of a project in South Carolina, US, for the construction of two nuclear power plants with Westinghouse AP1000 reactors reached an agreement that sets the limit of the Company's parent company guarantee obligation at US$2,168 million (244.8 billion yen) ("maximum limit"). The agreement, which was signed in the US on July 27, 2017, also specifies that payments to SCANA Corporation, the parent company of South Carolina Electric & Gas Company, are to be made in installments during the period from October 2017 to September 2022. The maximum limit of the Company's guarantees for all four nuclear power reactors of the US nuclear power construction projects have been definitively determined, and the Company has now eliminated the risk of additional payment related to its parent company guarantee. These agreements specify that the agreed maximum limit shall not be subject to any subsequent increase or to any further claims against the Company, even in the event of future increases in construction costs.

Moreover, the Company reached an agreement with Georgia Power in its role as agent for the owners of the project, for the Company to make a payment of US$3,225 million (361.4 billion yen) as the remaining outstanding amount, following an earlier payment of US$455 million (51.2 billion yen) from the maximum limit of US$3,680 million (412.6 billion yen), of the Company's guarantee obligation. The payment was completed on December 14, 2017 with funds gained through third-party allotment. In addition, the Company also entered into an agreement with South Carolina Electric & Gas Company and Santee Cooper, and subsequently with Citigroup, now the holder of the rights to the claim of parent company guarantee payment after purchasing them from the two owners of the project, that determined to pay in full amount of the remaining outstanding balance of the Company's parent company guarantee obligations of which the maximum limit was set at US$2,168 million (244.8 billion yen). On January 12, 2018, the Company made a payment to Citigroup in the amount of US$1,860.5 million (210.2 billion yen). This constituted the outstanding amount of the parent company guarantee obligation reflecting the previously paid amount of US$247.5 million (27.9 billion yen), adjusted to deduct US$60 million (6.7 billion yen) related to the mechanic's lien, a guarantee of payment to builders, contractors and construction firms for their work. In addition, by settling the aforementioned obligations to creditors, the Company obtained the right to pursue claims against WEC for the amount paid by the Company. The Company entered into agreements for the transfer of claims, including the subrogated right (reimbursement right) and WEC-related shares with Nucleus Acquisition LLC, a consortium controlled by US firm, the Baupost Group, L.L.C., Brookfield Business Partners LP ("Brookfield"), and Brookfield WEC Holdings LLC ("BWH"), a corporation controlled by other affiliates of Brookfield. The transfer of the claims was completed on January 23, 2018. With regard to shares in Toshiba Nuclear Energy Holdings (US) Inc. ("TNEH (US)"), the transfer was completed on April 6, 2018 (US time), and with regard to shares in Toshiba Nuclear Energy Holdings (UK) Limited ("TNEH (UK)"), the transfer was completed on July 31, 2018 (US time). The sale price of both transactions was US$1 (106 yen). Upon completion of the sale of TNEH(US) shares, TNEH(US) was deconsolidated from the Group in the first quarter of fiscal year ended March 31, 2019, and 35.1 billion yen ($316.0 million) was recorded as loss on sale, mainly due to foreign currency translation adjustment. Meanwhile, TNEH (UK) had already been deconsolidated from the Group since the commencement of WEC Group reorganization proceedings in the previous fiscal year. As a result, no loss arose from the transfer of shares in the second quarter of fiscal year ended March 31, 2019.

The Company also entered into an agreement on January 17, 2018 (US time) to sell its entire interest in LC Collateral SPV LLC, a consolidated subsidiary of the Company established as a fund manager responsible for such functions as providing collateral to financial institutions with which WEC has had transactions, to LC SPV ACQUISITION LLC (US company) from the viewpoint of eliminating uncertainty in realizing a future return of collateral provided and lack of clarity in the timing of the return, and the sale of the entire interest was completed on April 2, 2018 (US time). The sale price for the interest was US$100 million (10.6 billion yen), and 5.9 billion yen ($53.0 million) was recorded as gain on sale related to the sale of the interest in the first quarter of fiscal year ended March 31, 2019. As a result of the completion of the acquisition of WEC Group by affiliates of Brookfield on August 1, 2018 (US time), the probability of future losses resulting from payment of remaining guarantee obligations is low, and the Company is now able to seek indemnification from affiliates of Brookfield for losses arising from fulfillment of the Company's parent company guarantees. Accordingly, in the second quarter of fiscal year ended March 31, 2019, the Company recorded 24.7 billion yen ($223.0 million)gain on the reversal of provisions for losses on guarantees related to the parent company guarantees. In addition, the Company had pledged cash collateral and recorded an allowance for doubtful notes and accounts receivable for the full amount relating to parent company guarantees for which guarantors had required cash collateral, but recorded 15.5 billion yen ($140.0 million) gain on the reversal of the allowance for doubtful notes and accounts receivable in the second quarter of fiscal year ended March 31, 2019 for the same reason. The reversals of the allowance for losses relating to the parent company guarantees and the allowance for doubtful notes and accounts receivable are presented in "Other income" of the results of operations above.

Depreciation and amortization and capital expenditures relating to the relevant component that was disposed of, reclassified as discontinued operations, are immaterial.

There is no significant continuing involvement between the continuing operations of the Group and the aforementioned component that was disposed of.

Memory business

In order to secure the management resources necessary for further growth of the memory business (that was previously included in the Storage & Electronic Devices Solutions segment for reporting purposes) and to strengthen the Group's financial condition, the Company considered the introduction of third-party capital, and the transfer of a majority stake of the memory business. Toshiba Memory Corporation (TMC), a newly created subsidiary of the Company was established through a company split on April 1, 2017 to hold the memory business.

The Company resolved, at the Board of Directors meeting held on September 20, 2017, to transfer all shares of TMC to K.K. Pangea (the "Transferee Company"), a special purpose acquisition company formed by a consortium led by Bain Capital, and entered into a share transfer agreement with the Transferee Company (the "Share Transfer"), and concluded the share transfer agreement on September 28, 2017. These decisions to enter into share transfer agreement represented a strategic shift that had a major effect on the Group's business operations, financial position and results of operations, etc. Consequently, pursuant to ASC No.205-20, the financial position and results of operations up until the completion of the Share Transfer are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations.

The Company confirmed with the Transferee Company that all of the preconditions for the Share Transfer had been met, including obtaining the approval of the necessary competition law authorities, and completed the Share Transfer on June 1, 2018. The sale price was 2 trillion, 300 million yen ($18,021 million), and the Group recorded a 965.5 billion yen ($8,698.0 million) gain on disposal relating to the Share Transfer in the first quarter of fiscal year ended March 31 2019. In addition to the Share Transfer, the Company re-invested a total of 350.5 billion yen ($3,158.0 million) in the Transferee Company: 109.6 billion yen ($987.0 million) in common stock with voting rights; and 240.9 billion yen ($2,171.0 million) in convertible preferred stock. As a result, while TMC was a wholly-owned subsidiary of the Company before the transfer, TMC was deconsolidated from the Group and the Group's remaining 40.2% common stock investment in TMC was accounted for under the equity method from June 1, 2018. These common stocks are classified as investments in affiliated companies accounted for under the equity method and these convertible preferred stocks are classified as the equity securities for which fair value cannot be readily determined. The above sale price was calculated by adjusting the differences between estimated net debt, working capital and accumulated capital expenditure of TMC as of May 31, 2018 that the Company had provided to the Transferee Company in accordance with the share purchase agreement and the estimated amount agreed within the parties in the share purchase agreement. In September 2018, the Company and the Transferee Company confirmed the differences between the estimated amounts and the actual amounts, calculated the final sale price, and made an adjustment for the difference with the sale price above, and an additional 4.7 billion yen ($43.0 million) was recorded as gain on disposal relating to the Share Transfer in the second quarter of fiscal year ended March 31, 2019.The company received proceeds in the amount of the selling price of 2 trillion, 300 million yen, plus the additional consideration of 4.7 billion yen, less the amount of the re-investment of 350.5 billion yen. The Company spent 6.0 billion yen ($54.0 million) for sale related expenditures, and cash and cash equivalents of 190.2 billion yen ($1,714.0 million) were decreased due to the deconsolidation of TMC from the Group. Consequently, the cash inflows from this transaction were 1 trillion, 458.3 billion yen ($13,138.0 million). Further, pursuant to ASC No. 323-10 "Investment – Equity Method and Joint Ventures" and ASC No. 810-10, the 350.5 billion yen re-investment in the Transferee Company was re-measured at fair value using the discounted cash flow method and comparable peer company multiple method, but there were no material differences.

The Group records the interests of earnings of the Transferee Company and TMC subsequent to the closing of the Share Transfer. The pretax income of the Transferee Company and TMC after the Share Transfer until March 31, 2019 was 226.5 billion yen ($2,041.0 million) (before taking account of the impact of PPA described below), net income was 166.5 billion yen ($1,500.0 million), and equity in earnings of affiliates attributable to the Group were 67.0 billion yen ($604.0 million). The Transferee Company conducted Purchase Price Allocation ("PPA") procedures based on fair value as of the acquisition date (June 1, 2018), which it completed in the third quarter of fiscal year ended March 31, 2019. Until the second quarter, the Transferee Company recorded the assets acquired and the liabilities assumed from TMC provisionally at the carrying amount and recorded the full amount of the 784.1 billion yen ($7,064.0 million) difference between the net carrying amount and the acquisition value of TMC shares as goodwill. However, as a result of PPA, adjustments to fair value of 138.8 billion ($1,250.0 million) yen in inventories and 429.5 billion yen ($3,869.0 million) in fixed assets were identified, and 172.0 billion yen ($1,549.0 million) in deferred tax liabilities was recorded. Consequently, the Transferee Company's goodwill was adjusted to 387.8 billion yen ($3,494.0 million). Pursuant to ASC No. 805-10-25-13 "Business Combinations", the Transferee Company recognized the cumulative impacts from the completion of PPA in the third quarter of fiscal year ended March 31, 2019. Accordingly, the Transferee Company recorded 201.1 billion yen ($1,812.0 million) in expenses in relation to the recognized inventories and depreciable assets corresponding to the period from the date of acquisition of TMC up to the third quarter of fiscal year ended March 31, 2019 in the third quarter of fiscal year ended March 31, 2019, and a further 26.1 billion yen ($235.0 million) in expenses in the fourth quarter of fiscal year ended March 31, 2019, bringing the total expenses recorded to 227.2 billion yen ($2,047.0 million). On the other hand, after recording a reversal of deferred tax liabilities associated with the PPA of 68.8 billion yen ($620.0 million), the net loss associated with the PPA became 158.4 billion yen ($1,427.0 million), and the Group recorded an equity in loss of affiliates of 63.7 billion yen ($574.0 million). The pretax income (loss) of the Transferee Company and TMC after the transfer until March 31, 2019 (after taking account of the impact of the PPA) was a loss of 0.7 billion yen ($6.0 million); while net income (loss) (after taking account of the impact of the PPA) was 8.1 billion yen ($73.0 million). As a result, the Group's equity in earnings of affiliates for the Transferee Company and TMC for the current fiscal year was 3.3 billion yen ($30.0 million). Investments in and advances to affiliates on the consolidated balance sheet as of March 31, 2019 includes 353.8 billion yen ($3,188.0 million), which is the 3.3 billion yen in equity in earnings of affiliates plus the 350.5 billion yen re-investment in the Transferee Company.

The Company has pledged all the shares that the Company owns in the Transferee Company to financial institutions as collateral for loan agreements that the Transferee Company concluded with financial institutions to procure the funds to purchase the shares of TMC. The financial position and results of operations of the relevant component that was disposed of, reclassified as discontinued operations (before elimination of transactions with continuing operations of the Group), are as follows. The results of operations include the cumulative results of operations for the memory business for the two months from April 1, 2018, the gain on sale relating to the transfer of the memory business, and 15.5 billion yen ($140.0 million) in indemnification expenses for the indemnification from the Company to the Transferee Company and the TMC Group after the completion of the transfer on June 1, 2018 in accordance with the indemnity clause of the share purchase agreement. The indemnification clause in the share purchase agreement states that the Company has an obligation for the indemnification for any losses incurred as the result of any breach of representations and warranties, the determination of a United States International Trade Commission (USITC) investigation, specific litigations and other patent claims, and any patent license agreements with certain counterparties specified in advance. As of March 31, 2019, the assets and liabilities of the memory business are immaterial to the Group's consolidated balance sheets. The Transferee Company carried out an absorption-type merger through absorption TMC on August 1, 2018 and changed its name to Toshiba Memory Corporation. It also implemented a sole-share transfer making Toshiba Memory Corporation the wholly-owned subsidiary in the share transfer and establishing Toshiba Memory Holdings Corporation as the parent company on March 1, 2019.

Financial position

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Assets:			
Cash and cash equivalents	**¥ –**	¥ 32,299	**$ –**
Notes and accounts receivable, trade	**–**	237,747	**–**
Inventories	**–**	160,726	**–**
Short-term loans receivable	**–**	146,392	**–**
Property, plant and equipment	**–**	491,889	**–**
Investments in and advances to affiliates	**–**	268,493	**–**
Other assets	**–**	244,250	**–**
Total assets of discontinued operations	**¥ –**	¥ 1,581,796	**$ –**
Liabilities:			
Notes and accounts payable, trade	**¥ –**	¥ 79,749	**$ –**
Accounts payable, other and accrued expenses	**–**	339,964	**–**
Accrued income and other taxes	**–**	90,252	**–**
Accrued pension and severance costs	**–**	43,633	**–**
Other liabilities	**–**	83,791	**–**
Total liabilities of discontinued operations	**¥ –**	¥ 637,389	**$ –**

Results of operations

The Fiscal Year ended March 31	Millions of yen 2019	2018	Thousands of US dollars 2019
Sales and other income	**¥ 191,246**	¥ 1,265,075	**$ 1,722,937**
Net sales	**189,387**	1,249,996	**1,706,189**
Other income	**1,859**	15,079	**16,748**
Costs and expenses	**122,695**	795,209	**1,105,360**
Cost of sales	**92,613**	676,371	**834,351**
Selling, general and administrative expenses	**9,830**	104,941	**88,559**
Other expenses	**20,252**	13,897	**182,450**
Income from discontinued operations, before income taxes and noncontrolling interests	**68,551**	469,866	**617,577**
Gain on sale of shares of discontinued operations, before income taxes and noncontrolling interests	**970,237**	–	**8,740,874**
Income taxes	**11,092**	26,012	**99,928**
Income from discontinued operations, before noncontrolling interests	**1,027,696**	443,854	**9,258,523**
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	**(1)**	–	**(9)**
Net Income from discontinued operations attributable to shareholders of the Company	**¥ 1,027,697**	¥ 443,854	**$ 9,258,532**

Notes: Because the company split related to the memory business of the Company on April 1, 2017 was implemented with a view to introducing third-party capital, and full controlling interest was not expected to be continued, the eligibility criteria for tax purposes was not met and the company split was to be treated as a non-qualified split. A non-qualified split was treated as if the transfer was conducted at the market value at the time of the split, and a difference between the market value and the carrying amount was taxable as gain or loss on the transfer. While the market values of assets and liabilities taken over in the company split were fixed in line with the conclusion of the share transfer agreement and tax expenses were recorded, a valuation allowance was recorded for deferred tax assets associated with the non-qualified split in fiscal year ended March 31, 2018. As a result, although the gain on sale was recognized in the current fiscal year for accounting purposes, a tax amount for the gain on the transfer for the difference between the market value and the carrying amount of the memory business at the time of the company split in fiscal year ended March 31, 2018 was already recognized for tax purposes. Consequently, a major disparity has arisen between the statutory effective tax rate of 30.6% in the current fiscal year and the income tax expense and income before income taxes and noncontrolling interests of the memory business.

The discontinued operations results for the period ended March 31, 2018 have been revised to reflect the adoption of ASU No. 2017-07 effective from the first quarter of fiscal year beginning April 1, 2018.

Depreciation and amortization and capital expenditures relating to the relevant component that was disposed of, reclassified as discontinued operations, are as follows:

The Fiscal Year ended March 31	Millions of yen 2019	2018	Thousands of US dollars 2019
Depreciation and amortization	**¥ –**	¥ 36,402	**$ –**
Capital expenditures	**37,579**	230,092	**338,550**

Subsequent to the completion of the share transfer (June 1, 2018), the continuing operations of the Group and the Transferee and TMC continue to sell and purchase the products to each other The Group also continues to provide its brand license to the Transferee and TMC. The continuing involvements after the disposal date is as follows.

The Fiscal Year ended March 31	Millions of yen 2019	2018	Thousands of US dollars 2019
Sales and other income	**¥ 121,053**	¥ –	**$ 1,090,568**
Costs and expenses	**111,806**	–	**1,007,261**
Proceeds from collection of accounts and other receivables	**173,711**	–	**1,564,964**
Cash payments of notes and accounts payable	**112,927**	–	**1,017,360**

4.FAIR VALUE MEASUREMENTS

ASC No.820 "Fair Value Measurements" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows;

Level 1 - Quoted prices for identical assets or liabilities in active markets.
Level 2 - Quoted prices for similar assets or liabilities in active markets.
Quoted prices for identical or similar instruments in markets that are not active.
Inputs other than quoted prices that are observable.
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 - Instruments whose significant inputs are unobservable.

Assets and liabilities measured at fair value on a recurring basis
Assets and liabilities that are measured at fair value on a recurring basis at March 31, 2019 and 2018 are as follows:

	Millions of yen							
March 31, 2019	Level 1		Level 2		Level 3		Total	
Assets:								
Marketable securities:								
Equity securities	¥	**32,636**	¥	**115**	¥	**–**	¥	**32,751**
Debt securities		**–**		**2,558**		**0**		**2,558**
Derivative assets:								
Forward exchange contracts		**–**		**819**		**–**		**819**
Currency swap agreements		**–**		**0**		**–**		**0**
Total assets	¥	**32,636**	¥	**3,492**	¥	**0**	¥	**36,128**
Liabilities:								
Derivative liabilities:								
Forward exchange contracts	¥	**–**	¥	**1,015**	¥	**–**	¥	**1,015**
Interest rate swap agreements		**–**		**590**		**–**		**590**
Total liabilities	¥	**–**	¥	**1,605**	¥	**–**	¥	**1,605**

	Millions of yen							
March 31, 2018	Level 1		Level 2		Level 3		Total	
Assets:								
Marketable securities:								
Equity securities	¥	37,468	¥	124	¥	–	¥	37,592
Debt securities		–		–		1,201		1,201
Derivative assets:								
Forward exchange contracts		–		2,921		–		2,921
Currency swap agreements		–		7		–		7
Total assets	¥	37,468	¥	3,052	¥	1,201	¥	41,721
Liabilities:								
Derivative liabilities:								
Forward exchange contracts	¥	–	¥	1,853	¥	–	¥	1,853
Interest rate swap agreements		–		1,473		–		1,473
Total liabilities	¥	–	¥	3,326	¥	–	¥	3,326

March 31, 2019	Thousands of US dollars Level 1		Level 2		Level 3		Total	
Assets:								
Marketable securities:								
Equity securities	$	**294,018**	$	**1,036**	$	**–**	$	**295,054**
Debt securities		**–**		**23,045**		**0**		**23,045**
Derivative assets:								
Forward exchange contracts		**–**		**7,378**		**–**		**7,378**
Currency swap agreements		**–**		**0**		**–**		**0**
Total assets	$	**294,018**	$	**31,459**	$	**0**	$	**325,477**
Liabilities:								
Derivative liabilities:								
Forward exchange contracts	$	**–**	$	**9,144**	$	**–**	$	**9,144**
Interest rate swap agreements		**–**		**5,315**		**–**		**5,315**
Total liabilities	$	**–**	$	**14,459**	$	**–**	$	**14,459**

Marketable securities
Level 1 securities represent marketable equity securities listed in active markets, which are valued based on quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 securities represent public bonds, investment trusts and marketable equity securities listed in less active markets, which are valued based on quoted market prices for identical assets in inactive markets. Level 3 securities represent corporate debt securities, and valued based on unobservable inputs as the markets for the assets are not active at the measurement date.

Derivative instruments
Derivative instruments primarily represent forward currency exchange contracts and interest rate swap agreements, which are classified within Level 2. They are valued based on inputs that can be corroborated with the observable inputs such as foreign currency exchange rate, LIBOR and others.

Analyses of the changes in Level 3 assets measured at fair value on a recurring basis for the fiscal years ended March 31, 2019 and 2018 are as follows:

The Fiscal Year ended March 31, 2019	Millions of yen Marketable securities	
Balance at the beginning of the fiscal year	¥	**1,201**
Total gains or losses (realized or unrealized):		
Included in gains (losses):		
Other expenses		**(1)**
Purchases		**–**
Sales		**–**
Issuances		**–**
Settlements		**(200)**
Transferred out of Level 3		**(1,000)**
Balance at the end of the fiscal year	¥	**0**

The Fiscal Year ended March 31, 2018		Millions of yen Marketable securities
Balance at the beginning of the fiscal year	¥	200
Total gains or losses (realized or unrealized):		
Included in gains (losses):		
Other income		1
Purchases		1,000
Sales		–
Issuances		–
Settlements		–
Balance at the end of the fiscal year	¥	1,201

The Fiscal Year ended March 31, 2019		Thousands of US dollars Marketable securities
Balance at the beginning of the fiscal year	**$**	**10,820**
Total gains or losses (realized or unrealized):		
Included in gains (losses):		
Other expenses		**(9)**
Purchases		**–**
Sales		**–**
Issuances		**–**
Settlements		**(1,802)**
Transferred out of Level 3		**(9,009)**
Balance at the end of the fiscal year	**$**	**0**

At March 31, 2019, Level 3 assets measured at fair value on a recurring basis consisted of corporate debt securities. Also, as observable market data became available, some of the public bonds and corporate debt securities were transferred out of Level 3 for the fiscal year ended March 31, 2019. At March 31, 2018, Level 3 assets measured at fair value on a recurring basis consisted of public bonds and corporate debt securities.

Assets and liabilities measured at fair value on a non-recurring basis

Assets that are measured at fair value on a non-recurring basis and the recognized losses at March 31, 2019 and 2018 are as follows:

The Fiscal Year ended March 31, 2019	Millions of yen									
	Fair value								Impairment losses	
	Level 1		Level 2		Level 3		Total			
Assets:										
Long-lived assets held for use	¥	–	¥	–	¥	0	¥	0	¥	6,572
Goodwill		–		7,943		–		7,943		9,838
Total assets	¥	–	¥	7,943	¥	0	¥	7,943	¥	16,410

The Fiscal Year ended March 31, 2018	Millions of yen									
	Fair value								Impairment losses	
	Level 1		Level 2		Level 3		Total			
Assets:										
Long-lived assets held for use	¥	–	¥	–	¥	142	¥	142	¥	14,107
Total assets	¥	–	¥	–	¥	142	¥	142	¥	14,107

The Fiscal Year ended March 31, 2019	Thousands of US dollars									
	Fair value								Impairment losses	
	Level 1		Level 2		Level 3		Total			
Assets:										
Long-lived assets held for use	$	–	$	–	$	0	$	0	$	59,207
Goodwill		–		71,559		–		71,559		88,631
Total assets	$	–	$	71,559	$	0	$	71,559	$	147,838

The impaired long-lived assets held for use were classified within Level 3 as they were valued based on future assumptions such as discounted cash flows expected to be generated by the related assets with unobservable inputs for the fiscal years ended March 31, 2019 and 2018. The impaired long-lived assets is described in Note 16.

The impaired goodwill was classified within Level 2 as it was valued based on the stock market price and an analysis of comparable peer companies analysis for the fiscal year ended March 31, 2019. The impaired goodwill is described in Note 9.

As a result, the recognized impairment losses for the fiscal years ended March 31, 2019 and 2018 are mainly included in cost of sales and impairment loss on goodwill in the consolidated statements of operations.

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

The aggregate cost, gross unrealized holding gains and losses, and aggregate fair value for marketable debt securities classified as available-for-sale securities by security type at March 31, 2019 and 2018 are as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2019:				
Debt securities	**¥ 2,500**	**¥ 58**	**¥ –**	**¥ 2,558**
	¥ 2,500	**¥ 58**	**¥ –**	**¥ 2,558**
March 31, 2018:				
Debt securities	¥ 1,200	¥ 1	¥ –	¥ 1,201
	¥ 1,200	¥ 1	¥ –	¥ 1,201

	Thousands of US dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2019:				
Debt securities	**$ 22,523**	**$ 522**	**$ –**	**$ 23,045**
	$ 22,523	**$ 522**	**$ –**	**$ 23,045**

At March 31, 2019, debt securities mainly consist of public bonds, corporate debt securities and investment trusts. At March 31, 2018, debt securities mainly consist of public bonds and corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale at March 31, 2019 are as follows:

	Millions of yen		Thousands of US dollars	
March 31, 2019	Cost	Fair value	Cost	Fair value
Due within one year	**¥ –**	**¥ –**	**$ –**	**$ –**
Due after one year through five years	**–**	**–**	**–**	**–**
Due after five years through ten years	**1,500**	**1,551**	**13,514**	**13,973**
Due after ten years	**1,000**	**1,007**	**9,009**	**9,072**
	¥ 2,500	**¥ 2,558**	**$ 22,523**	**$ 23,045**

The realized and unrealized gains and losses of equity securities on marketable securities and other investments in the consolidated balance sheets for the fiscal year ended March 31, 2019 are as follows:

	Millions of yen
The Fiscal Year ended March 31, 2019	**2019**
Net gains (losses) recognized during the period on equity securities	**¥ (3,681)**
Less: Net gains (losses) recognized during the period on equity securities sold during the period	**816**
Unrealized gains (losses) recognized during the reporting period on equity securities still held at March 31, 2019	**¥ (4,497)**

	Thousands of US dollars
The Fiscal Year ended March 31, 2019	**2019**
Net gains (losses) recognized during the period on equity securities	**$ (33,162)**
Less: Net gains (losses) recognized during the period on equity securities sold during the period	**7,352**
Unrealized gains (losses) recognized during the reporting period on equity securities still held at March 31, 2019	**$ (40,514)**

Equity securities that do not have readily determinable fair value are measured under the cost method. The aggregate cost of equity securities accounted for under the cost method totaled ¥36,500 million at March 31, 2018. The Group elect to measure an equity security that does not have a readily determinable fair value at that its cost minus impairment, if any, and recognizes positive and negative changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer from the fiscal year ended March 31, 2019. Impairment or change in observable price is not material for the fiscal year ended March 31, 2019 and 2018. The carrying amount of these investments is ¥279,291 million ($2,516,135 thousand) at March 31, 2019. These amounts include the investment amount of convertible preferred stock acquired through re-investment in Toshiba Memory Holdings Corporation.

6. SECURITIZATIONS

The Group has transferred certain trade notes and accounts receivable under several securitization programs. These securitization transactions are accounted for as a sale in accordance with ASC No.860, because the Group has relinquished control of the receivables. Accordingly, the receivables transferred under these facilities are excluded from the accompanying consolidated balance sheets.

The Group recognized losses of ¥158 million ($1,423 thousand) and ¥483 million on the transfers of receivables for the fiscal years ended March 31, 2019 and 2018, respectively.

Subsequent to the transfers, the Group retains collection and administrative responsibilities for the receivables transferred and retains a portion of the receivables for which proceeds are deferred. Related servicing assets and liabilities were immaterial to the Group's financial position. The fair value of deferred proceeds at the point of the transfer of the receivables is measured based on the economic assumptions including the estimation of uncollectible receivables, average collection period of receivables and discount rate, and it is classified within Level 3.

The table below summarizes certain cash flows received from and paid to banking institutions or special purpose entities ("SPEs") related to banking institutions on the above securitization transactions.

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Proceeds from new securitizations	**¥ 109,411**	¥ 189,339	**$ 985,685**
Repurchase of delinquent or unqualified receivables	**8**	8	**72**

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the fiscal years ended March 31, 2019 and 2018 are as follows. Of these receivables, deferred proceeds for the receivables transferred as of March 31, 2019 and 2018 were ¥9,478 million ($85,387 thousand) and ¥13,795 million, respectively and were recorded as notes receivable or other receivables.

	Millions of yen					
	Total principal amount of receivables		Amount 90 days or more past due		Net credit losses	
	March 31				The Fiscal Year ended March 31	
	2019	2018	**2019**	2018	**2019**	2018
Accounts receivable and contract assets	**¥ 974,290**	¥ 970,658	**¥ 29,651**	¥ 33,078	**¥ 240**	¥ 7,985
Notes receivable	**93,096**	69,237	**–**	–	**8**	8
Total managed portfolio	**1,067,386**	1,039,895	**¥ 29,651**	¥ 33,078	**¥ 248**	¥ 7,993
Securitized receivables	**(24,062)**	(41,463)				
Total receivables	**¥ 1,043,324**	¥ 998,432				

	Thousands of US dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2019		The Fiscal Year ended March 31, 2019
Accounts receivable and contract assets	**$ 8,777,387**	**$ 267,126**	**$ 2,162**
Notes receivable	**838,703**	**–**	**72**
Total managed portfolio	**9,616,090**	**$ 267,126**	**$ 2,234**
Securitized receivables	**(216,775)**		
Total receivables	**$ 9,399,315**		

7. INVENTORIES

Inventories at March 31, 2019 and 2018 consist of the following:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Finished products	**¥ 168,888**	¥ 168,739	**$ 1,521,514**
Work in process:			
Long-term contracts	**78,407**	85,447	**706,369**
Other	**140,226**	139,955	**1,263,297**
Raw materials	**81,357**	75,626	**732,946**
	¥ 468,878	¥ 469,767	**$ 4,224,126**

8. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The Group's significant investments in affiliated companies accounted for under the equity method along with the percentage of the Group's ownership of voting shares at March 31, 2019 were: Toshiba Memory Holdings Corporation (40.2%); Toshiba Mitsubishi-Electric Industrial Systems Corporation (50.0%); Guangdong Midea Air-Conditioning Equipment Co., Ltd. (20.0%); Guangdong Meizhi Compressor Ltd. (40.0%); and Dalian Toshiba Locomotive Electric Equipment Co., Ltd. (50.0%).

Summarized financial information of the affiliates accounted for by the equity method is shown as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Current assets	**¥ 2,194,432**	¥ 1,482,597	**$ 19,769,658**
Other assets including property, plant and equipment	**2,210,277**	280,259	**19,912,405**
Total assets	**¥ 4,404,709**	¥ 1,762,856	**$ 39,682,063**
Current liabilities	**¥ 1,674,197**	¥ 1,324,883	**$ 15,082,856**
Long-term liabilities	**1,402,909**	35,816	**12,638,820**
Equity	**1,327,603**	402,157	**11,960,387**
Total liabilities and equity	**¥ 4,404,709**	¥ 1,762,856	**$ 39,682,063**

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Sales	**¥ 2,589,038**	¥ 1,403,094	**$ 23,324,667**
Net income	**77,290**	32,002	**696,306**

TMC Group's assets and liabilities, ¥2,676,540 million($24,112,973 thousand) and ¥1,809,038 million($16,297,640 thousand) respectively, are included in the above summarized balance sheet as of March, 31, 2019. Also, TMC Group's net income, ¥8,106 million($73,027 thousand), is included in the net income for the fiscal year ended March 31, 2019.

A summary of transactions and balances with the affiliates accounted for by the equity method is presented as follows:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Sales	**¥ 182,026**	¥ 62,972	**$ 1,639,874**
Purchases	**126,552**	52,526	**1,140,108**
Dividends	**6,021**	2,871	**54,243**

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Notes and accounts receivable, trade	**¥ 64,333**	¥ 28,773	**$ 579,577**
Other receivables	**3,746**	923	**33,748**
Advance payments	**227**	637	**2,045**
Notes and accounts payable, trade	**35,190**	14,637	**317,027**
Other payables	**7,711**	1,502	**69,468**
Advance payments received	**3,954**	205	**35,622**

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Group tested goodwill for impairment in accordance with ASC No.350, applying a fair value based test and recorded impairment losses of ¥9,838 million($88,631 thousand) on goodwill attributable to the Storage & Electronic Devices Solutions segment in the fiscal year ended March 31, 2019. This was due to a decrease in fair value compared with book value of the reporting unit as a result of significant decline in stock prices of Nuflare Technology inc., a consolidated subsidiary. The fair value was measured using the stock market price method and comparable peer company analysis. The measurement date was December 31, 2018.

The Group tested goodwill for impairment applying a fair value based test and has concluded that there was no impairment for the fiscal year ended March 31, 2018.

The Group recorded impairment losses on intangible assets excluding goodwill in the fiscal years ended March 31, 2019 and 2018. Impairment losses on intangible assets excluding goodwill have been included in the amount disclosed in Note 16.

The components of acquired intangible assets excluding goodwill at March 31, 2019 and 2018 are as follows:

	Millions of yen		
March 31, 2019	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 192,714	¥ 165,413	¥ 27,301
Technical license fees	179	152	27
Core and current technology	31,474	20,154	11,320
Customer relationship	18,650	10,207	8,443
Other	51,371	42,277	9,094
Total	¥ 294,388	¥ 238,203	¥ 56,185
Other intangible assets not subject to amortization:			
Brand name			¥ 1,528
Other			407
Total			1,935
			¥ 58,120

March 31, 2018	Millions of yen Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 196,867	¥ 169,474	¥ 27,393
Technical license fees	33,833	31,663	2,170
Core and current technology	28,389	17,490	10,899
Customer relationship	17,903	8,962	8,941
Other	43,873	35,965	7,908
Total	¥ 320,865	¥ 263,554	¥ 57,311
Other intangible assets not subject to amortization:			
Brand name			¥ 1,534
Other			503
Total			2,037
			¥ 59,348

March 31, 2019	Thousands of US dollars Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**$ 1,736,162**	**$ 1,490,207**	**$ 245,955**
Technical license fees	**1,612**	**1,369**	**243**
Core and current technology	**283,550**	**181,568**	**101,982**
Customer relationship	**168,018**	**91,955**	**76,063**
Other	**462,802**	**380,874**	**81,928**
Total	**$ 2,652,144**	**$ 2,145,973**	**$ 506,171**
Other intangible assets not subject to amortization:			
Brand name			**$ 13,766**
Other			**3,666**
Total			**17,432**
			$ 523,603

Other intangible assets acquired during the fiscal year ended March 31, 2019 primarily consisted of software of ¥12,682 million ($114,252 thousand). The weighted-average amortization period of software for the fiscal year ended March 31, 2019 was approximately 5.1 years.

The weighted-average amortization periods for other intangible assets were approximately 6.6 years and 6.5 years for the fiscal years ended March 31, 2019 and 2018, respectively.

Amortization expenses of other intangible assets subject to amortization for the fiscal years ended March 31, 2019 and 2018 are ¥13,701 million ($123,432 thousand) and ¥15,282 million, respectively. The future amortization expense for each of the next 5 years relating to other intangible assets currently recorded in the consolidated balance sheet at March 31, 2019 is estimated as follows:

The Fiscal year ending March 31	Millions of yen	Thousands of US dollars
2020	¥ 12,937	$ 116,550
2021	10,546	95,009
2022	7,602	68,486
2023	4,295	38,694
2024	2,929	26,387

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Balance at the beginning of the fiscal year	¥ **67,162**	¥ 227,422	$ **605,063**
Impairment losses	**(9,838)**	–	**(88,631)**
Amounts of Landis+Gyr Group AG deconsolidated	**–**	(159,200)	**–**
Foreign currency translation adjustments	**1,151**	(1,060)	**10,370**
Balance at the end of the fiscal year	¥ **58,475**	¥ 67,162	$ **526,802**

As of March 31, 2019 and 2018, goodwill allocated to Infrastructure Systems & Solutions is ¥14,087 million ($126,910 thousand) and ¥13,920 million, Retail & Printing Solutions is ¥35,656 million ($321,225 thousand) and ¥34,706 million, respectively. The rest was primarily allocated to Storage & Electronic Devices Solutions.

As of March 31, 2019 and 2018, accumulated impairment losses were ¥46,514 million ($419,045 thousand) and ¥53,771 million, respectively.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2019 and 2018 consist of the following:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Loans and overdrafts, principally from banks, with weighted-average interest rate of 1.65% at March 31, 2019, and 3.19% at March 31, 2018:			
Secured	¥ **19,000**	¥ 80,000	$ **171,171**
Unsecured	**7,991**	9,891	**71,991**
	¥ **26,991**	¥ 89,891	$ **243,162**

Substantially all of the short-term borrowings are with banks which have written basic agreements with the Group to the effect that, with respect to all present or future loans with such banks, the Group shall provide collateral (including sums on deposit with such banks) or guaranties immediately upon the bank's request, and that any collateral furnished pursuant to such agreements or otherwise shall be applicable to all indebtedness to such banks.

Long-term debt at March 31, 2019 and 2018 consist of the following:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Loans, principally from banks,			
due 2019 to 2030 with weighted-average interest rate of 0.98% at March 31, 2019, and due 2018 to 2030 with weighted-average interest rate of 0.87% at March 31, 2018:			
Secured	**¥ 151,360**	¥ 243,680	**$ 1,363,604**
Unsecured	**185,185**	194,376	**1,668,333**
Yen bonds, due 2019 to 2020 with interest rates			
ranging from 0.57% to 1.68% at March 31, 2019, and due 2018 to 2020 with interest rates ranging from 0.40% to 1.68% at March 31, 2018			
Secured	**–**	29,991	**–**
Unsecured	**59,978**	119,945	**540,342**
Capital lease obligations	**11,165**	14,535	**100,586**
	407,688	602,527	**3,672,865**
Less-Portion due within one year	**(330,753)**	(211,667)	**(2,979,757)**
	¥ 76,935	¥ 390,860	**$ 693,108**

Long-term debt at March, 2019 includes ¥180,000 million ($1,621,622 thousand) in subordinated loan. The subordinated loan has been paid ahead of its maturity date with an effective repayment date of June 25, 2019.

Long-term debt from syndicated loan agreements is included in Less-Portion due within one year at March 31, 2018, for the infringement of financial covenants.

The aggregate annual maturities of long-term debt, as of March 31, 2019 and 2018, excluding those of capital lease obligations, are as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
2019	**¥ –**	¥ 163,566	**$ –**
2020	**325,485**	353,556	**2,932,297**
2021	**37,579**	33,502	**338,550**
2022	**–**	–	**–**
2023	**5,000**	5,005	**45,045**
Thereafter	**–**	32,427	**–**
2024	**6,000**	–	**54,054**
Thereafter	**22,481**	–	**202,531**
	¥ 396,545	¥ 588,056	**$ 3,572,477**

The Group pledged stock held by the Group as collateral, for certain borrowings of ¥170,689 million ($1,537,739 thousand) from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions(total of 28), in accordance with the collateral pledge agreement which was signed on April 28th, 2017. The carrying amount of the pledged assets was ¥25,374 million ($228,595 thousand) of Marketable securities and other investments, and ¥76,025 million ($684,910 thousand) of Security investments in subsidiaries which were eliminated in the consolidated financial statements.

11. ACCRUED PENSION AND SEVERANCE COSTS

All employees who retire or are terminated from the Company and certain subsidiaries are usually entitled to lump-sum severance indemnities or pension benefits determined by reference to service credits allocated to employees each year according to the regulation of retirement benefit, length of service and conditions under which their employment terminates. The obligation for the severance indemnity benefit is provided for through accruals and funding of the defined benefit corporate pension plan.

The Company and certain subsidiaries in Japan have amended their pension plan under the agreement between employees and managements in January 2011, and introduced a cash balance plan from April 2011. This plan is designed that each plan participant has a notional account, which is accumulated based on salary standards, interest rates in financial markets and others.

The funding policy for the plans is to contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to the limitation on deductibility imposed by Japanese income tax laws.

In addition, for the purpose of supporting post-retirement life plans of employees and responding to diverse needs for retirement benefits, a defined contribution pension plan was introduced by the Company and some of its subsidiaries in Japan on October 1, 2015. Under this plan, a portion of the contribution to lump-sum retirement benefits was replaced by defined contribution pension plan and individual employees take control of their own fund management and direct investments.

The following figures include the effects of discontinued operations relating to the Memory business.

The changes in the benefit obligation and plan assets for the fiscal years ended March 31, 2019 and 2018 and the funded status at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Change in benefit obligation:			
Benefit obligation at the beginning of the fiscal year	**¥ 1,435,536**	¥ 1,510,530	**$ 12,932,757**
Service cost	**40,947**	46,431	**368,892**
Interest cost	**7,924**	10,469	**71,387**
Plan participants' contributions	**179**	200	**1,613**
Actuarial loss	**20,406**	9,087	**183,837**
Benefits paid	**(74,634)**	(83,573)	**(672,378)**
Acquisitions and divestitures	**(92,182)**	(40,872)	**(830,468)**
Curtailments and settlements	**(303)**	(16,111)	**(2,730)**
Foreign currency exchange impact	**491**	(625)	**4,423**
Benefit obligation at the end of the fiscal year	**¥ 1,338,364**	¥ 1,435,536	**$ 12,057,333**
Change in plan assets:			
Fair value of plan assets at the beginning of the fiscal year	**¥ 948,811**	¥ 985,787	**$ 8,547,847**
Actual return on plan assets	**11,421**	41,968	**102,891**
Employer contributions	**31,822**	31,800	**286,685**
Plan participants' contributions	**179**	200	**1,613**
Benefits paid	**(46,859)**	(56,402)	**(422,153)**
Acquisitions and divestitures	**(41,968)**	(29,645)	**(378,090)**
Curtailments and settlements	**–**	(24,295)	**–**
Foreign currency exchange impact	**471**	(602)	**4,243**
Fair value of plan assets at the end of the fiscal year	**¥ 903,877**	¥ 948,811	**$ 8,143,036**
Funded status	**¥ (434,487)**	¥ (486,725)	**$ (3,914,297)**

Notes: 1) Major acquisitions and divestitures for the fiscal year ended March 31, 2018 represent the effects of the sale of the Landis+Gyr Group and Visual Product business.
2) Major acquisitions and divestitures for the fiscal year ended March 31, 2019 represent the effects of the sale of the Memory business and PC business.

Amounts recognized in the consolidated balance sheets at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Current liabilities of discontinued operations	**¥ –**	¥ (43,633)	**$ –**
Accrued pension and severance costs	**(434,487)**	(443,092)	**(3,914,297)**
	¥ (434,487)	¥ (486,725)	**$ (3,914,297)**

Amounts recognized in accumulated other comprehensive loss at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Unrecognized actuarial loss	**¥ 424,465**	¥ 436,709	**$ 3,824,009**
Unrecognized prior service cost	**(10,394)**	(13,891)	**(93,640)**
	¥ 414,071	¥ 422,818	**$ 3,730,369**

The accumulated benefit obligation at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Accumulated benefit obligation	**¥ 1,307,001**	¥ 1,413,879	**$ 11,774,784**

The components of the net periodic pension and severance cost for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Service cost	**¥ 40,947**	¥ 46,431	**$ 368,891**
Interest cost on projected benefit obligation	**7,924**	10,469	**71,387**
Expected return on plan assets	**(21,243)**	(22,423)	**(191,378)**
Amortization of prior service cost	**(3,005)**	(3,280)	**(27,072)**
Recognized actuarial loss	**20,965**	23,418	**188,874**
Curtailment and settlement loss recognized and others	**303**	14,183	**2,730**
Net periodic pension and severance cost	**¥ 45,891**	¥ 68,798	**$ 413,432**

Notes: 1) Net periodic pension and severance cost for the fiscal year ended March 31, 2019 includes pension cost related to the income (loss) from discontinued operations of the Memory business in the amounts of ¥720 million ($6,486 thousand). Net periodic pension and severance cost for the fiscal year ended March 31, 2018 includes pension cost related to the income (loss) from discontinued operations of the Memory business in the amounts of ¥4,967 million.

2) In March 2018, the Company decided that Toshiba Europe GmbH, the Company's consolidated subsidiary, would execute a pension buy-out in respect of its defined benefit pension scheme held under UK trust law, and the buy-out transaction was completed within the month. Curtailment and settlement loss recognized and others for the fiscal year ended March 31, 2018 includes settlement loss recognized upon completion of the transaction in the amount of ¥13,863 million.

Other changes in plan assets and benefit obligation recognized in the other comprehensive income (loss) for the fiscal years ended March 31, 2019 and 2018 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2019	2018	**2019**
Current year actuarial loss	**¥ 30,228**	¥ 10,458	**$ 272,324**
Recognized actuarial loss	**(20,965)**	(23,418)	**(188,873)**
Amortization of prior service cost	**3,005**	3,280	**27,072**
	¥ 12,268	¥ (9,680)	**$ 110,523**

The estimated prior service cost and actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic pension and severance cost over the next year are summarized as follows:

The Fiscal Year ending March 31	Millions of yen	Thousands of US dollars
	2020	2020
Prior service cost	¥ (2,196)	$ (19,784)
Actuarial loss	23,438	211,153

The Group expects to contribute ¥38,531 million ($347,126 thousand) to its defined benefit plans, which includes the cash balance plan, in the fiscal year ending March 31, 2020.

The following benefit payments are expected to be paid:

The Fiscal Year ending March 31	Millions of yen	Thousands of US dollars
2020	¥ 70,305	$ 633,378
2021	71,282	642,180
2022	78,179	704,315
2023	81,456	733,838
2024	84,036	757,081
2025 - 2029	426,524	3,842,559

Weighted-average assumptions used to determine benefit obligations as of March 31, 2019 and 2018 and net periodic pension and severance cost for the fiscal years then ended are as follows:

March 31	**2019**	2018
Discount rate	**0.5%**	0.6%
Rate of compensation increase	**3.2%**	3.5%

The Fiscal Year ended March 31	**2019**	2018
Discount rate	**0.6%**	0.7%
Expected long-term rate of return on plan assets	**2.4%**	2.3%
Rate of compensation increase	**3.5%**	3.1%

The Group determines the expected long-term rate of return in consideration of the target allocation of the plan assets, the current expectation of long-term returns on the assets and actual returns on plan assets.

The Group's investment policies and strategies are to assure adequate plan assets to provide for future payments of pension and severance benefits to participants, with reasonable risks. The Group designs the basic target allocation of the plan assets to mirror the best portfolio based on estimation of mid-term and long-term return on the investments.

The Group periodically reviews the actual return on the investments and adjusts the portfolio to achieve the assumed long-term rate of return on the investments. The Group targets its investments in equity securities at 25% or more of total investments, and investments in equity securities, debt securities and life insurance company general accounts at 70% or more of total investments.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the Group has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, municipal bonds and corporate bonds. Prior to investing, the Group has investigated the quality of the issue, including rating, interest rate, and repayment dates and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity securities and debt securities described above. Hedge funds are selected following a variety of strategies and fund managers, and the Group has appropriately diversified the investments. Real estate is selected for the eligibility of investment and expected return and other relevant factors, and the Group has appropriately diversified the investments. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest and return of capital.

The three levels of input used to measure fair value are more fully described in Note 4. The plan assets that are measured at fair value at March 31, 2019 and 2018 by asset category are as follows:

	Millions of yen			
March 31, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ **20,820**	¥ **–**	¥ **–**	¥ **20,820**
Equity securities:				
Japanese companies	**117,287**	**–**	**–**	**117,287**
Foreign companies	**74,036**	**–**	**–**	**74,036**
Pooled funds	**–**	**95,465**	**–**	**95,465**
Debt securities:				
Government bonds	**114,171**	**–**	**–**	**114,171**
Municipal bonds	**–**	**976**	**–**	**976**
Corporate bonds	**–**	**10,541**	**–**	**10,541**
Pooled funds	**–**	**167,862**	**–**	**167,862**
Other assets:				
Hedge funds	**–**	**–**	**151,229**	**151,229**
Real estate	**–**	**–**	**74,099**	**74,099**
Life insurance company general accounts	**–**	**78,828**	**–**	**78,828**
Other assets	**–**	**(1,437)**	**–**	**(1,437)**
Total	¥ **326,314**	¥ **352,235**	¥ **225,328**	¥ **903,877**

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2019

March 31, 2019	Thousands of US dollars Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**$ 187,568**	**$ –**	**$ –**	**$ 187,568**
Equity securities:				
Japanese companies	**1,056,639**	**–**	**–**	**1,056,639**
Foreign companies	**666,991**	**–**	**–**	**666,991**
Pooled funds	**–**	**860,045**	**–**	**860,045**
Debt securities:				
Government bonds	**1,028,568**	**–**	**–**	**1,028,568**
Municipal bonds	**–**	**8,793**	**–**	**8,793**
Corporate bonds	**–**	**94,964**	**–**	**94,964**
Pooled funds	**–**	**1,512,270**	**–**	**1,512,270**
Other assets:				
Hedge funds	**–**	**–**	**1,362,423**	**1,362,423**
Real estate	**–**	**–**	**667,559**	**667,559**
Life insurance company general accounts	**–**	**710,162**	**–**	**710,162**
Other assets	**–**	**(12,946)**	**–**	**(12,946)**
Total	**$ 2,939,766**	**$ 3,173,288**	**$ 2,029,982**	**$ 8,143,036**

Notes: 1) Pooled funds in equity securities invest in listed equity securities consisting of approximately 11% Japanese companies and 89% foreign companies.
2) Government bonds include approximately 87% for Japanese government bonds, and 13% for foreign government bonds.
3) Pooled funds in debt securities invest in approximately 25% for Japanese government bonds, 39% for foreign government bonds, and 36% for municipal bonds and corporate bonds.

March 31, 2018	Millions of yen Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 41,387	¥ –	¥ –	¥ 41,387
Equity securities:				
Japanese companies	124,175	–	–	124,175
Foreign companies	75,367	–	–	75,367
Pooled funds	–	86,711	–	86,711
Debt securities:				
Government bonds	118,878	–	–	118,878
Municipal bonds	–	242	–	242
Corporate bonds	–	7,408	–	7,408
Pooled funds	–	186,744	–	186,744
Other assets:				
Hedge funds	–	–	171,624	171,624
Real estate	–	–	59,615	59,615
Life insurance company general accounts	–	75,522	–	75,522
Other assets	–	1,138	–	1,138
Total	¥ 359,807	¥ 357,765	¥ 231,239	¥ 948,811

Notes: 1) Pooled funds in equity securities invest in listed equity securities consisting of approximately 9% Japanese companies and 91% foreign companies.
2) Government bonds include approximately 84% for Japanese government bonds, and 16% for foreign government bonds.
3) Pooled funds in debt securities invest in approximately 32% for Japanese government bonds, 35% for foreign government bonds, and 33% for municipal bonds and corporate bond.
4) The table above includes the effect related with discontinued operation of the Memory business in the amount of ¥54,101 million.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not necessarily indicate the risks or ratings of the assets.

Level 1 plan assets represent marketable equity securities, and government bonds, which are valued based on quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 plan assets represent pooled funds that invest in equity securities and debt securities, corporate bonds and life insurance company general accounts. Pooled funds, which are classified as Level 2 asset, are valued at their net asset values that are calculated by the sponsor of the fund. Corporate bonds are valued based on quoted market prices for identical assets in inactive markets. Life insurance company general accounts are valued based on contracts. Level 3 plan assets represent pooled funds that invest in debt securities, hedge funds and real estate, which are valued based on unobservable inputs as the markets for the assets are not active at the measurement date.

An analysis of the changes in Level 3 plan assets measured at fair value for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen			
The Fiscal Year ended March 31, 2019	Pooled funds	Hedge funds	Real estate	Total
Balance at the beginning of the fiscal year	**¥ –**	**¥ 171,624**	**¥ 59,615**	**¥ 231,239**
Actual return:				
Relating to assets sold	**–**	**4,790**	**(4)**	**4,786**
Relating to assets still held	**–**	**(342)**	**621**	**279**
Purchases, issuances and settlements	**–**	**(24,843)**	**13,867**	**(10,976)**
Balance at the end of the fiscal year	**¥ –**	**¥ 151,229**	**¥ 74,099**	**¥ 225,328**

	Millions of yen			
The Fiscal Year ended March 31, 2018	Pooled funds	Hedge funds	Real estate	Total
Balance at the beginning of the fiscal year	¥ –	¥ 180,146	¥ 55,272	¥ 235,418
Actual return:				
Relating to assets sold	–	1,446	107	1,553
Relating to assets still held	–	761	(471)	290
Purchases, issuances and settlements	–	(10,729)	4,707	(6,022)
Balance at the end of the fiscal year	¥ –	¥ 171,624	¥ 59,615	¥ 231,239

	Thousands of US dollars			
The Fiscal Year ended March 31, 2019	Pooled funds	Hedge funds	Real estate	Total
Balance at the beginning of the fiscal year	**$ –**	**$ 1,546,162**	**$ 537,072**	**$ 2,083,234**
Actual return:				
Relating to assets sold	**–**	**43,153**	**(36)**	**43,117**
Relating to assets still held	**–**	**(3,081)**	**5,595**	**2,514**
Purchases, issuances and settlements	**–**	**(223,811)**	**124,928**	**(98,883)**
Balance at the end of the fiscal year	**$ –**	**$ 1,362,423**	**$ 667,559**	**$ 2,029,982**

Some of the Company's subsidiaries provide certain health care and life insurance benefits to retired employees. Such benefits were immaterial for the consolidated financial statements of the Company.

Defined contribution pension cost for the fiscal years ended March 31, 2019 and 2018 were ¥8,972 million ($80,829 thousand) and ¥8,323 million, respectively. These figures does not include effects of the discontinued operations relating to the Memory business.

12. REVENUE

The key goods and services of the Group include the following products and related maintenance services: nuclear power generation systems; thermal power generation systems; elevators; light fixtures; commercial air-conditioners; building & facility solutions; Point of Sale (POS) systems; multi-function peripherals; semiconductors; hard disk drives; and cloud solutions. The Group recognizes revenue when (or as) the promised goods or services are transferred to customers, which occurs when (or as) the customers obtain control of the promised goods or services.

Revenue from sales of mass-produced standard products (e.g., semiconductors, multi-function peripherals, and POS systems) is recognized at the transaction price when control of the products has transferred to customers, namely, when the delivery of the products has been completed.

Revenue from made-to-order products under a construction-type or production-type contract with specifications unique to a customer (e.g., nuclear power generation systems, thermal power generation systems, and building & facility solutions), is recognized for the amount of the transaction price in relation to the progress of the work. However, if reliable estimates of the costs to completion or progress of work cannot be reasonably made, revenue is recognized only to the extent of costs incurred that are expected to be collectable until the transfer of ownership is completed.

Sales of equipment that require both production and installation services, are generally identified as a single performance obligation, and the Group recognizes revenue over the period from the completion of the installation of the equipment to the acceptance after operation test by a customer.

Revenue from the provision of services, such as maintenance services, is generally identified as a performance obligation separate from the sale of equipment, and revenue is recognized on a straight-line basis over the term of the contract, or when the provision of services has been completed.

Certain products, primarily mass-produced standard products, are sold to customers with rebates (e.g., cash-back) depending on the circumstances of the transaction (e.g. volumes, amounts, etc.). In those cases, the transaction price is calculated by deducting expected rebates from the promised consideration under the agreement with a customer. The variable consideration related to sales with rebates is included in the transaction price when the uncertainty associated with rebates is resolved to the extent that it is highly probable that there will not be a significant reversal of cumulative revenue.

For contracts containing more than one performance obligation, such as the sale of equipment and related maintenance services, the transaction price is allocated to each performance obligation based on a relative standalone selling price. When the observable price of the good or service is available, such price is determined as the standalone selling price of that good or service. If an observable price is not available, the transaction price is allocated to each performance obligation based on an estimated standalone selling price.

The Group applies the practical expedients as prescribed in ASC 606: Revenue from Contracts with Customers and does not adjust significant financing components for the effects of the time value of money when the expected length of time between revenue recognition and collection of all contractual payments is one year or less.

The Group principally recognizes unbilled amounts due from customers related to made-to-order products under a construction-type or production-type contract with specifications unique to a customer as contract assets that are included in “Notes, accounts receivable and contract assets” and “Long-term receivables” in the consolidated balance sheets. The contract assets as of April 1, 2018 and March 31, 2019 are ¥238,710 million ($2,150,541 thousand) and ¥281,334 million ($2,534,541 thousand), respectively. The Group also recognizes the amount of consideration received from customers before control of goods or services transfers to customers as contract liabilities that are included in “Advance payments received” and “Other current liabilities” in the consolidated balance sheets. The contract liabilities as of April 1, 2018 and March 31, 2019 are ¥298,319 million ($2,687,559 thousand) and ¥314,746 million ($2,835,550 thousand), respectively. The contract liabilities related to business combinations amounted to ¥16,568 million ($149,261 thousand) for the fiscal year ended March 31, 2019. The amount of ¥170,576 million ($1,536,721 thousand) included in the contract liabilities as of April 1, 2018 is recognized as revenue for the fiscal year ended March 31, 2019.

The total amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as of March 31, 2019 is ¥1,591,998 million ($14,342,324 thousand), and approximately 40% of which is expected to be recognized as revenue within one year.

The amount of remaining performance obligations of contracts that have original expected duration of one year or less is not included in the amount above.

Revenue by good or service and by region is described in Note 29.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and amounted to ¥167,481 million ($1,508,838 thousand) and ¥178,653 million for the fiscal years ended March 31, 2019 and 2018, respectively.

14. ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to ¥8,517 million ($76,730 thousand) and ¥10,154 million for the fiscal years ended March 31, 2019 and 2018, respectively.

15. OTHER INCOME AND OTHER EXPENSES

FOREIGN EXCHANGE LOSSES

Foreign exchange losses for the fiscal year ended March 31, 2019, were immaterial. Foreign exchange losses for the fiscal year ended March 31, 2018, were ¥11,214 million.

GAINS ON SALES OF SECURITIES

The gains on sales of securities for the fiscal year ended March 31, 2019, were immaterial.

The gains on sales of securities for the fiscal year ended March 31, 2018, were ¥104,124 million. These gains included the sales of Landis+Gyr Group AG of ¥66,770 million and Toshiba Visual Solutions Corporation of ¥30,261 million.

LOSSES ON SALES OF SECURITIES

The losses on sales of securities for the fiscal year ended March 31, 2019, were ¥8,000 million ($72,072 thousand). These losses included the sales of Toshiba Client Solutions Co., Ltd of ¥6,008 million ($54,126 thousand).In addition, the losses recognized may subsequently change due to a transfer pricing adjustment based on changes to net working capital. The losses on sale of securities for the fiscal year ended March 31, 2018, were ¥35,011 million. These losses included the sales of Toshiba South America Ltda. of ¥32,359 million.

GAINS ON SALES OF FIXED ASSETS

The gains on sales of fixed assets for the fiscal year ended March 31, 2019 were immaterial.

The gains on sales of fixed assets for the fiscal year ended March 31, 2018, were ¥25,223 million. These gains were mainly related to the sale of the Ibaraki warehouse land.

THE GAIN ON THE TRANSFER OF BUSINESS OF TOSHIBA GENERAL HOSPITAL

The gain on the transfer of business of Toshiba General Hospital of ¥23,882 million ($215,153 thousand) was recorded for the fiscal year ended March 31, 2019.

THE LOSS ON WITHDRAW FROM THE NUCLEAR POWER PLANT CONSTRUCTION PROJECT IN THE UK

The loss on the withdraw from the Nuclear Power Plant Construction Project in the UK of ¥11,027 million ($99,342 thousand) was recorded for the fiscal year ended March 31, 2019

16. IMPAIRMENT OF LONG-LIVED ASSETS

Due to a decrease in profitability of the following business, the Group recorded impairment losses to the related assets.

Impairment losses recorded in the fiscal year ended March 31, 2019 consisted of ¥5,375 million ($48,423 thousand) in the System LSI business, and ¥1,197 million ($10,784 thousand) in the Hydrogen Energy business. Impairment losses recorded in the fiscal year ended March 31, 2018 consisted of ¥11,982 million in the System LSI business, ¥1,521 million in the PC business, ¥442 million in the Visual Products business, and ¥162 million in the Electric Power Sales business.

These impairment losses are included in cost of sales in the consolidated statements of operations.

Impairment losses in the Electric Power Sales business and Hydrogen Energy business are included in Energy Systems & Solutions, those in the System LSI business are included in Storage & Electronic Devices Solutions, and those in the PC business and the Visual Products business are included in Others.

17. INCOME TAXES

The Group is subject to a number of different income taxes which, in the aggregate, result in an effective statutory tax rate in Japan of approximately 30.6% and 30.9% for the fiscal years ended March 31, 2019 and 2018, respectively.

The components of income tax expense allocated to continuing operations and discontinued operations for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Continuing operations:			
Current	**¥ 30,793**	¥ (21,709)	**$ 277,414**
Deferred	**(15,241)**	(40,229)	**(137,306)**
	¥ 15,552	¥ (61,938)	**$ 140,108**
Discontinued operations:			
Current	**¥ 8,314**	¥ 85,346	**$ 74,901**
Deferred	**2,600**	(59,547)	**23,423**
	10,914	25,799	**98,324**
	¥ 26,466	¥ (36,139)	**$ 238,432**

A reconciliation table between the reported income tax expense and the amount computed by multiplying the income from continuing operations, before income taxes and noncontrolling interests by the applicable statutory tax rate is as follows:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Expected income tax expense	**¥ 3,339**	¥ 25,422	**$ 30,081**
Increase (decrease) in taxes resulting from:			
Tax credits	**(2,562)**	(2,608)	**(23,081)**
Non-deductible expenses for tax purposes	**9,622**	4,602	**86,684**
Net change in valuation allowance	**9,208**	(83,705)	**82,955**
Tax rate difference relating to foreign subsidiaries	**(8,241)**	(5,528)	**(74,243)**
Deferred tax liabilities on undistributed earnings of foreign subsidiaries and affiliates	**(3,008)**	(4,240)	**(27,099)**
Impairment of goodwill	**2,541**	–	**22,892**
Other	**4,653**	4,119	**41,919**
Income tax expense	**¥ 15,552**	¥ (61,938)	**$ 140,108**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2019 and 2018 are as follows:

March 31	Millions of yen 2019	Millions of yen 2018	Thousands of US dollars 2019
Deferred tax assets:			
Inventories	¥ **16,671**	¥ 13,343	$ **150,189**
Accrued pension and severance costs	**34,282**	45,372	**308,847**
Tax loss carryforwards	**151,933**	94,592	**1,368,766**
Pension liability adjustment	**115,020**	130,425	**1,036,216**
Accrued expenses	**116,621**	89,092	**1,050,640**
Depreciation and amortization	**60,123**	71,961	**541,649**
Loss from valuation of securities	**51,567**	49,672	**464,567**
Loss on guarantees	**–**	7,157	**–**
Other	**73,770**	80,342	**664,594**
Gross deferred tax assets	**619,987**	581,956	**5,585,468**
Valuation allowance for deferred tax assets	**(518,209)**	(499,526)	**(4,668,549)**
Deferred tax assets	¥ **101,778**	¥ 82,430	$ **916,919**
Deferred tax liabilities:			
Property, plant and equipment	¥ **(2,466)**	¥ (2,573)	$ **(22,216)**
Unrealized gains on securities	**(5,629)**	(6,041)	**(50,712)**
Undistributed earnings of foreign subsidiaries and affiliates	**(21,171)**	(20,723)	**(190,730)**
Goodwill and other intangible assets	**(10,866)**	(10,831)	**(97,892)**
Other	**(20,158)**	(21,718)	**(181,603)**
Gross deferred tax liabilities	**(60,290)**	(61,886)	**(543,153)**
Net deferred tax assets	¥ **41,488**	¥ 20,544	$ **373,766**

The net change in the total valuation allowance for the fiscal years ended March 31, 2019 and 2018 was an increase of ¥18,683 million ($168,315 thousand) and a decrease of ¥364,037 million, respectively.

The decrease of ¥24,834 million ($223,730 thousand) at beginning-of-the-fiscal-year balance of the valuation allowance was due to a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2019. The decrease of ¥37,153 million at the beginning-of-the-fiscal-year balance of the valuation allowance was due to a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2018.

The Group's tax loss carryforwards for the corporate and local taxes at March 31, 2019 amounted to ¥428,203 million ($3,857,685 thousand) and ¥825,970 million ($7,441,171 thousand), respectively, the majority of which will expire during the period from the fiscal year ending March 2020 through 2029. The Group utilized tax loss carryforwards of ¥7,268 million ($65,477 thousand) and ¥21,671 million to reduce current corporate taxes and ¥4,764 million ($42,919 thousand) and ¥4,482 million to reduce current local taxes during the fiscal years ended March 31, 2019 and 2018, respectively.

The amount of benefits due to use of tax loss carryforwards included in income tax expense for the fiscal years ended March 31, 2019 and 2018 were ¥2,469 million ($22,243 thousand) and ¥7,758 million, respectively.

Realization of tax loss carryforwards and other deferred tax assets is dependent on the Group generating sufficient taxable income prior to their expiration or the Group exercising certain available tax strategies. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less the valuation allowance, will be realized. The amount of such net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

A reconciliation table of the beginning and ending amount of unrecognized tax benefits is as follows:

	Millions of yen				Thousands of US dollars	
The Fiscal Year ended March 31		**2019**		2018		**2019**
Balance at the beginning of the fiscal year	**¥**	**4,308**	¥	7,525	**$**	**38,811**
Additions for tax positions of the current fiscal year		**14**		396		**126**
Additions for tax positions of prior fiscal years		**263**		91		**2,369**
Reductions for tax positions of the current fiscal year		**–**		(44)		**–**
Reductions for tax positions of prior fiscal years		**(243)**		(555)		**(2,189)**
Lapse of statute of limitations or closed audits		**(19)**		(459)		**(171)**
Reductions due to the sales of securities		**–**		(3,060)		**–**
Foreign currency translation adjustments		**(198)**		414		**(1,784)**
Balance at the end of the fiscal year	**¥**	**4,125**	¥	4,308	**$**	**37,162**

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥3,073 million ($27,685 thousand) and ¥4,097 million at March 31, 2019 and 2018, respectively.

The Group recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of operations. Both interest and penalties accrued in the consolidated balance sheets as of March 31, 2019 and 2018, and interest and penalties included in income taxes in the consolidated statements of operations for the fiscal years ended March 31, 2019 and 2018 were immaterial.

The Group believes its estimates and assumptions of unrecognized tax benefits are reasonable and based on each of the items of which the Group is aware of at March 31, 2019, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Group files income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Group is no longer subject to regular income tax examinations by the tax authority for years before the fiscal year ended March 31, 2014 with a few exceptions. In other major foreign subsidiaries, they are no longer subject to regular income tax examinations by tax authorities for years before the fiscal year ended March 31, 2014 with a few exceptions.

18. EQUITY

COMMON STOCK

The total number of authorized shares of the Company is 1,000,000,000. The total number of shares issued for the fiscal years ended March 31, 2019 and 2018 are 544,000,000 and 652,070,702, respectively. On October 10, 2018, the Company executed a share consolidation in a ratio of 10 shares to 1. Accordingly, the total number of authorized shares of the Company are disclosed as if assumed to have been consolidated at the beginning of the previous fiscal year.

RETAINED EARNINGS (ACCUMULATED DEFICIT)

Retained earnings (accumulated deficit) as at March 31, 2019 and 2018 include a legal reserve. The Company's and its Japanese subsidiaries' legal reserve are ¥21,448 million ($193,225 thousand) and ¥21,386 million, respectively. The Corporation Law of Japan requires that an amount equal to 10% of the distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law of Japan also requires that additional paid-in capital and the legal reserve are available for transfer to retained earnings for distributions by the resolution of the shareholders.

The amount of retained earnings available for distributions is based on the Company's retained earnings determined in accordance with generally accepted accounting principles in Japan and the Corporation Law of Japan. Retained earnings at March 31, 2019 do not reflect current year-end distribution of ¥5,412 million ($48,757 thousand) which will be paid from June 4, 2019.

Retained earnings (accumulated deficit) at March 31, 2019 included the Group's share in undistributed earnings of equity method investees in the amount of ¥338,219 million ($3,047,018 thousand).

ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss for the fiscal year ended March 31, 2019 are as follows:

	Millions of yen				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at the beginning of the fiscal year	¥ 37,147	¥ (82,514)	¥ (248,874)	¥ (1,331)	¥ (295,572)
Cumulative effect of application of ASU 2016-01 (Note)	(37,147)	–	–	–	(37,147)
Other comprehensive income (loss) arising during year	20	6,689	(5,614)	(86)	1,009
Amounts reclassified from accumulated other comprehensive loss	–	55,740	12,716	943	69,399
Net current year change	(37,127)	62,429	7,102	857	33,261
Balance at the end of the fiscal year	¥ 20	¥ (20,085)	¥ (241,772)	¥ (474)	¥ (262,311)

	Thousands of US dollars				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at the beginning of the fiscal year	$ 334,658	$ (743,370)	$ (2,242,108)	$ (11,991)	$ (2,662,811)
Cumulative effect of application of ASU 2016-01 (Note)	(334,658)	–	–	–	(334,658)
Other comprehensive income (loss) arising during year	180	60,262	(50,577)	(775)	9,090
Amounts reclassified from accumulated other comprehensive loss	–	502,162	114,559	8,496	625,217
Net current year change	(334,478)	562,424	63,982	7,721	299,649
Balance at the end of the fiscal year	$ 180	$ (180,946)	$ (2,178,126)	$ (4,270)	$ (2,363,162)

(Note) Cumulative effect of application of ASU 2016-01 "Financial Instruments overall Recognition and Measurement of Financial Assets and Financial Liabilities" is disclosed. Details of this accounting standard change are disclosed in Note 2.

The changes in accumulated other comprehensive loss for the fiscal year ended March 31, 2018 are as follows:

	Millions of yen				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at the beginning of the fiscal year	¥ 24,537	¥ (55,468)	¥ (277,002)	¥ (2,817)	¥ (310,750)
Other comprehensive income (loss) arising during year	13,534	(8,728)	4,306	481	9,593
Amounts reclassified from accumulated other comprehensive loss	(924)	(18,318)	23,822	1,005	5,585
Net current year change	12,610	(27,046)	28,128	1,486	15,178
Balance at the end of the fiscal year	¥ 37,147	¥ (82,514)	¥ (248,874)	¥ (1,331)	¥ (295,572)

Amounts reclassified from accumulated other comprehensive loss for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars	
	Amounts reclassified from accumulated other comprehensive loss			Affected line item in Consolidated Statements of Operations
	2019	2018	**2019**	
Net unrealized gains and losses on securities				
	¥ –	¥ (1,312)	**$ –**	Other income and other expenses
	–	389	**–**	Income taxes
	–	(1)	**–**	Income from discontinued operations, before noncontrolling interests
	–	(924)	**–**	Net income before noncontrolling interests
	–	–	**–**	Less: Net income (loss) attributable to noncontrolling interests
	–	(924)	**–**	Net income attributable to shareholders of the Company
Foreign currency translation adjustments				
	10,809	(18,318)	**97,378**	Other income and other expenses
	–	–	**–**	Income taxes
	44,931	–	**404,784**	Income from discontinued operations, before noncontrolling interests
	55,740	(18,318)	**502,162**	Net income before noncontrolling interests
	–	–	**–**	Less: Net income (loss) attributable to noncontrolling interests
	55,740	(18,318)	**502,162**	Net income attributable to shareholders of the Company
Pension liability adjustments				
	18,246	33,606	**164,378**	Net periodic pension and severance cost (Note 1)
	(5,583)	(10,283)	**(50,297)**	Income taxes
	12	496	**108**	Income from discontinued operations, before noncontrolling interests
	12,675	23,819	**114,189**	Net income before noncontrolling interests
	(41)	(3)	**(370)**	Less: Net income (loss) attributable to noncontrolling interests
	12,716	23,822	**114,559**	Net income attributable to shareholders of the Company
Net unrealized gains and losses on derivative instruments				
	1,504	1,635	**13,550**	Interest, other income and other expenses
	(460)	(501)	**(4,144)**	Income taxes
	1,044	1,134	**9,406**	Net income before noncontrolling interests
	101	129	**910**	Less: Net income (loss) attributable to noncontrolling interests
	943	1,005	**8,496**	Net income attributable to shareholders of the Company
Total reclassifications-net of tax and noncontrolling interests	**¥ 69,399**	¥ 5,585	**$ 625,217**	

Notes: 1) Details of the computation of net periodic pension and severance cost are disclosed in Note 11.
2) Increase (decrease) of amounts reclassified from accumulated other comprehensive loss indicates decrease (increase) of income in Consolidated Statements of Operations.

Tax effect allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2019 and 2018 are shown as follows:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2019:			
Net unrealized gains and losses on securities:			
Cumulative effect of application of ASU 2016-01	**¥ (45,164)**	**¥ 8,017**	**¥ (37,147)**
Unrealized gains arising during year	**29**	**(9)**	**20**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**–**	**–**	**–**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**5,455**	**1,234**	**6,689**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**55,649**	**91**	**55,740**
Pension liability adjustments:			
Pension liability adjustments arising during year	**(9,194)**	**3,580**	**(5,614)**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**18,322**	**(5,606)**	**12,716**
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	**(237)**	**151**	**(86)**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**1,359**	**(416)**	**943**
Other comprehensive loss	**¥ 26,219**	**¥ 7,042**	**¥ 33,261**
For the year ended March 31, 2018:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	¥ 18,776	¥ (5,242)	¥ 13,534
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	(1,314)	390	(924)
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(7,991)	(737)	(8,728)
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	(18,405)	87	(18,318)
Pension liability adjustments:			
Pension liability adjustments arising during year	4,162	144	4,306
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	34,334	(10,512)	23,822
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	783	(302)	481
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	1,449	(444)	1,005
Other comprehensive loss	¥ 31,794	¥ (16,616)	¥ 15,178

	Thousands of US dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2019:			
Net unrealized gains and losses on securities:			
Cumulative effect of application of ASU 2016-01	**$ (406,883)**	**$ 72,225**	**$ (334,658)**
Unrealized gains arising during year	**261**	**(81)**	**180**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**–**	**–**	**–**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**49,144**	**11,118**	**60,262**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**501,342**	**820**	**502,162**
Pension liability adjustments:			
Pension liability adjustments arising during year	**(82,828)**	**32,251**	**(50,577)**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**165,063**	**(50,504)**	**114,559**
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	**(2,135)**	**1,360**	**(775)**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**12,243**	**(3,747)**	**8,496**
Other comprehensive loss	**$ 236,207**	**$ 63,442**	**$ 299,649**

DEFICIT DISPOSITION

The Board of Directors Meeting held on May 15, 2018 resolved to reduce the amount of capital legal reserve on the Company's standalone balance sheet by (¥299,999 million) ($2,702,694 thousand) and to appropriate the other capital surplus totaling (¥758,687 million) ($6,835,018 thousand) (which includes the increase due to the reduction in capital legal reserve and common stock) in order to fund the accumulated deficit, pursuant to the Corporation Law of Japan. The reduction in common stock on the Company's standalone balance sheet (¥299,999 million) ($2,702,694 thousand) was also approved at the Ordinary General Meeting of shareholders for the 179th fiscal year held on June 27, 2018. Subsequently, the reduction in common stock and capital legal reserve and the appropriation of other capital surplus became effective on July 31, 2018, following creditor protection proceedings. As there are no corresponding laws and regulations in the US, the disposition of the deficit in the Company's standalone balance sheet reflects without alteration on the consolidated financial statements.

As a result of the above, additional paid-in capital on the consolidated balance sheet became negative and the negative value within additional paid-in capital was transferred to retained earnings.

REPURCHASE AND RETIREMENT OF TREASURY STOCK

The Company resolved, at its Board of Directors Meeting held on November 8, 2018, matters related to the purchase of treasury stock of the Company (acquired ¥399,777 million ($3,601,595 thousand) of treasury stock, pursuant to such resolution, in the fiscal year ended March 31, 2019), pursuant to the Corporation Law of Japan. In addition, the Company retired the acquired shares of treasury stock on December 25, 2018 and March 28, 2019 (retired ¥392,449 million ($3,535,577 thousand) in the fiscal year ended March 31, 2019). With regards to the retirement of treasury stock, the acquisition cost of the treasury stock is subtracted from retained earnings.

19. NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The following reconciliation table of the numerators and denominators sets forth the computation of basic net earnings (loss) per share attributable to shareholders of the Company for the fiscal years ended March 31, 2019 and 2018.

In addition, as a result of approval of the proposal for consolidation of shares at the 179th Ordinary General Meeting of Shareholders held on June 27, 2018, 10 shares of the Company were converted into 1 share effective as of October 1, 2018. Accordingly, the weighted-average number of shares of common stock in the calculation is assumed to have been consolidated at the beginning of the fiscal year ended March 31, 2018.

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Income (loss) from continuing operations attributable to shareholders of the Company	**¥ (26,984)**	¥ 107,259	**$ (243,099)**
Income from discontinued operations attributable to shareholders of the Company	**1,040,240**	696,752	**9,371,531**
Net income attributable to shareholders of the Company	**¥ 1,013,256**	¥ 804,011	**$ 9,128,432**

	Thousands of shares	
The Fiscal Year ended March 31	**2019**	2018
Weighted-average number of shares of common stock outstanding for the year	**617,142**	493,598

	Yen		US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Earnings (loss) from continuing operations per share attributable to shareholders of the Company:			
–Basic	**¥ (43.72)**	¥ 217.30	**$ (0.39)**
Earnings from discontinued operations per share attributable to shareholders of the Company:			
–Basic	**¥ 1,685.57**	¥ 1,411.58	**$ 15.18**
Net earnings per share attributable to shareholders of the Company:			
–Basic	**¥ 1,641.85**	¥ 1,628.88	**$ 14.79**

Diluted net earnings per share attributable to shareholders of the Company for the fiscal years ended March 31, 2019 and 2018 have been omitted because the Company did not have common stock outstanding with potential dilutive effects.

20. FINANCIAL INSTRUMENTS

(1) DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates internationally, giving rise to exposure to market risks from fluctuations in foreign currency exchange and interest rates. In the normal course of its risk management efforts, the Group employs a variety of derivative financial instruments, which are consisted primarily of forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options to reduce its exposures. The Group has policies and procedures for risk management and the approval, reporting and monitoring of derivative financial instruments. The Group's policies prohibit holding or issuing derivative financial instruments for speculative or trading purposes.

The Group is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but the Group does not anticipate any credit-related loss from nonperformance by the counterparties because the counterparties are financial institutions of high credit standing and contracts are diversified across a number of major financial institutions.

The Group has entered into forward exchange contracts with financial institutions as hedges against fluctuations in foreign currency exchange rates on monetary assets and liabilities denominated in foreign currencies. The forward exchange contracts related to accounts receivable and payable, and commitments on future trade transactions denominated in foreign currencies, mature primarily within a few years of the balance sheet date.

Interest rate swap agreements and currency swap agreements are used to limit the Group's exposure to losses in relation to underlying debt instruments and accounts receivable and payable denominated in foreign currencies resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature between 2019 and 2021.

The Group employs forward exchange contracts and foreign-currency-denominated debt, which reduce fluctuations in foreign currency exchange rate on investments in foreign subsidiaries.

Most forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options are designated as either cash flow hedges or net investment hedges as discussed below, depending on its characteristic such as: accounts receivable and payable denominated in foreign currencies, investments in foreign subsidiaries or commitments on future trade transactions and the interest rate characteristics of the underlying debt.

Cash Flow Hedge

The forward exchange contracts utilized by the Group effectively reduce fluctuation in cash flow from commitments on future trade transactions denominated in foreign currencies.

The interest rate swap agreements utilized by the Group effectively convert a portion of its floating-rate debt to a fixed-rate basis.

The Group expects to reclassify ¥336 million ($3,027 thousand) of net loss on derivative financial instruments from accumulated other comprehensive loss to net income (loss) attributable to shareholders of the Company during the next 12 months due to the collection of accounts receivable denominated in foreign currencies and the payments of accounts payable denominated in foreign currencies and variable interest associated with the floating-rate debts.

Net Investment Hedge

The forward exchange contracts and foreign-currency-denominated debt utilized by the Group effectively reduce fluctuation in foreign exchange rate on investments in foreign subsidiaries.

The change in fair value of these contracts are recorded in accumulated other comprehensive income (loss) as a part of foreign currency translation adjustments.

There was no foreign-currency-denominated debt for hedging investments in foreign subsidiaries at March 31, 2019.

Derivatives Not Designated as Hedging Instruments

The Group has entered into certain forward exchange contracts and currency swap agreements to offset the earnings impact related to fluctuations in foreign currency exchange rates on monetary assets and liabilities denominated in foreign currencies and in interest rates on debt instruments. Although some of these contracts have not been designated as hedges as required in order to apply hedge accounting, the contracts are effective from an economic perspective. The changes in the fair value of those contracts are recorded in earnings immediately.

The Group's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements, currency swap agreements and foreign-currency-denominated debt for net investment hedge outstanding at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of US dollars
March 31	**2019**	2018	**2019**
Forward exchange contracts:			
To sell foreign currencies	**¥ 142,150**	¥ 179,756	**$ 1,280,631**
To buy foreign currencies	**32,668**	148,901	**294,306**
Interest rate swap agreements	**282,000**	342,000	**2,540,541**
Currency swap agreements	**47**	243	**423**

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments and the location in the consolidated balance sheets at March 31, 2019 and 2018 are summarized as follows:

		Millions of yen		Thousands of US dollars
March 31	Location at balance sheet	**2019**	2018	**2019**
Derivatives designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	**¥ 99**	¥ 65	**$ 892**
	Other assets	**–**	10	**–**
Liabilities:				
Forward exchange contracts	Other current liabilities	**–**	(430)	**–**
	Other Liabilities	**(2)**	(41)	**(18)**
Interest rate swap agreements	Other current liabilities	**(418)**	(156)	**(3,766)**
	Other liabilities	**(172)**	(1,317)	**(1,550)**
Derivatives not designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	**720**	2,846	**6,486**
Currency swap agreements	Prepaid expenses and other current assets	**0**	7	**0**
Liabilities:				
Forward exchange contracts	Other current liabilities	**(1,010)**	(1,382)	**(9,099)**
	Other liabilities	**(3)**	–	**(27)**

	Millions of yen			
	2019		2018	
March 31	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivative financial instruments:				
Liabilities:				
Long-term debt, including current portion	**¥ (396,523)**	**¥ (394,068)**	¥ (587,992)	¥ (576,938)

March 31	Thousands of US dollars 2019 Carrying amount	Fair value
Nonderivative financial instruments:		
Liabilities:		
Long-term debt, including current portion	**$ (3,572,279)**	**$ (3,550,162)**

The above table excludes the financial instruments for which fair value approximate their carrying amounts and those related to leasing activities. The table also excludes marketable securities and other investments which are disclosed in Note 4.

In assessing the fair value of these financial instruments, the Group uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at that time. For certain instruments, including cash and cash equivalents, notes and accounts receivable-trade, short-term borrowings, notes and accounts payable-trade and accounts payable-other and accrued expenses, it is assumed that the carrying amount approximated fair value for the majority of these instruments because of their short maturities. Quoted market prices are used for a number of marketable securities and other investments. For long-term debt, fair value is estimated using market quotes or discounted value of future cash flows when market quotes are not available, and is classified within Level 2 or Level 3. Other techniques, such as estimated discounted value of future cash flows, and replacement cost, are used to determine fair value for the remaining financial instruments. These fair values are not necessarily the amounts that could be realized in a current market exchange.

The effect of derivative instruments on the consolidated statements of operations for the fiscal year ended March 31, 2019 is as follows:

Cash flow hedge:

	Millions of yen: Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Financial Statement Classification	Amount recognized	Financial Statement Classification	Amount recognized
Forward exchange contracts	**¥ (26)**	Other expenses	**¥ (108)**	Other income	**¥ 579**
Interest rate swap agreements	**111**	Interest expenses	**(834)**	–	**–**

Net investment hedge:

	Millions of yen: Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Financial Statement Classification	Amount recognized	Financial Statement Classification	Amount recognized
Forward exchange contracts	**¥ –**	Other expenses	**¥ (130)**	–	**–**
Foreign-currency-denominated debt	**–**	Other income	**35**	–	**–**

Derivatives not designated as hedging instruments:

	Millions of yen	
	Amount of gain (loss) recognized in income (loss)	
	Financial Statement Classification	Amount recognized
Forward exchange contracts	Other expenses	¥ (2,152)
	Income from discontinued operations, before noncontrolling interests	(4,331)

Cash flow hedge:

	Thousands of US dollars				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)	
	Amount recognized	Financial Statement Classification	Amount recognized	Financial Statement Classification	Amount recognized
Forward exchange contracts	$ (234)	Other expenses	$ (973)	Other income	$ 5,216
Interest rate swap agreements	1,000	Interest expenses	(7,514)	–	–

Net investment hedge:

	Thousands of US dollars				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)	
	Amount recognized	Financial Statement Classification	Amount recognized	Financial Statement Classification	Amount recognized
Forward exchange contracts	$ –	Other expenses	$ (1,171)	–	–
Foreign-currency-denominated debt	–	Other income	315	–	–

Derivatives not designated as hedging instruments:

	Thousands of US dollars	
	Amount of gain (loss) recognized in income (loss)	
	Financial Statement Classification	Amount recognized
Forward exchange contracts	Other expenses	$ (19,387)
	Income from discontinued operations, before noncontrolling interests	(39,018)

The effect of derivative instruments on the consolidated statements of operations for the fiscal year ended March 31, 2018 is as follows:

Cash flow hedge:

	Millions of yen								
	Amount of gain (loss) recognized in OCI		Amount of gain (loss) reclassified from OCI into income (loss)			Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)			
	Amount recognized		Financial Statement Classification	Amount recognized		Financial Statement Classification	Amount recognized		
Forward exchange contracts	¥	363	Other expenses	¥	(38)	Other income	¥	1	
Interest rate swap agreements		118	Interest expenses		(967)	–		–	

Net investment hedge:

	Millions of yen							
	Amount of gain (loss) recognized in OCI		Amount of gain (loss) reclassified from OCI into income (loss)			Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)		
	Amount recognized		Financial Statement Classification	Amount recognized		Financial Statement Classification	Amount recognized	
Forward exchange contracts	¥	–	Other expenses	¥	(9,071)	–		–
Foreign-currency-denominated debt		2,852	Other income		2,239	–		–

Derivatives not designated as hedging instruments:

	Millions of yen		
	Amount of gain (loss) recognized in income (loss)		
	Financial Statement Classification	Amount recognized	
Forward exchange contracts	Other income	¥	1,460
	Income from discontinued operations, before noncontrolling interests		(679)
Currency swap agreements	Other income		0

21. LEASES

The Group leases manufacturing equipment, office and warehouse space, and certain other assets under operating leases.

Rent expenses under such leases for the fiscal years ended March 31, 2019 and 2018 were ¥60,144 million ($541,838 thousand) and ¥63,034 million, respectively.

The Group also leases certain machinery and equipment which are accounted for as capital leases. As of March 31, 2019 and 2018, the costs of machinery and equipment under capital leases were approximately ¥27,242 million ($245,423 thousand) and ¥30,365 million, and the related accumulated amortization were approximately ¥18,008 million ($162,234 thousand) and ¥18,534 million, respectively.

The costs of machinery and equipment under capital leases from affiliates of the Company and the related accumulated amortization as of March 31, 2019 and 2018 were immaterial.

Minimum lease payments for the Group's capital and non-cancelable operating leases as of March 31, 2019 are as follows:

	Millions of yen		Thousands of US dollars	
The Fiscal Year ending March 31	Capital leases	Operating leases	Capital leases	Operating leases
2020	¥ 5,511	¥ 27,740	$ 49,649	$ 249,910
2021	3,222	23,501	29,027	211,721
2022	1,619	19,890	14,586	179,189
2023	760	17,893	6,847	161,198
2024	266	15,557	2,396	140,153
Thereafter	291	31,650	2,621	285,135
Total minimum lease payments	11,669	¥ 136,231	105,126	$ 1,227,306
Executory costs	(139)		(1,252)	
Amounts representing interest	(365)		(3,288)	
Present value of net minimum lease payments	11,165		100,586	
Less–current portion	5,287		47,631	
	¥ 5,878		$ 52,955	

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments for the purchase of property, plant and equipment, and long-term service at fixed and variable prices outstanding at March 31, 2019 and 2018, totaled approximately ¥1,063,710 million($9,582,973 thousand) and ¥994,291 million, respectively.

Most of the above-mentioned commitments relate to the agreement to purchase liquid natural gas in the US. On May 31, 2019, the Group signed a contract with Total Gas & Power Asia Private Limited, the Singaporean arm of Total S.A., the French major energy company, which transfers all the issued shares of the Toshiba America LNG Corporation, a consolidated subsidiary of the Group, to Total Gas & Power Asia Private Limited. For more details, please refer to Note 31.

The amount of commitments expected to be paid in each year of the following five fiscal years and thereafter is as follows:

The Fiscal Year ending March 31	Millions of yen	Thousands of US dollars
2020	¥ 19,310	$ 173,964
2021	47,349	426,568
2022	46,751	421,180
2023	46,926	422,757
2024	47,101	424,333
Thereafter	856,273	7,714,171
Total of commitments	¥ 1,063,710	$ 9,582,973

23. GUARANTEES

GUARANTEES OF UNCONSOLIDATED AFFILIATES AND THIRD PARTY DEBT

The Group guarantees debt as well as certain financial obligations of unconsolidated affiliates and third parties to support the sale of the Group's products and services. Expiration dates vary from 2019 to 2037 and from 2018 to 2037 as of March 31, 2019 and 2018, respectively or the guarantees terminate on payment and/or cancellation of the obligation. A payment by the Group would be triggered by the failure of the guaranteed party to fulfill its obligation under the guarantee. The maximum potential payments under these guarantees were ¥6,525 million ($58,784 thousand) and ¥92,482 million as of March 31, 2019 and 2018, respectively. Decrease in guarantees is mainly due to the derecognition of lease guarantees for Flash Alliance Ltd, Flash Forward Ltd, and Flash Partners Ltd.

RESIDUAL VALUE GUARANTEES UNDER SALE AND LEASEBACK TRANSACTIONS

The Group has entered into several sale and leaseback transactions in which certain machinery and equipment was sold and leased back. The Group may be required to make payments for residual value guarantees in connection with these transactions. The operating lease contracts will expire on various dates through April 2027. The maximum potential payments by the Group for such residual value guarantees were ¥1,515 million ($13,649 thousand) and ¥1,774 million as of March 31, 2019 and 2018, respectively.

The carrying amounts of the liabilities for the Group's obligations under the guarantees described above as of March 31, 2019 and 2018 were immaterial.

WARRANTY

Estimated warranty costs are accrued for at the time a product is sold to a customer. Estimates for warranty costs are made based primarily on historical warranty claim experience.

The following is a reconciliation table of the product warranty accrual for the fiscal years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Balance at the beginning of the fiscal year	**¥ 32,979**	¥ 47,088	**$ 297,108**
Warranties issued	**12,889**	15,592	**116,117**
Settlements made	**(17,715)**	(23,857)	**(159,594)**
Amounts of Landis+Gyr Group AG deconsolidated	**–**	(5,521)	**–**
Amounts of PC Business deconsolidated	**(2,942)**	–	**(26,505)**
Foreign currency translation adjustments	**168**	(323)	**1,514**
Balance at the end of the fiscal year	**¥ 25,379**	¥ 32,979	**$ 228,640**

24. LEGAL PROCEEDINGS

In February 2015, the Company received an order from the Securities and Exchange Surveillance Commission, based on Article 26 of the Financial Instruments and Exchange Act, requiring submission of a report. The Company was then subject to inspection regarding projects that used percentage-of-completion accounting. Later, after establishing the Independent Investigation Committee and conducting the investigation, it was found that the Company had continuously carried out inappropriate accounting and, therefore, the Company filed amendments of the past Annual Securities Reports and other reports. Holders of American Depositary Receipts ("ADRs") filed a class action lawsuit against the Company in the State of California, in the US in relation to the inappropriate financial reporting by the Company. The Company filed a petition with the court for rejection of the lawsuit on the grounds that securities laws of the US do not apply to the above-mentioned securities, among other reasons, and the decision to reject the lawsuit was made as of May 20, 2016 (US time). The plaintiffs lodged an appeal against the judgement on July 25, 2016 (US time), and the appellate instance reversed the judgement of the district court on July 17, 2018 (US time) and issued a judgement to remand the case to the district court to enable the plaintiffs to submit a revised complaint. However, the Company filed an appeal against the judgement with the US Supreme Court on October 15, 2018 (US time).

Damage compensation claims have been demanded against the Company in Japan as well with the plaintiffs claiming to have suffered damage due to inappropriate financial reporting by the Company. The Company accrued the reasonably estimated amount expected to be paid for the damage compensation. Certain of these claims have been pending with several courts including seeking payment by (1) foreign institutional investors of approximately ¥14,220 million ($128,108 thousand) in June 2016, ¥21,759 million ($196,027 thousand) and ¥44,741 million ($403,072 thousand) in April 2017, ¥9,227 million ($83,126 thousand) in June 2017, ¥33,000 million ($297,297 thousand) and ¥837 million ($7,541 thousand) in September 2017, ¥414 million ($3,730 thousand) in October 2017, and, ¥4,051 million ($36,495 thousand) in April 2018, (2) Japan Trustee Services Bank, Ltd., of approximately ¥1,262 million ($11,369 thousand) in May 2016, ¥11,993 million ($108,045 thousand) in August 2016 and, ¥572 million ($5,153 thousand) in September 2017, (3) the Master Trust Bank of Japan, Ltd., of approximately ¥5,105 million ($45,991 thousand) and ¥13,114 million ($118,144 thousand) in March 2017, (4) Trust & Custody Services Bank, Ltd., of approximately ¥14,026 million ($126,360 thousand) in March 2017.

The Group has global business operations and is involved from time to time in disputes, including lawsuits and other legal proceedings and investigations by relevant authorities. Due to differences in judicial systems and the uncertainties inherent in such proceedings, the Group may be subject to a ruling requiring payment of amounts far exceeding its expectations. Any judgment or decision unfavorable to the Group could have a materially adverse effect on the Group's business, results of operations or financial condition. However based on the information currently available to the Group, Management believes that such legal procedures would not have a material adverse effect on the financial position or the results of operations of the Group.

25. BUSINESS STRUCTURAL REFORM

The Fiscal Year ended March 31, 2019

Based on the presentation announced on November 8,2018, "Toshiba Next Plan", the Group has implemented four measures to improve core earning power, which are: structural reform, procurement reform, sales reform and process reform. As part of the structural reformation activities, the Group announced on the same day "Toshiba Group to implement Early Retirement Incentive Programs as part of Structural Reform", As such, the Company and some of its consolidated subsidiaries in Japan have implemented an early voluntary retirement incentive program, which provided a special severance payment on top of a standard retirement payment on the condition that applicants will leave by the end of March 2019 ("early retirement incentive program").

Energy Systems & Solutions

Toshiba Energy Systems & Solutions Corporation ("ESS") has implemented the early retirement incentive program aimed at building the appropriate allocation of personnel. These activities also cover some of ESS's subsidiaries, as ESS responds to the global trend of decarbonization by strengthening its service business in the coal-fired thermal power plant business, and shifting to the renewable energy business from the coal-fired thermal power plant construction business as new coal-fired thermal power plant construction activities are shrinking.

Other Segments

The Group has implemented the early incentive program to create a staff organization appropriate for the level of sales generated, in response to a reduction in the Group's sales, a downsized business scale and changes in the business portfolio.

Changes in the liability balance related to exit and disposal activities for the fiscal year ended March 31, 2019 are shown in the table below.

These expenses are short term in nature, being completed within one year from the initiation of activities.

The exit and disposal activities were mostly completed as of March 31, 2019, and there is no significant amount of expenses expected to be incurred in the following year except for the activities disclosed in Note 31.

	Millions of Yen			
	Retirement-related expenses	Contract termination costs	Others	Total
Liability balance as of March 31, 2018	¥ **4,111**	¥ **417**	¥ **1,011**	¥ **5,539**
Restructuring charge incurred during the year	**12,517**	**2,223**	**601**	**15,341**
Non-cash expenditures	**(176)**	**(69)**	**(188)**	**(433)**
Payments and settlements with cash payout	**(11,975)**	**(2,180)**	**(614)**	**(14,769)**
Foreign currency translation adjustments	**(20)**	**(6)**	**(28)**	**(54)**
Liability balance as of March 31, 2019	¥ **4,457**	¥ **385**	¥ **782**	¥ **5,624**

	Thousands of US dollars			
	Retirement-related expenses	Contract termination costs	Others	Total
Liability balance as of March 31, 2018	$ **37,036**	$ **3,757**	$ **9,108**	$ **49,901**
Restructuring charge incurred during the year	**112,766**	**20,027**	**5,414**	**138,207**
Non-cash expenditures	**(1,586)**	**(621)**	**(1,694)**	**(3,901)**
Payments and settlements with cash payout	**(107,883)**	**(19,640)**	**(5,531)**	**(133,054)**
Foreign currency translation adjustments	**(180)**	**(54)**	**(252)**	**(486)**
Liability balance as of March 31, 2019	$ **40,153**	$ **3,469**	$ **7,045**	$ **50,667**

Expenses for exit and disposal activities by major segments for the fiscal year ended March 31, 2019 are as follows. These expenses were recorded at ¥683 million ($6,153 thousand) in cost of sales, and at ¥14,658 million ($132,054 thousand) in selling, general and administrative expenses in the Consolidated Statements of Operations.

Segments	Retirement-related expenses (Millions of Yen)	Contract termination costs (Millions of Yen)	Others (Millions of Yen)	Total (Millions of Yen)
Energy Systems & Solutions	¥ 4,706	¥ 1,886	¥ 229	¥ 6,821
Others(Note)	7,811	337	372	8,520
Total	¥ 12,517	¥ 2,223	¥ 601	¥ 15,341

Note: Others include Infrastructure Systems & Solutions, Storage & Electronic Devices Solutions, Retail & Printing Solutions, and Industrial ICT Solutions.

Segments	Retirement-related expenses (Thousands of US dollars)	Contract termination costs (Thousands of US dollars)	Others (Thousands of US dollars)	Total (Thousands of US dollars)
Energy Systems & Solutions	$ 42,396	$ 16,991	$ 2,063	$ 61,450
Others(Note)	70,370	3,036	3,351	76,757
Total	$ 112,766	$ 20,027	$ 5,414	$ 138,207

The Fiscal Year ended March 31, 2018

The liability balance related to exit and disposal activities for the fiscal year ended March 31, 2018 was immaterial. Expenses for exit and disposal activities by major segments for the fiscal year ended March 31, 2018 were immaterial.

26. ENVIRONMENTAL LIABILITIES

The Japanese environmental regulation, "Law Concerning Special Measure against poly chlorinated biphenyl ("PCB") waste" requires PCB waste holders to dispose of all PCB waste by March 2027. The Group accrued ¥10,985 million ($98,964 thousand) and ¥11,743 million at March 31, 2019 and 2018, respectively, for environmental remediation and restoration costs for products or equipment with PCB which some Group's operations in Japan have retained.

27. ASSET RETIREMENT OBLIGATIONS

The Group records asset retirement obligations in accordance with ASC No. 410 "Asset Retirement and Environmental Obligations."

Asset retirement obligation was related primarily to the restoration obligations associated with the real estate lease agreement.

The changes in the carrying amount of asset retirement obligations for the fiscal years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of US dollars
The Fiscal Year ended March 31	**2019**	2018	**2019**
Balance at the beginning of the fiscal year	**¥ 6,210**	¥ 6,492	**$ 55,946**
Accretion expense	**95**	92	**856**
Liabilities settled	**(216)**	(286)	**(1,946)**
Liabilities incurred	**3,171**	158	**28,567**
Revisions in estimated cash flows	**(108)**	(253)	**(973)**
Foreign currency translation adjustments	**(44)**	7	**(396)**
Balance at the end of the fiscal year	**¥ 9,108**	¥ 6,210	**$ 82,054**

28. VARIABLE INTEREST ENTITIES

The Group recognizes entities, in accordance with ASC No.810, as VIEs that have either (a) equity investors whose voting right is limited and not having an ability to control it effectively or (b) insufficient equity to permit the entity to finance its activities without additional subordinated financial support. The Group retains variable interests through equity investments, loans and guarantees. In evaluating whether the Group is the primary beneficiary of a VIE, the Group assesses if the Group has both (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, and if so consolidate the VIE.

Consolidated Variable Interest Entities

VIEs, of which the Group is the primary beneficiary, are involved in Energy Systems & Solutions, and most of those are entities involved in the Nuclear Power Systems Business Unit. The Group has both the power to direct the activities that most significantly affect those VIEs' economic performance and the obligation to absorb losses or the right to receive benefits from the VIEs.

As of March 31, 2019, the total assets of VIE on the consolidated balance sheets was ¥2,029 million ($18,279 thousand), and the total liabilities of VIE on the consolidated balance sheets was ¥3,084 million ($27,784 thousand). The assets consisted primarily of cash and cash equivalents. The liabilities consisted primarily of Other liabilities. As of March 31, 2018, the total assets and liabilities of VIEs on the consolidated balance sheets were ¥2,772 million and ¥2,965 million, respectively. The assets consisted primarily of cash and cash equivalents. The liabilities consisted primarily of other liabilities.

Unconsolidated Variable Interest Entities

VIEs, of which the Group is not the primary beneficiary but retains significant variable interests, are involved in Energy Systems & Solutions and Others.

Unconsolidated VIEs are established for the purpose of developing nuclear power plants, supplying stable electric power systems, and providing electric services and equipment to electric power operators. The Group is not the primary beneficiary of these VIEs because the Group does not have the power to direct the activities that most significantly affect those VIEs' economic performance and accounts for them under the equity method. And these VIEs has been liquidated for the fiscal years ended March 31, 2019.

The Group entered into an agreement for natural gas liquefaction, Liquefaction Tolling Agreement ("LTA") with a US company, FLNG Liquefaction 3, LLC ("FLIQ3"), which is an entity involved in Energy Systems & Solutions. This agreement became effective April, 2015. Under the LTA, the Group has secured a commitment for the liquefaction of 2.2 million tons of natural gas produced in the US per annum over a 20 year period commencing in 2019. Procurement of natural gas and transportation of liquefied natural gas are not included in this agreement. Because the Group is obliged to purchase the service for liquefying natural gas of 2.2 million tons per annum and holds variable interests in FLIQ3, FLIQ3 was evaluated as a VIE. The Group concluded that it is not the primary beneficiary of this VIE because the Group does not have the power to direct the activities that most significantly affect the VIE's economic performance. As a result, the Group has not incorporated operating results of FLIQ3 into the consolidated financial statements.

For Other VIEs, the Group still retains significant variable interests in a business entity since the Group owns the common stock and convertible preferred stock in Toshiba Memory Holdings Corporation. The Group concluded that it is not the primary beneficiary of the VIE because the Group does not have the power to direct the activities that most significantly affect the VIE's economic performance. The Group accounts for the VIE under the equity method.

As of March 31, 2019 and 2018, the total assets of those VIEs, carrying amounts of assets and liabilities that relate to the Group's variable interests in the VIEs and the Group's maximum exposures to losses as a result of the Group's involvement with the VIEs are summarized as follows:

With regards to FLIQ3, since the Group is only a party to the LTA and does not have the access to the financial information about the VIE, only maximum exposures to losses are included in the following summary table. The maximum exposures to losses are included in commitments and the unconditional purchase obligation disclosed in Note 22.

	Millions of yen	
March 31, 2019	VIEs involved in Energy Systems & Solutions	Other VIEs
Total assets of VIEs	**¥ –**	**¥ 2,676,540**
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	**–**	**380,267**
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	**–**	**13,415**
Maximum exposures to losses	**1,041,474**	**366,852**

	Millions of yen
March 31, 2018	VIEs involved in Energy Systems & Solutions
Total assets of VIEs	¥ 39,403
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	8,139
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	8,139
Maximum exposures to losses	973,962

	Thousands of US dollars	
March 31, 2019	VIEs involved in Energy Systems & Solutions	Other VIEs
Total assets of VIEs	**$ –**	**$ 24,112,973**
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	**–**	**3,425,829**
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	**–**	**120,856**
Maximum exposures to losses	**9,382,649**	**3,304,973**

Carrying amounts of assets that relate to the Group's variable interests in the VIEs consisted primarily of investments in affiliates. The Group's maximum exposures to losses, which primarily include equity investments and commitments, are generally not the losses anticipated to be incurred as the result of the Group's involvement with the VIEs normal course of business, and are considered to significantly exceed these anticipated losses. With regards to FLIQ3, the portion corresponding to the purchase commitments for 20 years is deemed as the maximum exposure to losses at the moment, and represents the amount of the losses that may arise if the Company fails to entrust any natural gas liquefaction service to FLIQ3 for the entire 20 year commitment period. However, the amount of loss will decrease as the Group secures customers.

29. SEGMENT INFORMATION

The segments reported below are the components of the Group for which discrete financial information is available and whose results are regularly reviewed by the management of the Group to make decisions about allocation of resources and assess performance.

The Group evaluates the performance of its business segments based on segment operating income (loss). The Group's segment operating income (loss) is derived by deducting the segment's cost of sales, selling, general and administrative expenses and impairment loss on goodwill from net sales. Legal settlement costs etc. are not included in calculating segment operating income (loss).

The Group has 6 business segments, (1) Energy Systems & Solutions, (2) Infrastructure Systems & Solutions, (3) Retail & Printing Solutions, (4) Storage & Electronic Devices Solutions, (5) Industrial ICT Solutions and (6) Others, identified in accordance with the similarities of the nature of the products, the production processes and markets, etc.

Principal products that belong to each segment are as follows.

(1) Energy Systems & Solutions:	Nuclear power generation systems, Thermal power generation systems, etc.
(2) Infrastructure Systems & Solutions:	Elevators, Light fixtures, Air-conditioners, and Building & facility solutions, etc.
(3) Retail & Printing Solutions:	POS systems, Multi-function peripherals, etc.
(4) Storage & Electronic Devices Solutions:	Semiconductors, Hard disk drives, etc.
(5) Industrial ICT Solutions:	Cloud Solutions, etc.
(6) Others:	Personal computers, etc.

In line with the review of the business group structure due to the reorganization as of April 1, 2019, the business segments have been changed to 7 segments, "Energy Systems & Solutions," "Infrastructure Systems & Solutions," "Building Solutions," "Retail & Printing Solutions," "Electronic Devices & Storage Solutions," "Digital Solutions" and "Others" from the fiscal year ending March 31, 2020.

BUSINESS SEGMENTS

Financial information by segments as of and for the fiscal years ended March 31, 2019 and 2018 are as follows:

As of and for the fiscal year ended March 31, 2019 — Millions of yen

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	¥ 635,382	¥1,256,399	¥ 482,853	¥ 886,166	¥ 202,054	¥ 230,685	¥3,693,539	¥ –	¥3,693,539
(2) Intersegment	17,336	35,532	2,543	14,776	51,005	189,686	310,878	(310,878)	–
Total	¥ 652,718	¥1,291,931	¥ 485,396	¥ 900,942	¥ 253,059	¥ 420,371	¥4,004,417	¥ (310,878)	¥3,693,539
Segment operating income (loss)	¥ (24,012)	¥ 39,917	¥ 20,242	¥ 11,375	¥ 8,099	¥ (25,031)	¥ 30,590	¥ 4,857	¥ 35,447
Identifiable assets	¥ 782,892	¥1,080,222	¥ 309,195	¥ 461,702	¥ 126,276	¥1,597,546	¥4,357,833	¥ (60,489)	¥4,297,344
Depreciation and amortization	10,447	24,805	12,827	16,838	3,464	10,137	78,518	–	78,518
Capital expenditures	12,251	30,398	13,315	38,007	3,861	9,528	107,360	–	107,360

As of and for the fiscal year ended March 31, 2018 — Millions of yen

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	¥ 790,092	¥ 1,209,038	¥ 519,424	¥ 859,290	¥ 207,277	¥ 362,475	¥ 3,947,596	¥ –	¥ 3,947,596
(2) Intersegment	50,989	37,738	3,338	20,312	51,593	166,804	330,774	(330,774)	–
Total	¥ 841,081	¥ 1,246,776	¥ 522,762	¥ 879,602	¥ 258,870	¥ 529,279	¥ 4,278,370	¥ (330,774)	¥ 3,947,596
Segment operating income (loss)	¥ (9,696)	¥ 48,001	¥ 27,009	¥ 47,323	¥ 1,311	¥ (31,679)	¥ 82,269	¥ 3,915	¥ 86,184
Identifiable assets	¥ 674,144	¥ 970,299	¥ 325,764	¥ 409,020	¥ 121,461	¥ 728,440	¥ 3,229,128	¥ (67,398)	¥ 3,161,730
Depreciation and amortization	13,651	23,427	12,239	17,172	5,145	10,034	81,668	–	81,668
Capital expenditures	12,636	24,255	11,330	29,006	2,806	5,915	85,948	–	85,948

As of and for the fiscal year ended March 31, 2019 — Thousands of US dollars

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	**$ 5,724,162**	**$11,318,910**	**$ 4,350,027**	**$ 7,983,477**	**$ 1,820,306**	**$ 2,078,244**	**$33,275,126**	**$ –**	**$33,275,126**
(2) Intersegment	**156,180**	**320,108**	**22,910**	**133,118**	**459,505**	**1,708,882**	**2,800,703**	**(2,800,703)**	**–**
Total	**$ 5,880,342**	**$11,639,018**	**$ 4,372,937**	**$ 8,116,595**	**$ 2,279,811**	**$ 3,787,126**	**$36,075,829**	**$ (2,800,703)**	**$33,275,126**
Segment operating income (loss)	**$ (216,324)**	**$ 359,613**	**$ 182,360**	**$ 102,477**	**$ 72,964**	**$ (225,504)**	**$ 275,586**	**$ 43,756**	**$ 319,342**
Identifiable assets	**$ 7,053,081**	**$ 9,731,730**	**$ 2,785,541**	**$ 4,159,477**	**$ 1,137,622**	**$14,392,306**	**$39,259,757**	**$ (544,946)**	**$38,714,811**
Depreciation and amortization	**94,117**	**223,468**	**115,559**	**151,694**	**31,207**	**91,324**	**707,369**	**–**	**707,369**
Capital expenditures	**110,369**	**273,856**	**119,955**	**342,405**	**34,784**	**85,838**	**967,207**	**–**	**967,207**

Notes: 1) Transfer prices between segments are determined by mutual agreement of both segments taking into consideration the market price in reference to the general terms and conditions.
2) Business results in the segment information are presented on the basis of the organizational structure as of March 31, 2019.
3) Corporate assets, included in Corporate and Eliminations of Identifiable assets, are mainly marketable securities of the Company.
4) Assets related to discontinued operations for the fiscal year ended March 31, 2018 was ¥1,296,481 million, and is not included in the above assets.
5) In October 2018, the Company transferred 80.1% of its shares in Toshiba Client Solutions Co., Ltd("TCS") to Sharp Corporation. TCS was deconsolidated from the Group. With this, PC business was excluded from the list of the Group's businesses.

A reconciliation table between the total of the segment operating income (loss) and the income from continuing operations, before income taxes and noncontrolling interests for the fiscal years ended March 31, 2019 and 2018 are as follows:

The Fiscal Year ended March 31	Millions of yen 2019	Millions of yen 2018	Thousands of US dollars 2019
The total of the segment operating income (loss)	**¥ 30,590**	¥ 82,269	**$ 275,586**
Corporate and Eliminations	**4,857**	3,915	**43,756**
Sub Total	**¥ 35,447**	¥ 86,184	**$ 319,342**
Interest and dividend income	**6,249**	7,799	**56,297**
Equity in earnings of affiliates	**12,901**	10,250	**116,225**
Other income	**49,487**	184,599	**445,829**
Interest expenses	**(10,563)**	(29,364)	**(95,162)**
Other expenses	**(82,612)**	(177,090)	**(744,252)**
Income from continuing operations, before income taxes and noncontrolling interests	**¥ 10,909**	¥ 82,378	**$ 98,279**

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2019

Net sales by goods or services for the fiscal year ended March 31, 2019 is as follows;

The Fiscal Year ended March 31	Millions of yen 2019	Thousands of US dollars **2019**
Energy Systems & Solutions		
Nuclear Power Systems	¥ 169,069	**$ 1,523,144**
Thermal & Hydro Power Systems	279,734	**2,520,126**
Transmission & Distribution Systems	213,133	**1,920,117**
Others (Notes)	(9,218)	**(83,045)**
Total	652,718	**5,880,342**
Infrastructure Systems & Solutions		
Public Infrastructure	411,425	**3,706,532**
Building and Facilities	560,782	**5,052,090**
Railways and Industrial Systems	388,214	**3,497,423**
Others (Notes)	(68,490)	**(617,027)**
Total	1,291,931	**11,639,018**
Retail & Printing Solutions		
POS systems, Multi-function peripherals, etc.	485,396	**4,372,937**
Storage & Electronic Devices Solutions		
Semiconductor	354,801	**3,196,406**
HDDs & Others	546,141	**4,920,189**
Total	900,942	**8,116,595**
Industrial ICT Solutions		
Cloud Solutions, etc.	253,059	**2,279,811**
Others	420,371	**3,787,126**
Eliminations	(310,878)	**(2,800,703)**
Consolidated	¥ 3,693,539	**$ 33,275,126**

Notes: Eliminations related to internal sales are included.

GEOGRAPHIC INFORMATION

Net sales

Net sales by region based on the location of the customer for the fiscal years ended March 31, 2019 and 2018 are as follows:

The Fiscal Year ended March 31	Millions of yen 2019	Millions of yen 2018	Thousands of US dollars 2019
Japan	**¥ 2,091,625**	¥ 2,257,242	**$ 18,843,468**
Overseas	**¥ 1,601,914**	¥ 1,690,354	**$ 14,431,658**
Asia	**937,850**	898,420	**8,449,099**
North America	**328,637**	375,732	**2,960,694**
Europe	**229,179**	268,139	**2,064,676**
Others	**106,248**	148,063	**957,189**
Total	**¥ 3,693,539**	¥ 3,947,596	**$ 33,275,126**

Property, plant and equipment

Property, plant and equipment by region at March 31, 2019 and 2018 are as follows:

March 31	Millions of yen 2019	Millions of yen 2018	Thousands of US dollars 2019
Japan	**¥ 284,459**	¥ 265,694	**$ 2,562,694**
Overseas	**¥ 101,261**	¥ 99,941	**$ 912,261**
Asia	**73,507**	72,718	**662,225**
North America	**17,824**	16,964	**160,577**
Europe	**9,376**	9,671	**84,468**
Others	**554**	588	**4,991**
Total	**¥ 385,720**	¥ 365,635	**$ 3,474,955**

Notes: 1) There are no individually material countries which should be separately disclosed.
2) There are no material sales to a single unaffiliated customer.

30. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Group's consolidated subsidiaries and related parties

Transactions between the Group's consolidated subsidiaries and related parties as of and for the fiscal years ended March 31, 2019 and 2018 are as follows.

As of and for the fiscal year ended March 31, 2019

Type	Name or name of Company	Location	Capital or investments in capital (Millions of yen)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Toshiba Memory Corporation	Minato-Ku,Tokyo	**¥ 473,400**	Manufacturing industry	**40.20% (Indirect ownership)**
	Toshiba Memory Holdings Corporation	Minato-Ku,Tokyo	**¥ 10,000**	Holding company of Toshiba Memory Corporation	**40.20%**

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Affiliated company	Toshiba Memory Corporation	Payment for indemnity	Payment for indemnity based on share purchase agreement (Note 3)	**¥ 15,519**	Accounts payable, other and accrued expenses	**¥ 4,989**
	Toshiba Memory Holdings Corporation	Provision of collateral	Provision of collateral (Note 4)	**–**	–	**–**

As of and for the fiscal year ended March 31, 2018

Type	Name or name of Company	Location	Capital or investments in capital (Millions of yen)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Flash Partners, Ltd.	Yokkaichi-Shi,Mie	¥ 50	Manufacturing industry	50.10%
	Flash Forward Limited	Yokkaichi-Shi,Mie	¥ 10	Manufacturing industry	50.10%
	Flash Forward Limited	Yokkaichi-Shi,Mie	¥ 10	Manufacturing industry	50.10%

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Affiliated company	Flash Partners,Ltd.	Product sales and purchases	Funding (Note 1)	–	Current assets of discontinued operations	¥ 122,533
			Receipt of interest (Note 2)	¥ 161	Current assets of discontinued operations	¥ 7
	Flash Forward Limited	Product sales and purchases	Funding (Note 1)	–	Current assets of discontinued operations	¥ 67,250
			Receipt of interest (Note 2)	¥ 88	Current assets of discontinued operations	¥ 4
	Flash Forward Limited	Product sales and purchases	Loan guarantee	¥ 48,303	–	–

As of and for the fiscal year ended March 31, 2019

Type	Name or name of Company	Location	Capital or investments in capital (Thousands of US dollars)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Toshiba Memory Corporation	Minato-Ku,Tokyo	**$ 4,264,865**	Manufacturing industry	**40.20% (Indirect ownership)**
	Toshiba Memory Holdings Corporation	Minato-Ku,Tokyo	**$ 90,090**	Holding company of Toshiba Memory Corporation	**40.20%**

Type	Name or name of Company	Relationship	Transaction	Amounts (Thousands of US dollars)	Accounts	Ending balance (Thousands of US dollars)
Affiliated company	Toshiba Memory Corporation	Payment for indemnity	Payment for indemnity based on share purchase agreement (Note 3)	**$ 139,811**	Accounts payable, other and accrued expenses	**$ 44,946**
	Toshiba Memory Holdings Corporation	Provision of collateral	Provision of collateral (Note 4)	**–**	–	**–**

Notes: 1) Because the businesses consistently fund and repay their debt, no amount is listed.

2) The funding, debt and interest rate is decided through discussions by both parties after consideration of the general terms and conditions.

3) The indemnification clause in the share purchase agreement of Toshiba Memory Corporation states that the Company has an obligation for the indemnification for any losses incurred as the result of any breach of representations and warranties, the determination of a United States International Trade Commission (USITC) investigation, specific litigations and other patent claims, and any patent license agreements with certain counterparties specified in advance.

4) All the shares of Toshiba Memory Holdings Corporation owned by the Company amounting to 83,956 million yen are provided to financial institutions as collateral for loan agreements that Toshiba Memory Holdings Corporation concludes with financial institutions. Note that Toshiba Memory Holdings Corporation was incorporated on March 1, 2019 as the parent company of Toshiba Memory Corporation through a share transfer agreement.

31. SUBSEQUENT EVENTS

The Group has evaluated subsequent events up to June 25, 2019 in accordance with ASC No.855 "Subsequent Events."

Withdrawal from the agreement concerning liquid natural gas (LNG) produced in the US and transfer of the shares of Toshiba America LNG Corporation

The Group resolved to sell for the agreement related to LNG in the US (the "agreement") to Total Gas & Power Asia Private Limited ("Total"), the Singaporean arm of Total S.A., the French major energy company. On May 31, 2019, the Group entered into a share transfer agreement (the "Transfer") with Total to transfer all of the issued shares of Toshiba America LNG Corporation ("TAL"), a consolidated subsidiary of the Group.

With the intent of selling LNG to customers in Japan and overseas, the Group has been preparing for the start of a liquefaction service in 2020 by executing series of agreements required for the agreement related to LNG in the US (the "LNG agreement"), including signing a 20-year liquefaction tolling agreement with FLNG Liquefaction 3, LLC ("FLIQ3"), a US LNG service provider, (the "Liquefaction Agreement") in 2013, followed by a pipeline capacity agreement (the "LNG Related Agreement"), and the transfer of those rights to TAL, which was established in 2017. In parallel, Toshiba Energy Systems & Solutions Corporation ("ESS"), which is responsible for the LNG agreement, entered into an agreement with TAL to receive the entire LNG capacity produced by TAL, through the Liquefaction Agreement and has subsequently promoted negotiations with multiple potential customers for LNG, in order to sell the entire annual capacity of 2.2 million tons of LNG, the volume that TAL has the right to liquefy.

The LNG Related Agreement is based on the premise that TAL will utilize the liquefaction capacity of FLIQ3 and pipeline capacity for the stipulated annual amount for 20 years, and that TAL has an obligation to pay fixed amounts for services and operations to FLIQ3 and the pipeline company, regardless of whether or not it sells LNG to customers through ESS. The Company provides a parent company guarantee for TAL in respect of its obligations under the liquefaction contract with FLIQ3.

On November 8, 2018, the Group entered into an agreement with China's ENN Ecological Holdings Co., Ltd. ("ENN") to transfer all of the issued shares of TAL to ENN, and also agreed that all contracts related to the LNG agreement entered into by the Group, including trading agreements between the Group and customers would either be transferred to ENN and its affiliates or canceled upon the completion of the share transfer agreement. However, the Group decided to terminate the agreement on April 17, 2019 and at the same time, the Group decided to restart the bidding process to transfer the LNG agreement to a third party.

On examining multiple proposals from potential buyers, the Group selected Total. The decision was made on the basis of the maximization of the Group's corporate value, and from the comprehensive perspectives of overall clarity, minimization of loss, and securing a full release from further risk of loss related to the LNG agreement.

Upon the completion of all the necessary procedures required for closing, including obtaining FLIQ3's approval, the Group will transfer to Total all outstanding shares of TAL held by Toshiba America Inc., a wholly owned subsidiary in the US, at a price of US$15 million (approx. 1.7 billion yen). ESS will also transfer to Total its agreement with TAL requiring it to receive the entire amount of LNG, securing full dismissal of the responsibility to receive LNG from TAL under that agreement. In return, ESS will pay a one-time payment of US$815 million (approx. 91.2 billion yen) to Total. LNG sales contracts that ESS has concluded to date will be transferred to Total, with the agreement of the customers. The economic value of these contracts is reflected in the one-time payment. The Total agreement also provides that Total will provide a substitute guarantee over the obligations of TAL under the Liquefaction Agreement with FLIQ3. Upon approval by FLIQ3, Toshiba will be released from its guarantee over TAL. Once all of these transactions are concluded, TAL will be deconsolidated from the Group. In addition, ESS will be fully relieved from all obligations based on the contracts between the Group companies in relation to the LNG agreement and the Group will complete its full withdrawal from the LNG agreement.

With the conclusion of the Transfer, the Group anticipates that losses due to one-time payment and related expenses will be approximately 93.0 billion yen (US$ 838 million), and it plans to recognize this amount in the fiscal year 2019.

Implementation of early retirement incentive program at Toshiba Electronic Devices & Storage Corporation

The Board of Directors meeting held on November 8, 2018 resolved to implement the "Toshiba Next Plan." In view of the deterioration in the business environment that will follow, on May 13, 2019, it was decided to implement structural reform at Toshiba Electronic Devices & Storage Corporation ("TDSC") to realize a personnel structure commensurate with the Group's sales and business scale with the aim of further strengthening the business operations framework. These will include implementation of an early retirement incentive program in TDSC's System Devices Division, its corporate staff and sales staff, and at certain of its subsidiaries. Working on the assumption that the selected personnel will leave the company by the end of September 2019, TDSC will start accepting applications for the program once the preparation is in place. As incentive measures for early retirement, the Group will pay a special severance payment on top of a standard retirement payment, and those who request will receive outplacement support. Personnel measures affecting approximately 350 total employees are planned at TDSC as a result of the early retirement incentive program.

The Group anticipates losses due to the special severance payment resulting from the implementation of the early retirement incentive program will be approximately 6.4 billion yen ($58 million), and it plans to mostly record this amount in the second quarter of fiscal year 2019.

Cancellation of treasury shares

The Board of Directors meeting held on November 8, 2018 resolved its policy on the cancellation of treasury shares. Based on the resolution, the Company decided to cancel its treasury shares on June 17, 2019 as follows:

1. Type of shares to be canceled	Common shares
2. Number of shares to be canceled	23,000,000 shares
3. Date of cancellation	June 24, 2019

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Independent Auditor's Report

Toshiba Corporation
Representative Executive Officer
Chairman and Chief Executive Officer
Nobuaki Kurumatani

We have audited the accompanying consolidated financial statements of Toshiba Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019, and the consolidated statements of operations, comprehensive income, equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 31 to the consolidated financial statements, the Company terminated the share transfer agreement to transfer all outstanding shares of Toshiba America LNG Corporation to China's ENN Ecological Holdings Co., Ltd. on April 17, 2019, and the Company entered into a share transfer agreement with Total Gas & Power Asia Private Limited on May 31, 2019.

Our opinion is not modified in respect of this matter.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in "US Dollar Amounts" within the notes to the consolidated financial statements.

PricewaterhouseCoopers Aarata LLC

June 25, 2019

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