(This Business Report is an English summary of the original Japanese report. The Japanese original is official and this summary is for your convenience only. Toshiba does not guarantee the accuracy of this summary.)

Business Report

From April 1, 2016 to March 31, 2017

1. Business Environment and Results of the Group

(1) Operation and Results of the Group

The US economy generally saw solid growth and the Eurozone economy saw moderate growth, primarily in Germany. The Chinese economy slowed slightly, reflecting adjustments to production and investment in the coal and steel industries, though consumer consumption saw firm growth. In international financial markets, there was a sharp decline in the UK pound, the result of the Brexit referendum in June, while the U.S. saw a stronger dollar and a rise in stocks prices following the presidential election in November.

The Japanese economy saw firm growth in overall consumer spending, due to an improved employment and income environment. It also saw recoveries in capital investments and in previously flat export levels.

In FY2017 (April 2017-March 2018), the overall global economy is expected to see accelerated growth, as the U.S. economy is expected to continue to expand, the Eurozone economy is expected to see moderate growth, and China's economy is expected to see a higher growth rate. The forecast for the Japanese economy indicates a growth rate to be around 1.5%.

In these circumstances, Toshiba Group, working toward regaining stakeholder trust, has dedicated itself to "eliminating risk related to the overseas nuclear power business", "swiftly recovering and strengthening the financial base", and "strengthening the Group's organizational management."

In "eliminating risk related to the overseas nuclear power business," Westinghouse Electric Company, its U.S. subsidiaries and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse Group operating companies outside the U.S., all filed for Chapter 11 proceedings under the U.S. Bankruptcy Code on March 29, 2017 (in the U.S.). These filings deconsolidated Westinghouse Group from Toshiba Group, starting from FY2016 full-year business results, and the financial results of Westinghouse Group are now classified as discontinued operations in Toshiba's consolidated profit and loss statement.

Reflecting Westinghouse Group deconsolidation, Toshiba Group's net sales decreased by 284.0 billion yen to 4,870.8 billion yen. Although the Company recorded higher sales in Memories and HDDs, there were also impacts from yen appreciation and the shrinking scale of the PC and TV businesses due to restructuring.
As a result of the impact of one-time expenses recorded in the previous fiscal year, such as asset write-downs, restructuring costs and provision for unprofitable projects, plus the effect of continued emergency measures, including bonus reductions, all business segments except Nuclear Power System recorded improvement, and the Group recorded consolidated operating

income of 270.8 billion yen, an increase of 753.8 billion yen.
Income (loss) from continuing operations, before income taxes and noncontrolling interests, increased by 624.9 billion yen to 225.5 billion yen.

Net income (loss) attributable to shareholders of the Company decreased by 505.7 billion yen to -965.7 billion yen, due to recording the loss related to Westinghouse Group's Chapter 11 filings in the loss from discontinued operations.

The overseas net sales decreased by 253.9 billion yen year on year to 2,608.6 billion yen. The overseas sales ratio also decreased by a 2-point from a year earlier to 54%.

Due to the recording of large-scale loss, the Company has decided not to pay the dividend for the 178th fiscal year. The Company sincerely apologizes to its shareholders.

Performance by Segment
Net sales and operating income (loss) by segment are as follows:

(Billions of yen)

Segment	**Consolidated Net Sales**	**Change**	**Consolidated Operating Income**	**Change**
Energy Systems & Solutions	974.9	-86.4	-41.7	+79.1
Infrastructure Systems & Solutions	1,262.4	-90.5	+58.4	+65.8
Retail & Printing Solutions	507.7	-37.2	+16.3	+101.0
Storage & Electronic Devices Solutions	1,700.2	+124.3	+247.0	+347.0
Industrial ICT Solutions	238.4	-18.4	+11.6	+2.9
Others	530.1	-265.9	-21.7	+160.3
Eliminations	-342.9	+90.1	+0.9	-2.3
Total	**4,870.8**	**-284.0**	+270.8	+753.8

Business performance and topics by segment are as follows:
According to the revision of business group structure by change of organization as of April 1, 2016, business segments changed to six segments, which are Energy Systems & Solutions, Infrastructure Systems & Solutions, Retail & Printing Solutions, Storage & Electronic Devices Solutions, Industrial ICT Solutions and Others from the year ending March 31, 2017.

Energy Systems & Solutions

Main Businesses	As of March 31, 2017
Nuclear power generation systems, Thermal power generation systems, Hydroelectric power generation systems, Power generation, Transmission & Distribution systems, Solar Photovoltaic Systems	

Business Overview

The Energy Systems & Solutions segment saw lower net sales of 974.9 billion yen, 86.4 billion yen decrease from the previous year. Although Thermal & Hydro Power Systems recorded higher sales, Nuclear Power Systems, Transmission & Distribution Systems and Landis+Gyr, recorded lower sales.

The segment as a whole recorded operating loss of 41.7 billion yen, a significant improvement from previous year by 79.1 billion yen. Although Nuclear Power Systems recorded major operating loss, Thermal & Hydro Power Systems, Transmission & Distribution Systems and Landis+Gyr saw significant increase in their operating income.

Topics

(1) Orders received overseas for thermal power generation system

Rated highly for its technological strength accumulated thus far and for its shipment record, the Company won the order for the steam turbine and power generator for an ultra-supercritical coal-fired power plant with a 1 million kilowatt output, which will place it among Indonesia's most powerful power plants. In addition, the Company won the order for the steam turbine and power generator for an ultra-supercritical coal-fired power plant with a 600 thousand kilowatt output in Vietnam. The Company will continue to bolster its thermal power generation system business for the global market with the aim of expanding orders.

(2) The Company's efforts to promote the geothermal power systems business

The Company's geothermal power systems business, which, worldwide, has shipped 53 units of geothermal power systems with an aggregate installed capacity of 3.4 million kilowatts (on a capacity basis), boasts the world's top share with approximately 23% share, has secured a new order in Turkey for a steam turbine and power generator with 50 thousand kilowatts output. In addition, at one of the world's largest geothermal power plants (total output of 320 thousand kilowatts) in Indonesia, where we installed three units of 60-thousand-kilowatt steam turbine and electric generator sets (total output of 180 thousand kilowatts), the plant's first unit, with these systems installed, began commercial operation. The Company also concluded a memorandum of understanding regarding cooperation in a geothermal power project with government agencies of both the countries of Djibouti and Uganda in Africa, where there is a promising market. The Company is working hard on initiatives in various renewable energy businesses such as geothermal power generation that offer the promise of sustainable and stable power source with low levels of carbon dioxide emission volumes in order to contribute to both limiting global warming and the betterment of people's lives.

(3) Shipment of gas turbine for new type of thermal power generation system

In the United States, the first ever demonstration trials have commenced for the world's first direct-fired combustion thermal power generation system, in which turbines are operated by high-temperature, high pressure supercritical carbon dioxide produced by combusting fuel and oxygen together with carbon dioxide. It is a highly efficient, environmentally harmonious compact system. The gas turbine (output 25 thousand kilowatts) that the Company shipped for this plant was developed by combining all its technologies for steam turbines and gas turbines accumulated thus far in order to continually withstand pressures more than 10 times that of currently operating turbines and temperatures exceeding 1,000°C.

(4) The Company's developing hydrogen-related businesses

As part of the Company's hydrogen-related businesses, the Autonomous Off-grid Hydrogen Energy System H2One™, which delivers a stable supply of electricity without producing CO_2 by using a fuel cell and solar photovoltaic power generation system, started operation in Musashi-Mizonokuchi Station (Kawasaki City), an ECO-STA model station where East Japan Railway Company is introducing energy conservation technologies. In addition, the Company won an order for the same system from Tohoku Electric Power Company Co., Inc. for research into regulating the demand-supply balance to achieve more stable electric power supply. Going forward, the Company will work to grow its hydrogen-related business, which supplies efficient and clean energy.

(5) Contribution to the initiative to decommission the Fukushima Daiichi Nuclear Power Plant

The Company successfully took measurements of temperature and radiation levels and photographs of the inside of the nuclear reactor container of Reactor 2 of the Fukushima Daiichi Nuclear Power Plant for the first time since the Great East Japan Earthquake by using a small sized robot for the internal investigation developed by the Company together with the International Research Institute for Nuclear Decommissioning. The Company is also moving forward with installation work of fuel-handling machines that will be remotely operated to remove fuel from the used fuel pool at Reactor 3. Going forward, the Company will continue to develop relevant technologies, thereby contributing to the initiative to decommission the Fukushima Daiichi Nuclear Power Plant and fulfilling a societal responsibility.

Infrastructure Systems & Solutions

Main businesses	As of March 31, 2017
Water supply and sewerage systems, Environmental systems, Broadcasting systems, Road systems, Electrical machineries, Automatic railroad station equipment, building facilities, Elevators, Escalators, Light fixtures, Industrial light parts, Commercial air-conditioner, Compressors, Transportation equipment, Instrumentation and control systems, Industrial systems	

Business Overview

The Infrastructure Systems & Solutions segment saw lower net sales of 1,262.4 billion yen, 90.5 billion yen decrease from the previous year, as sales shrank in all businesses.

The segment as a whole saw notably higher operating income of 58.4 billion yen, 65.8 billion yen increase from the previous year, as all businesses recorded significantly higher operating income.

Topics

(1) Start of operations of the Intelligent Transport Systems for an expressway in Vietnam

The Intelligent Transport Systems was contracted in 2014 through a joint venture with ITOCHU Corporation and other organizations. Operations of the installed Intelligent Transport Systems for an expressway in Vietnam started at the Traffic Control and Operation Management Office. This is the first complete Intelligent Transport Systems installed overseas by a Japanese company. In the midst of rapid economic growth in Vietnam, there are many construction plans for future expressways. The Company will continue to contribute to Vietnam's economic growth by continuing to support the installation of Intelligent Transport Systems.

(2) An order for 70 elevators for a large office building in India

A subsidiary of Toshiba Elevator and Building Systems Corporation in India received an order for 70 elevators for an office building that is scheduled to be built in Hyderabad in India. This is the largest order that said subsidiary has received to date. The demand for elevators is rapidly expanding in Hyderabad, which is the capital of IT and finance in India, primarily due to many global corporations establishing hubs there. Said subsidiary will also be responsible for the maintenance of these elevators and, starting with this order, will strive to further expand orders with reliable quality and technological capabilities.

(3) Expanding the scope of application for SCiB™ rechargeable lithium-ion batteries

Tokyo Metro Co., Ltd.'s Tokyo Metro Ginza Line 1000 series trains were equipped with an Emergency-Running Battery System that utilizes an SCiB™, a rechargeable lithium-ion battery. Emergency-Running Battery Systems are used to allow operation of trains until they reach the nearest station in the event of a power outage. In these situations, superior safety is desired and the smoke and fire resistant construction of SCiB™ received high praise. Aside from railways, the scope of application for SCiB™ has expanded to various areas of society such as vehicles, industrial equipment, electricity and energy. Going forward, the Company will aim to promote sales of SCiB™.

(4) Rollout of EDGE, the new series of Universal Smart X air-cooled heat pump chilling units

Toshiba Carrier Corporation rolled out EDGE, the new series of Universal Smart X air-cooled heat pump chilling units that are primarily used for building air conditioning. Toshiba Carrier Corporation succeeded in making this new series more compact compared to the previous series while striving for high optimization by equipping the chilling units with the highest capacity condensers in the world, and while keeping the unique appearance of the original X shape that provides superior functionality and design. By making these improvements, EDGE will meet customers' various needs.

(5) Development of automatic depalletizing robots

In the logistics industry, the amount of parcels being handled has rapidly increased following the expansion of online sales. At the same time, with the declining birthrate and aging society as a backdrop, there are labor capacity shortages and securing labor capacity has become an issue. As the construction boom for large-scale logistics centers continues and automated machines are installed for various jobs, the automation of unloading remains difficult and companies rely on people to unload pallets by hand. To assist in solving issues in the logistics industry, the Company developed automatic depalletizing robots. The shape and position of parcels are detected by sensors, then parcels are grabbed by a vacuum adhesion arm and moved from a trolley to a conveyor belt. The entire depalletizing process can be completed without doing any work by hand. The Company is aiming to roll out the automatic depalletizing robots during FY2017.

Retail & Printing Solutions

Main businesses	As of March 31, 2017
POS systems, Multi-function peripherals	

Business Overview

The Retail & Printing Solutions segment saw lower net sales of 507.7 billion yen, 37.2 billion yen decrease from the previous year, due to the negative impact of currency exchange rates, despite the Retail business itself performing well.

The segment as a whole saw a major increase in operating income of 16.3 billion yen, 101.0 billion increase from the previous year, as the Retail business improved profitability and turned to net positive operating income. The previous fiscal year included asset impairment in an overseas business, which resulted in negative operating income.

Topics

(1) Commencement of electronic receipt system for self-medication tax system

In response to special income tax measures for deduction of medical expenses (self-medication tax system) were introduced on January 1, 2017, TOSHIBA TEC CORPORATION added functions to its Smart Receipt, which is software for electronic receipts. By using this software, products that qualify for the self-medication tax system are automatically recognized and tallied so that, through a smartphone, the annual tax deductible amount can be immediately checked, and purchase receipt documents can be obtained, making the preparation for declaring of deductions a simple process.

(2) Multifunction printer e-STUDIO launched after full model changeover

TOSHIBA TEC CORPORATION has completely restyled the multifunction printer e-STUDIO series (14 models). The basic functions have been made more convenient to use by enabling smartphone-like, touch-sensitive controls. Various functions have been included to enable more versatile use including the enablement of printing anywhere in the company without selecting the multifunction printer, printing of data from a multifunction printer by accessing and reading data from an external server (electronic data memory device) via the Internet, and a saving function for scanned data.

Storage & Electronic Devices Solutions

Main businesses	As of March 31, 2017
Small-signal devices, Power devices, Optoelectronic devices, Logic LSIs, Mixed signal ICs, Image sensors, NAND flash memories, Storage devices (HDD, SSD), Semiconductor manufacturing equipments	

Business Overview

The Storage & Electronic Devices Solutions segment saw higher net sales of 1,700.2 billion yen, 124.3 billion yen increase from the previous year. HDDs recorded notably higher sales and Memory also recorded higher sales.

The segment as a whole saw a significant rise in operating income of 247.0 billion yen, 347.0 billion yen increase from the previous year, as all businesses recorded significantly higher sales.

Topics

(1) Spin-off of memory business

In order to enhance the method of procuring funds to further grow the memory business, the Company obtained approval at an Extraordinary General Meeting of Shareholders held in March 2017 to perform an absorption-type company split on April 1, 2017, whereby Toshiba Memory Corporation succeeded the memory business. Moreover, in order to further strengthen the financial position of the Toshiba Group negotiations were carried out with related parties aiming to introduce external capital, which included the transfer of shares of Toshiba Memory Corporation. As a result, in September 2017, the Company concluded an agreement with a consortium led by Bain Capital Private Equity, LP to transfer shares of Toshiba Memory Corporation. Going forward, the Company will aim to secure continual and steady revenues in the industrial semiconductor business and the HDD business while expanding its revenues by bolstering cooperation with its customers in growth-field semiconductor businesses such as those for various things connected to the internet (IoT) and for in-vehicle devices.

(2) Joint agreement to develop AI technology for next generation image recognition system

The Company has concluded a basic agreement with Denso Corporation to jointly develop AI technology (DNN-IP) for image recognition systems developed until now to realize advanced driver assistance and automated driving. DNN-IP is a breakthrough when compared with preceding technologies. By extracting and learning the characteristics of object for itself, DNN-IP dramatically improves various types of object recognition and detection precision. Furthermore, by combining existing image recognition technology with DNN-IP in the Visconti™ Series, an in-vehicle image recognition processor, the Company is improving image processing performance and reducing the electric power requirements of image processing.

(3) Establishment of JAPAN SEMICONDUCTOR CORPORATION

The CMOS image sensor manufacturing facilities at Oita Operations (currently Oita Operations, JAPAN SEMICONDUCTOR CORPORATION) were wholly transferred to Sony Corporation on March 31, 2016. However the business remaining since April 1, 2016, which is the System LSI manufacturing business, was succeeded by Iwate Toshiba Electronics Co., Ltd. through an absorption-type company split, and that company established JAPAN SEMICONDUCTOR CORPORATION (The Company owns 100% equity interest). While building on its manufacturing knowhow and excellent quality accumulated over forty years, JAPAN SEMICONDUCTOR CORPORATION aims to grow further by strengthening its capability to respond to customers' needs. It also will work to strengthen its contract manufacturing work (foundry business) from outside the Toshiba Group, planning to expand manufacturing output for fiscal 2018 by 30%.

JAPAN SEMICONDUCTOR CORPORATION, which aims to expand contract manufacturing

(4) Expansion of share in HDD business

Considering the HDD business to be an important business, the Company has been working to strengthen relationships with major customers inside Japan and overseas. As a result, the Company was rated as the HDD manufacturer with most substantial growth in net sales and sales volume from 2015 to 2016. Specifically, the Company's market share (sales volume basis) of 15% for the second quarter of fiscal 2015 grew to 24% in the fourth quarter of fiscal 2016. Going forward, the Company's HDD business will continue working to enhance its high-quality large-storage product lineup to respond to the demands for storage (recording media for electronic data) which is rapidly exploding with the spread of IoT.

Industrial ICT Solutions

Main businesses	As of March 31, 2017
IT solutions	

Business Overview

The Industrial ICT Solutions segment saw lower net sales of 238.4 billion yen, 18.4 billion yen decrease from the previous year, as system sales to manufacturers declined.

Operating income for the segment as a whole was 2.9 billion yen higher than the previous year, achieving 11.6 billion yen, due to the implementation of emergency measures and actions to improve profitability.

Topics

(1) Expansion of orders received for IoT business

Rated highly for the improved efficiency in NAND flash memory production at Yokkaichi Operations (currently Yokkaichi Operations, Toshiba Memory Corporation), the Company's IoT technology has been adopted for Denso Corporation's "Factory IoT" project, which aims to improve productivity at 130 manufacturing sites in 60 countries worldwide. As this technology faithfully replicates a manufacturing site's environment in real time on a computer to enable monitoring of the operational status of on-site equipment and machinery for the quick detection of errors, the technology is useful in improving productivity. In the future, the Company plans to use its experience and knowhow developed in-house to expand business in the IoT field to manufacturers.

(2) Development of AI service RECAIUS™

RECAIUS™ is an AI service that supports the activities of people by understanding their intentions from audio and visual data. The Bank of Yokohama, Ltd. has been using RECAIUS as the basis for its "Inheritance Procedure Customer Service" that is under development. The bank's service is an internet-based service that enables customers to access a virtual bank assistant and use a voice-enabled computer, etc. to ask questions such as what documents are required for inheritance procedures. The virtual bank assistant understands the intention of these questions and provides a response. This service not only improves convenience for the user, it also serves to streamline operations for the bank.

Aiming for the practical application of RECAIUS™ for the 2019 Rugby World Cup to be held in Japan, the Company, working with Keio University, has started trials using image recognition technology that involve the cooperation of players. Going forward, the Company will continue to support initiatives that promote peace of mind and comfort in business and daily life.

Others

Main businesses	As of March 31, 2017
Personal computers, Televisions, Video recording/playback devices (BD recorders, etc.), Logistics service	

Business overview

The Other segment saw net sales of 530.1 billion yen and operating loss of 21.7 billion yen.

Net sales of each segment described above include intersegment sales of 342.9 billion yen.

Topics

(1) The PC and Home Appliances businesses

The Company carried out major structural reforms for the BtoC business (the business for general consumers), which had been problematic. Specifically, Toshiba Client Solutions Co., Ltd. succeeded the PC business in April 2016 by means of an absorption type company split. Also, in regard to the Home Appliances business, in June 2016, TOSHIBA VISUAL SOLUTIONS CORPORATION succeeded Toshiba Lifestyle Products & Services Corporation's Media business by means of an absorption type company split, and the Company transferred 80.1% of the shares of Toshiba Lifestyle Products & Services Corporation, which will continue to engage in the White Goods Home Appliances business, to Midea Group Co., Ltd., a major Chinese home appliances manufacturer.

(2) Rollout of the dynabook V series of notebook PCs that can also be used as tablets

Toshiba Client Solutions Co., Ltd. rolled out the dynabook V series of notebook PCs equipped with displays that can be rotated 360 degrees and that can also be used as tablets. Making full use of diverse design techniques gained over the years, Toshiba Client Solutions Co., Ltd. succeeded in creating a notebook PC with adequate power while keeping it thin and light. Also, it is equipped with a function that makes the battery last even longer, and curtails deterioration while making quick charging possible. With this one device, the Company will provide freedom of use not limited by application or location.

(3) Rollout of 4K OLED "Regza X910" series

In recent years, the spread of 4K televisions that allow consumers to enjoy high-quality videos on a large-sized screen has been accelerating. Amidst this, TOSHIBA VISUAL SOLUTIONS CORPORATION rolled out the 4K "Regza X910" series that is equipped with an OLED display that produces higher quality images than an LCD display. This is the first roll out of a 4K OLED television made by a Japanese manufacturer. The Company has realized a vivid visual beauty overflowing with realism by using image processing technologies developed in-house. With this display, consumers can enjoy videos such as live performances as if they were there themselves.

(Notes)

1. The Company states the matters concerning the business results of the Group based on the consolidated financial statements pursuant to the provisions of Article 120, Paragraph 2 of the Ordinance for Enforcement of the Companies Act.
2. Toshiba's consolidated financial statements are based on U.S. generally accepted accounting principles ("GAAP") pursuant to the provisions of Article 120-2 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. Certain operating expenses such as restructuring charges, litigation settlement and other costs are not included in it.
3. The Group indicated a "net income (loss) attributable to shareholders of the Company" under the U.S. GAAP as the net income (loss).
4. The Healthcare Systems & Services segment , the Home Appliances business and Westinghouse Group 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 Toshiba 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. Results of the past fiscal year have been revised to reflect these changes.
5. Descriptions such as "World's first", "Japan's first" and" World's highest" are based on data surveyed by Toshiba Group as of the time of announcement and release, unless otherwise noted.

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

The Company's accounting treatment issues include (1) extremely high losses (hereinafter "Losses") resulting from the acquisition by the former Toshiba Group company Westinghouse Electric Company LLC (hereinafter "WEC") of CB&I Stone & Webster Inc. (hereinafter "S&W"), a subsidiary of Chicago Bridge & Iron Company (hereinafter "CB&I") and (2) extremely high losses resulting from the filing for a voluntary petition (hereinafter the "Voluntary Petition") under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court of New York by WEC, its U.S. subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse Group operating companies outside the U.S. As a result of these accounting treatment issues, the trust of all of our stakeholders including our shareholders, investors, customers, and employees has been significantly harmed and for this the Toshiba Group sincerely apologizes.

◎Accounting Treatment Issues

In September 2015, the Company received dispositions from the Tokyo Stock Exchange and the Nagoya Stock Exchange designating the shares of the Company as "Securities on Alert" because it was recognized that the Company has serious problems in its internal control systems, etc. and that the improvement of those internal control systems, etc. is highly necessary, and in December 2015 the Company received an administrative monetary penalty payment order of JPY 7,373,500,000 from the Financial Services Agency. The Company has taken seriously the dispositions designating its shares as "Securities on Alert" and the administrative monetary penalty payment order for the largest-ever penalty amount, which is a measure proportional to delisting, and in September 2015 the Company established a management revitalization promotion structure, took measures to ensure sincere management based on compliance, and proceeded with corporate governance reform, and in December 2015 the Company established corporate governance guidelines.

Further, while the entire Company has been working to steadily implement measures to prevent any recurrence, it compiled an "Improvement Plan and Situation Report" in March 2016. In formulating the "Improvement Plan and Situation Report," the Company once again analyzed the causes of the accounting treatment issues and, as a result, the Company has recognized that the events in question occurred because of a combination of multiple factors including pressure to meet targets from Atsutoshi Nishida, Norio Sasaki, and Hisao Tanaka, each of whom are former CEOs of the Company, performance assessment and budget control systems focused on net income that generated such pressure, insufficient checks and balances by the Finance Division (CFO) and business execution departments such as finance and accounting departments, dysfunction in the internal audit department, insufficient supervising of past CEOs and executive officers by the Board of Directors and bodies such as the Nomination Committee and the Audit Committee, a lack of awareness towards appropriate financial reports by past CEOs and executive officers, and reduced awareness towards appropriate financial reports in finance and accounting departments because the opinions of past CEOs were given priority.

In light of the results of cause analyses, in addition to inspecting and coordinating measures to prevent recurrence including what has been formulated and published to date, the Company has analyzed problems in its timely disclosure system and established new measures such as developing and operating a disclosure system aimed at proactive information disclosure.

On September 15, 2016, the Company submitted written confirmation of its internal management system to the Tokyo Stock Exchange and the Nagoya Stock Exchange and underwent examination and evaluation by the stock exchanges. On December 19, 2016, the stock exchanges acknowledged that measures had been implemented toward securing improvement across the Company, including review of a management policy that excessively pursued short-term profit, review of the composition of and changes to the ways in which the Board of Directors, the Audit Committee and other bodies operated; and reorganization and enhancement of the functionality of divisions that are supposed to exercise monitoring functions, etc. However, the stock exchanges also found that the Company needed to implement further measures in such areas as ensuring compliance and affiliate company management, which would require them to continue verifying the implementation and progress of such measures. Accordingly, Toshiba's shares would continue to be designated as "Securities on Alert." On March 15, 2017, the Company's shares were designated as "Securities under Supervision (Examination)" and on the same date the Company resubmitted the written confirmation of its internal management system incorporating additional improvements including measures to strengthen risk management and monitoring through governance, and instilling an awareness of compliance that goes beyond mere observance of laws and regulations.

The Company hopes to regain the trust of shareholders, investors and all stakeholders by achieving a strong corporate constitution together with continuing to enforce measures to prevent recurrence. Other measures to regain trust include efforts to improve compliance, management of subsidiaries and affiliates, and other areas of concern that led to the continued designation of its shares as "Securities on Alert" and their subsequent designation as "Securities under Supervision (Examination)." Accordingly, the Company promotes the following measures: "Strengthening Internal Control Systems and Reforming the Corporate Culture," "Decisive Action on Business Structural Reform," "Reviewing the Business Portfolio and Operational Structure," and "Reforming the Financial Base."

◎ Losses Relating to the Overseas Nuclear Power Business

In 2008 WEC received orders for two U.S.-based projects (hereinafter the "Projects") to build its new AP1000 nuclear reactors. The orders came from a subsidiary of Southern Company of the U.S. called Georgia Power Company (hereinafter referred to by the name of its parent as "Southern Company") and a subsidiary of SCANA Corporation of the U.S. called South Carolina Electric & Gas Company (hereinafter referred to by the name of its parent as "SCANA Corporation"). The orders for the Projects were received after forming a consortium with S&W, and the work was divided between the two contractors: WEC was responsible for designing, manufacturing and procuring equipment associated with the reactors and turbines, while S&W was responsible for designing and procuring auxiliary equipment, as well as performing onsite engineering and construction work. After receipt of the orders, however, additional safety measures were mandated in the wake of the terrorist attacks in the U.S. on September 11, 2001, requiring design changes and reinspection to obtain official approval. In addition, the Great East Japan Earthquake, led to a situation in which even more thorough safety checks were required. This necessitated coordination between the consortium and its clients regarding additional costs and the adjustment of completion dates, but discussions failed to produce agreement, and Southern Company brought a lawsuit, while potential lawsuits by SCANA Corporation and S&W also became a concern. In order to resolve this situation and progress with the Projects, WEC established a structure capable of centralized management for the Projects in their entirety by acquiring S&W and taking over the operations that had been under its jurisdiction. At the same time, WEC started considering a plan to help its clients accept the postponed completion dates and increased contract prices. With regard to construction-related work, the plan called for the construction workers employed by S&W to be transferred to major U.S.-based engineering company Fluor Corporation, after which Fluor Corporation would be appointed as the subcontractor responsible for engineering and construction work and site management, while WEC would focus on management and supervision of the building works. Then, in October 2015, WEC signed an agreement with CB&I to acquire all S&W's shares, acquiring the shares on December 31, 2015.

After WEC acquired S&W, however, it obtained detailed estimates and assessed the value of S&W's assets in accordance with U.S. accounting standards. As a result, it found that the estimated costs of building, engineering and construction relating to the Projects far exceeded what it had assumed at the time of the acquisition. WEC also found that no progress had been made in improving the efficiency of the building, engineering and construction work. For these and other reasons WEC had to allow for a cost increase totaling US$6.1 billion (hereinafter the "Cost Increase") comprising 1) personnel costs for onsite workers to complete the work remaining until completion of the building work, as well as indirect workers to undertake management and supervision, 2) costs for procurement of equipment and building materials, and outsourcing costs, and 3) additional compensation costs and contingency funds. When WEC included the Projects' losses due to the Cost Increase in goodwill recorded for the Nuclear Energy Systems & Services Division, then combined it with the Nuclear Energy Systems & Services Division's existing balance of goodwill to perform an impairment test, the full value of goodwill recorded for the division was subject to impairment.

◎ WEC's Voluntary Petition Filing

On March 29, 2017, the Westinghouse Group filed the Voluntary Petition with the U.S. Bankruptcy Court of New York, having determined that, in light of the need to maintain future cash flow prospects and business value following the Cost Increase, the best way to revive its business and serve the interests of all stakeholders was to rebuild it under the legal protection of the court. As a result of the filing, the Westinghouse Group was excluded from the Company's scope of consolidation in the full year business results for FY2016.

The Company posted a loss of approximately 1,240 billion yen on a net income (loss) basis in its full year business results for FY2016 as a result of factors including the aforementioned impairment of goodwill and deconsolidation of the Westinghouse Group, along with losses posted in relation to parent company guarantees provided by the Company to power utility companies for the Projects, and the Company's recording of an allowance for doubtful accounts with respect to the Company's claims against the Westinghouse Group.

◎ Material Uncertainty Regarding the Going Concern Assumption

Primarily as a result of posting the aforementioned extremely high losses, the Toshiba Group recorded a negative net worth, causing a breach of financial covenants in the Company's loan agreements and leading to a situation in which it will be unable to renew the Company's Special Construction Business License in December 2017. Accordingly, it is acknowledged that material uncertainty exists with regard to the assumption that the Company can continue as a going concern and "Notes Relating to Assumptions for the Going Concern" have been included in the notes to consolidated financial statements.

◎ Delayed Business Results

The aforementioned voluntary petition filed by the Westinghouse Group necessitated special accounting treatment for the portion of the filing relating to the Westinghouse Group, including careful examination of the value of liabilities relating to the voluntary petition filing and the timing for allocation of such liabilities. Moreover, following completion of account settlement and auditing procedures by the Westinghouse Group, the independent auditor had to perform the final auditing procedures required to complete the Toshiba Group's auditing, such as evaluating the results of auditing by WEC's auditors and completing internal procedures required within the audit corporation itself. In addition, with regard to the allowance for losses on construction contracts relating to the Westinghouse Group, it was necessary to investigate the proper period for recognizing the losses in question to confirm whether the period in which the losses were recognized was appropriate. The account settlement and auditing procedures therefore took a correspondingly long time.

The Company's management policies in these circumstances are detailed below.

I. Swiftly Recover and Strengthen the Financial Base

Following the aforementioned extremely high losses, the Company is taking action to reverse its negative net worth and strengthen its financial standing in order to restore sound management.

The Company transferred its Memory Business to Toshiba Memory Corporation on April 1, 2017. It is now following the procedures necessary to transfer a majority stake in the Memory Business with the aim of securing the management resources the business needs to grow further. In addition, the Company will continue to review the significance of its asset holdings without exceptions and sell off such assets.

II. Strengthen the Toshiba Group's Organizational Management

The Company has decided on a fundamental policy of separating its four in-house companies off into independent companies. After separation, each operating company will strengthen collaboration amongst the Toshiba Group as it focuses on maximizing its own business value. At the same time, each company will establish an optimal structure to ensure business continuity, including the retention of any Special Construction Business License. Meanwhile, the Company's corporate functions will be focused on maximizing corporate value and strengthening the governance of the Toshiba Group as a whole.

1. Operating companies

After separation, each operating company will focus on maximizing its business value, including developing and expanding new businesses, as an autonomous business entity. Each company will strengthen its governance by establishing an internal control structure according to its own business characteristics and external circumstances, and by directly receiving outside auditing. The companies will also enhance governance further by making their affiliate companies directly owned subsidiaries in order to make business responsibilities clearer compared to the in-house company system. Each operating company will directly fulfill accountabilities to the market and customers.

The corporate separations take the form of company splits and follow the schedule detailed below.

(1) July 1, 2017

(i) Infrastructure Systems & Solutions Company

The Company split off its in-house Infrastructure Systems & Solutions Company, integrating it with Toshiba Electric Service Corporation, which holds a Special Construction Business License.

(ii) Storage & Electronic Devices Solutions Company
The Company split off its in-house Storage & Electronic Devices Solutions Company, transferring operations to a new company. In regard to the Electronic Devices Business (excluding memory), which includes discrete semiconductors, system LSIs, and HDDs, the Company intends to realize further continuous growth and maximize business value in its Electronic Devices Business by offering products and systems geared to improving business value for customers. In the Memory Business, Toshiba Memory Corporation was launched on April 1, 2017.

(iii) Industrial ICT Solutions Company
The Company split off its in-house Industrial ICT Solutions Company, integrating it with Toshiba Solutions Corporation, which holds a Special Construction Business License.

(2) October 1, 2017
- Energy Systems & Solutions Company
The Company will split off its in-house Energy Systems & Solutions Company and Nuclear Energy Systems & Solutions Division, transferring their respective businesses to a new company and obtaining a Special Construction Business License for the new company.

2. Corporate functions
With regard to governance of the Toshiba Group as a whole, Toshiba Corporation, as the entity responsible for corporate functions, will collaborate with the operating companies to continue ensuring rigorous management of subsidiaries and affiliates. Toshiba Corporation’s policy will be to focus on maximizing corporate value and strengthening the governance of the Toshiba Group as a whole. To this end, it will undertake strategic planning for the Toshiba Group, including flexible modification of the business portfolio, as well as appropriate resource allocation, and enhancement of risk management.

III. Focus Business Domains
The Toshiba Group will continue to perform its role in sustaining modern life and society with a primary focus on social infrastructure, supplemented by the three other focus business domains of energy, electronic devices, and digital solutions. Drawing on the reliable technological capabilities it has cultivated to date, the Toshiba Group will create a wealth of new value and contribute to a sustainable society.

1. Social infrastructure business domain
The Toshiba Group regards its public infrastructure businesses such as water treatment, power transmission and distribution, disaster prevention, roads, broadcasting, air traffic control, and postal services as sources of stable profitability. The Toshiba Group is using the profits from these businesses to invest as necessary in businesses it regards as growth businesses, such as rechargeable batteries, elevators, air-conditioning, railway systems, and logistics systems. Furthermore, the Toshiba Group has designated China and India as growing regions, and is strategically expanding its businesses there. By continuously providing services that enhance customer value, the Toshiba Group

is developing and expanding its “Spiral Lifecycle Business,” which enables its products and systems to be used repeatedly and more widely for long periods of time.

2. Energy business domain
The Toshiba Group is targeting stable profitability in service and retrofitting for power generation facilities, including thermal and hydro, as well as power transmission and distribution facilities. With regard to nuclear power within Japan, the Toshiba Group is continuing to fulfill its social responsibilities, focusing on restarting operation of idled nuclear power plants, undertaking maintenance, and decommissioning. Meanwhile, in the promising growth business of next-generation hydrogen-based energy, the Toshiba Group is continuing to pursue steady technological development to sow the seeds for future growth, including development of its H2One™ hydrogen-based autonomous energy supply systems, and working to expedite associated market launches.

3. Electronic devices business domain
The Toshiba Group is seeking to ensure stable profitability, leveraging its advantages in the industrial market centering on products such as discrete semiconductors and system LSIs. The Toshiba Group will also ensure profitability in hard disk drives by expanding its share with a focus on HDDs for enterprises. Meanwhile, in the rapidly growing IoT and automotive markets, the Toshiba Group is enhancing cooperation with customers to expand business.

4. Digital solutions business domain
In addition to ensuring stable profitability, particularly in system integration for government and manufacturing infrastructure, the Toshiba Group is also actively developing and expanding digital service solutions (service solutions that employ digital technologies) as a growth business. These solutions employ IoT and AI based on Toshiba’s culture of *monozukuri* (making things) as well as its voice and image recognition technologies. The Toshiba Group will establish a structure that can handle development, manufacturing, and sales for ICT solutions centrally using technologies such as IoT and AI. This will enable the Toshiba Group to further expand its solutions businesses targeting manufacturing, industrial, and social infrastructure; distribution and finance; and government and local authorities. The Toshiba Group aims to be a business innovator that can respond promptly to the digital transformation of markets (whereby digital technologies are employed to use data of every description for revolutionizing people’s lives and businesses) and create and deliver service value using its SPINEX IoT architecture. At the same time, moreover, the Toshiba Group will make use of ICT technologies to contribute to maximizing its corporate value.

The Company has been implementing the reforms set out above and once again sincerely apologizes for causing the current situation. The management team and the entire Company will continue making their best efforts to recover the trust of all the Company’s shareholders.

2. Group Business Results and Asset Conditions for the Four-Year Period

(1) The Group (Consolidated)

Item	175th Period	176th Period	177th Period	178th Period (current period)
	FY2013	FY2014	FY2015	FY2016
Net Sales (Billions of yen)	5,527.4	5,699.1	5,154.8	4,870.8
Net income (loss) (Billions of yen)	60.2	△37.8	△460.0	△965.7
Net income (loss) per share (Yen)	14.23	△8.93	△108.64	△228.08
Total Assets (Billions of yen)	6,172.5	6,334.8	5,433.3	4,269.5

(Note)

Net income (loss) attributable to shareholders of the Company in accordance with U.S. Generally Accepted Accounting Standards("U.S.GAAP"), is presented as Net income (loss) in this section.

(2) The Company (Non-consolidated)

Item	175th Period	176th Period	177th Period	178th Period (current period)
	FY2013	FY2014	FY2015	FY2016
Net Sales (Billions of yen)	3,289.0	3,232.4	2,875.3	2,615.4
Net income (loss) (Billions of yen)	54.1	△60.	△330.00	△1,092.0
Net income (loss) per share (Yen)	12.77	△14.17	△77.94	△257.92
Total Assets (Billions of Yen)	4,023.1	3,768.5	3,598.0	2,803.6

3. The Company's Policy on Decisions of Dividends, etc.

While giving full consideration to such factors as the strategic investments necessary to secure medium- to long-term growth, the Company seeks to achieve continuous increases in its actual dividend payments, aiming at a payout ratio in the region of 30 percent, on a consolidated basis.

It is highly regrettable that the Toshiba Group posted a record net loss for the fiscal year ended March 31, 2017. In light of this situation, the Company decided not to pay dividends of surplus for the fiscal year under review.

4. Outline of Main Group Companies As of March 31, 2017

Segment	Name of Company	Paid in Capital	Voting Rights Ratio (Percentage)	Main Business	Location
Energy Systems & Solutions	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
	Landis & Gyr Holdings Pty Ltd	295,100 (Thousands of Swiss Franc)	60.0	Holding company of Landis+Gyr AG	Switzerland
Infrastructure Systems & Solutions	Toshiba Elevator and Building Systems Corporation	21,408 (Millions of yen)	80.0	Development, design, manufacture, sales, installation, maintenance, repair and renewal of elevators and escalators, and construction and remote monitoring of building-related facilities, and building management	Kawasaki
Retail & Printing Solutions	Toshiba TEC Corporation	39,970 (Millions of yen)	52.8	Development, design, manufacture, sales, and maintenance of retail information systems and office equipment	Shinagawa-ku, Tokyo
Storage & Electronic Devices Solutions	Toshiba Memory Corporation	10 (Millions of yen)	100.0	Manufacturing and sales of Memory and SSDs	Minato-ku, Tokyo
Industrial ICT Solutions	Toshiba Solutions Corporation	23,500 (Millions of yen)	100.0	Consultation, development, sales, maintenance, operation and management of IT-related solutions	Kawasaki
Others	Toshiba America, Inc.	1,869,590 (Thousands of U.S. dollars)	100.0	Holding company and operating company in the North America	U.S.
	Toshiba(China) Co.,Ltd.	30,000 (Thousands of U.S. dollars)	100.0	Operating company in the China	China
	Toshiba of Europe Limited	13,522 (Thousands of Pound)	100.0	Operating company in the Europe, Middle East and Africa	U.K.
	Toshiba Asia Pacific Pte. Ltd.	6,784 (Thousands of Singapore dollars)	100.0	Operating company in the Asia-Pacific	Singapore
	Toshiba Client Solutions Co.,Ltd.	2,200 (Millions of yen)	100.0	Development, manufacture, sales and service support of PCs and systems solutions	Koto-ku, Tokyo

Segment	Name of Company	Paid in Capital	Voting Rights Ratio (Percentage)	Main Business	Location
	Toshiba Visual Solutions Corporation	490 (Millions of yen)	100.0	Development, manufacture, sales and service support of TVs and visual products	Misawa-city, Aomori

(Notes)

1. The Company has 446 consolidated subsidiaries (including the companies listed above) in accordance with U.S.GAAP, and 119 affiliated companies accounted for by the equity method. The main affiliated companies accounted for by the equity method are Shibaura Mechatronics Corporation.
2. As the Company sold 80.1 % of the shares of Toshiba Lifestyle Products & Services Corporation (hereafter TLSC) in July 2016, TLSC was removed from the main consolidated subsidiaries.
3. As the Company sold 18.1 % of the shares of Toshiba Machine Co.,Ltd (hereafter Machine) in March 2017, Machine was removed from the main affiliated companies.
4. On March, 2017, Toshiba Nuclear Energy Holdings (UK) Ltd. (hereafter TNEH(UK)) filed the Voluntary Petition with the U.S. Bankruptcy Court of New York. As a result of the filing, TNEH(UK) was removed from the main consolidated subsidiaries.
5. On April, 2017, Toshiba Memory Corporation succeeded the Memory Business (including the SSD Business and excluding the Image Sensor Business) of the Company by an absorption-type company split.
6. Voting rights ratio include those which are held indirectly.

5. Shares and Stock Acquisition Rights of the Company As of March 31, 2017

(1) Total Number of Authorized Shares: 10,000,000,000
(2) Total Number of Issued Shares: 4,237,602,026
(3) Total Number of Shareholders: 366,030
(4) Principal Shareholders

Name of Shareholder	Number of shares (in thousands)	Shareholding ratio (Percentage)
GOLDMAN SACHS INTERNATIONAL	376,967	8.9
JP MORGAN CHASE BANK 380055	292,977	6.9
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	160,044	3.8
The Dai-ichi Life Insurance Company, Limited	115,159	2.7
Toshiba Employees Shareholding Association	114,887	2.7
Nippon Life Insurance Company	110,352	2.6
Japan Trustee Services Bank, Ltd. (Trust accounts）	92,895	2.2
Japan Trustee Services Bank, Ltd. (Trust accounts No. 5)	81,954	1.9
The Master Trust Bank of Japan, Ltd. (Trust accounts)	69,405	1.6
Japan Trustee Services Bank, Ltd. (Trust accounts No. 1)	60,066	1.4

For the purpose of calculation of shareholding ratio, treasury shares are excluded from total number of issued shares (denominator).

(5) Shareholding Ratio by Category :

Category	Government and local public entities	Financial institutions	Securities companies	Other entities	Overseas entities and others		Individuals and others
					Other than individuals	Individuals	
Ratio	% 0.0	25.8	1.7	2.9	38.0	0.1	31.5

For the purpose of calculation of shareholding ratio, treasury shares are excluded from total number of issued shares (denominator).

(6) Stock Acquisition Rights:
There is no relevant item.

6. Main Lenders of the Toshiba Group As of March 31, 2017

Lender	Loans Outstanding (Billions of yen)
Sumitomo Mitsui Banking Corporation	175.7
Mizuho Bank, Ltd.	171.9
Sumitomo Mitsui Trust Bank, Limited	123.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	104.4

7. Financing of the Toshiba Group

The financing environment for the Company has grown increasingly severe, primarily as a result of the deterioration in the Toshiba Group's financial situation resulting from designation of the Company's shares as "Securities on Alert" on September 15, 2015, and from the Westinghouse Group's posting of losses relating to the construction of nuclear power plants in the U.S. and its filing of a voluntary petition.

The Toshiba Group procured funds by selling shares of Toshiba Medical Systems Corporation for 665.5 billion yen at the end of FY2015 and shares of Toshiba Lifestyle Products & Services Corporation for 51.4 billion yen in FY2016.

Funds for capital investment and other activities were appropriated mainly from own funds, etc.

8. Capital expenditure of the Toshiba Group

(1) Overview

In FY2016, the Toshiba Group concentrated on making investments for the Memory business, which operates priority businesses, and made investments for other business upon rigorously selecting individual projects by investment category. Consequently, the total amount of investment including loan stood at 430.1 billion yen, of which capital investment on an ordering basis amounted to 424.5 billion yen.

The largest investment was made in Storage & Electronic Devices Solutions, where the Toshiba Group continued to invest in fabrication equipment for cutting-edge 3D flash memory with the aim of enhancing the competitiveness of its NAND flash memory products and began investing in the construction of a new fabrication facility in Yokkaichi Operations to expand production.

The above-mentioned capital investment includes the Toshiba Group's portion in investments made by Flash Forward, Ltd. and other affiliates accounted for by the equity method.

(Billions of yen)

Segment	**Capital Expenditures** (Note 1)	**Investment and loan** (Note 2)	**Total amount**
Energy Systems & Solutions	14.4	0.9	15.3
Infrastructure Systems & Solutions	26.6	0.4	27.0
Retail & Printing Solutions	7.0	0.3	7.3
Storage & Electronic Devices Solutions	363.2	0.1	363.3
Industrial ICT Solutions	2.2	0.0	2.2
Others	11.1	3.9	15.0
Total	424.5	5.6	430.1

(Note)

1. Including intangible fixed assets, on ordering basis
2. On payment basis

(2) Primary Capital Investment

	Segment	Outline
Completed during the term	Storage & Electronic Devices Solutions	• Manufacturing building and manufacturing facilities for NAND flash memory (the Company's Yokkaichi Operations)
Ordered during the term	Storage & Electronic Devices Solutions	• Manufacturing building, facilities, interior decorating and power equipment and manufacturing facilities for NAND flash memory (the Company's Yokkaichi Operations)

9. Names, Responsibilities, etc. of the Company's Directors / Officers

As of March 31, 2017

Assignment	Name	Responsibility	Status of significant concurrent holding of positions
Director	Satoshi Tsunakawa		
Director	Yasuo Naruke		
Director	Masayoshi Hirata		
Director	Teruko Noda	Member of the Audit Committee,; Member of the Compensation Committee	
Outside Director	Kouichi Ikeda	Member of the Nomination Committee,; Member of the Compensation Committee	Advisor to the Board, Asahi Group Holdings, Ltd.; Outside Director, Sumitomo Chemical Company, Ltd.; Chairman, National Federation of Taxpayer's Association; Chairman, Corporate Taxpayer's Association
Outside Director	Yūki Furuta	Chairman of the Compensation Committee,; Member of the Audit Committee	
Outside Director	Yoshimitsu Kobayashi	Chairman of the Nomination Committee,; Member of the Compensation Committee	Director, Chairman, Mitsubishi Chemical Holdings Corporation; Director, Chairman, Mitsubishi Chemical Corporation; Director, Chairman, The KAITEKI Institute, Inc.; Chairman, Japan Association of Corporate Executives; Chairman, Council on Competitiveness-Nippon
Outside Director	Ryoji Sato	Chairman of the Audit Committee,; Member of the Nomination Committee	Outside Company Auditor, NIPPON LIFE INSURANCE COMPANY

Assignment	Name	Responsibility	Status of significant concurrent holding of positions
Outside Director	Shinzo Maeda	Chairman of the Board of Director,; Member of the Nomination Committee,; Member of the Compensation Committee	Senior Advisor, SHISEIDO Co., Ltd; Outside Director, Yuasa Trading Co., Ltd; Chairman of the Board of Directors, SHISEIDO BEAUTY ACAMEDY; Chairman, Tokyo Convention & Visitor Bureau; Vice Chairman, The Tokyo Chamber of Commerce and Industry

(Notes)

1. Three (3) Directors, Messrs. Masashi Muromachi, Fumiaki Ushio and Hiroyuki Itami left their office due to expiration of their respective terms at the close of the Ordinary General Meeting of Shareholders for the 177th fiscal year held on June 22, 2016.
2. Two (2) Directors, Messrs. Shigenori Shiga and Yasuo Naruke were newly elected and assumed office at the Ordinary General Meeting of Shareholders for the 177th fiscal year.
3. Mr. Shigenori Shiga resigned Director on February 14, 2017.
4. As of March 31, 2017, Mr. Yoshimitsu Kobayashi retired from the chairman of the board of directors of Mitsubishi Chemical Corporation
5. Mr. Ryoji Sato, head of the Audit Committee, and Ms. Teruko Noda, Audit Commissioner, are Certified Public Accountants, and are equipped with a considerable level of knowledge in finance and accounting.
6. In order to further reinforce reporting and collection of information from the management side, and to fulfill audit activities by the Audit Committee, the Company has appointed Mr. Ryoji Sato as the full-time member of the Audit Committee.
7. The following six Outside Directors are independent directors as defined by the Tokyo Stock Exchange: Ms. Teruko Noda, Mr. Kouichi Ikeda, Mr. Yuki Furuta, Mr. Yoshimitsu Kobayashi, Mr. Ryoji Sato and Mr. Shinzo Maeda.
8. The state of significant concurrent holding of positions by Directors concurrently serving as Executive Officers is described in table (3) for Executive Officers.

(2) Outside Directors

1) Relationship between the Company and entities at which outside directors hold significant concurrent positions

The Company has an ongoing business relationship with the Asahi Group consisting of Asahi Group Holdings, Ltd. and its subsidiaries, Sumitomo Chemical Company, Limited and the Mitsubishi Chemical Holdings Group consisting of Mitsubishi Chemical Holdings Corporation and its subsidiaries, NIPPON LIFE INSURANCE COMPANY, and Shiseido Company, Limited and YUASA TRADING CO., LTD. The Nippon Life Insurance Company owns shares of the Company and the Company is a member of the Nippon Life Insurance Company.

In any of the cases above, there is no materiality that may affect the independence of our Outside Directors.

There is no relationship to be disclosed between the Company and other entities at which Outside Directors hold significant concurrent positions.

2) Main Activities

During the FY2016, the Board of Directors met 24 times, the Nomination Committee 8 times, the Audit Committee 18 times and the Compensation Committee 4 times, and the Outside Directors commented as necessary at those meetings. The Outside Directors received explanations about the matters to be resolved at the board meetings from the staff in charge, etc. in advance. They also made an effort to communicate and share information with the Executive Officers.

The Outside Directors who were members of the Audit Committee were supported by the full-time staff of the Audit Committee Office. The Outside Directors who were members of the Nomination Committee or the Compensation Committee were supported by the staff in charge, etc. as necessary.

Name	Responsibility	Activities
Teruko Noda	Member of the Audit Committee, Member of the Compensation Committee	Attended the meeting of the Board of Directors 24 times (100%), that of Audit Committee 18 times (100%), and that of the Compensation Committee 4 times (100%). Commented as necessary based on his wealth of experience and knowledge as a certified public accountant.
Kouichi Ikeda	Member of the Nomination Committee, Member of the Compensation Committee	Attended the meeting of the Board of Directors 23 times (96%), that of Nomination Committee 7 times (88%), and that of the Compensation Committee 4 times (100%). Commented as necessary based on his wealth of experience and knowledge as a management executive.
Yūki Furuta	Chairman of the Compensation Committee, Member of the Audit Committee	Attended the meeting of the Board of Directors 24 times (100%), that of Compensation Committee 4 times (100%), and that of the Audit Committee 18 times (100%). Commented as necessary based on his wealth of experience and knowledge as a legal professional.
Yoshimitsu Kobayashi	Chairman of the Nomination Committee, Member of the Compensation Committee	Attended the meeting of the Board of Directors 20 times (83%), that of Nomination Committee 8 times (100%), and that of the Compensation Committee 4 times (100%). Commented as necessary based on his wealth of experience and knowledge as a management executive.
Ryoji Sato	Chairman of the Audit Committee, Member of the Nomination Committee	Attended the meeting of the Board of Directors 24 times (100%), that of Audit Committee 18 times (100%), and that of the Nomination Committee 8 times (100%). Commented as necessary based on his wealth of experience and knowledge as a certified public accountant.
Shinzo Maeda	Chairman of the Board of Director, Member of the Nomination Committee, Member of the Compensation	Attended the meeting of the Board of Directors 23 times (96%), that of Nomination Committee 7 times (88%), and that of the Compensation Committee 4 times (100%). Commented as necessary based on his wealth of experience and knowledge as a management executive.

Name	Responsibility	Activities
	Committee	

3) Limited Liability Contracts

The Company has entered into a liability limitation agreement with each of the following 6 persons under which, with regard to the liability set forth in Article 423, Paragraph 1 of the Companies Act, compensation to be paid by any of them shall be limited to the higher of a pre-determined amount of at least 10 million yen and the minimum liability set forth in Article 425 of the Companies Act: Ms. Teruko Noda, Mr. Kouichi Ikeda, Mr. Yuki Furuta, Mr. Yoshimitsu Kobayashi, Mr. Ryoji Sato and Mr. Shinzo Maeda.

(3) Executive Officers

Assignment	Name	Responsibility	Status of significant concurrent holding of positions.
Representative Executive Officer President and Chief Executive Officer (*)	Satoshi Tsunakawa		
Representative Executive Officer Corporate Senior Executive Vice President(*)	Yasuo Naruke	Responsible for Storage & Electronic Devices Solutions Business; President, Storage & Electronic Devices Solutions Company (in-house company)	
Representative Executive Officer Corporate Senior Executive Vice President	Shinichiro Akiba	Responsible for Infrastructure Systems & Solutions Business; President and CEO, Infrastructure Systems & Solutions Company(in-house company)	
Representative Executive Officer Corporate Executive Vice President	Fumiaki Ushio	General Executive, Strategic Planning Div.; General Executive, Human Resources & Administration Div.; General Manager, Management Reform Promotion Div.	Chairman, Japan Overseas Medical Fund
Representative Executive Officer Corporate Executive Vice President (*)	Masayoshi Hirata	General Executive, Finance & Cash Management Div., Accounting Div. (CFO)	
Executive Officer Corporate Executive Vice President	Naoto Nishida	General Executive, Technology Div.	

Assignment	Name	Responsibility	Status of significant concurrent holding of positions.
Executive Officer Corporate Executive Vice President	Osamu Maekawa	General Executive, Project Audit Div.	
Executive Officer Corporate Executive Vice President	Naoki Takenaka	General Executive, Marketing Div.; General Executive, Branch Offices	
Executive Officer Corporate Senior Vice President	Masayasu Toyohara	Corporate Representative -China	Chairman, Toshiba China Co., Ltd.
Executive Officer Corporate Senior Vice President	Hironobu Nishikori	President and CEO, Industrial ICT Solutions Company (in-house company)	President, Toshiba Solution Corporation
Executive Officer Corporate Senior Vice President	Takeshi Yokota	Corporate Representatives-EMEA	
Executive Officer Corporate Senior Vice President	Yoshihiro Aburatani	President and CEO, Energy Systems & Solutions Company (in-house company)	
Executive Officer Corporate Senior Vice President	Yukihiko Kazao	Chief Technology Executive, Energy Systems & Solutions Company (in-house company); Chief Quality Executive, Energy Systems & Solutions Company (in-house company)	
Executive Officer Corporate Senior Vice President	Seiichi Mori	Executive Vice President, Storage & Electronic Devices Solutions Company (in-house company)	
Executive Officer Corporate Senior Vice President	Shiro Saito	General Manager, Technology Div.	President, Specified Non Profit Corporation Japan Multiplex bio- Analysis Consortium
Executive Officer Corporate Senior Vice President	Fumio Otani	Corporate Representatives-America	Chairman and CEO, Toshiba America, Inc.
Executive Officer Corporate Senior Vice President	Noriaki Hashimoto	Project Manager, Internal Management System Reinforcement Project Team	
Executive Officer Corporate Senior Vice President	Isahiro Hasegawa	General Executive, Productivity Planning & Procurement Div.	

Assignment	Name	Responsibility	Status of significant concurrent holding of positions.
Executive Officer Corporate Senior Vice President	Naoya Sakurai	General Executive, Legal Affairs Div.; General Manager, Audit Committee Office	
Executive Officer Corporate Vice President	Kiyoshi Okamura	Assistant to President and CEO, Energy Systems & Solutions Company (in-house company)	President & CEO, Toshiba America Nuclear Energy Corporation
Executive Officer Corporate Vice President	Takemi Adachi	Chief Quality Executive, Infrastructure Systems & Solutions Company (in-house company)	
Executive Officer Corporate Vice President	Shigeyoshi Shimotsuji	Executive Vice President, Industrial ICT Solutions Company (in-house company)	
Executive Officer Corporate Vice President	Hiroshi Kurihara	Assistant to President and CEO, Energy Systems & Solutions Company	Chairman, Landis+Gyr A.G.; Chairman, Concert, Inc.
Executive Officer Corporate Vice President	Nobuo Hayasaka	Executive Vice President, Storage & Electronic Devices Solutions Company (in-house company)	
Executive Officer Corporate Vice President	Koichi Harazono	Vice President, Transmission & Distribution Systems Div., Energy Systems & Solutions Company (in-house company)	
Executive Officer Corporate Vice President	Ichiro Hirata	General Manager, Marketing Div.	
Executive Officer Corporate Vice President	Hideki Yokomizo	General Manager, Kansai Branch Office	
Executive Officer Corporate Vice President	Hitoshi Ootsuka	General Manager, Internal Audit Div.	
Executive Officer Corporate Vice President	Kazunori Matsubara	Executive Vice President, Infrastructure Systems & Solutions Company	
Executive Officer Corporate Vice President	Isao Aoki	Executive Vice President, Infrastructure Systems & Solutions Company (in-house company)	
Executive Officer Corporate Vice President	Mamoru Hatazawa	General Manager, Nuclear Energy Systems & Solutions Div.	

Assignment	Name	Responsibility	Status of significant concurrent holding of positions.
Executive Officer Corporate Vice President	Naoto Hasegawa	General Executive, Public Relations & Investor Relations Div.	
Executive Officer Corporate Vice President	Tomoharu Watanabe	Vice President, Memory Div., Storage & Electronic Devices Solutions Company(in-house company)	
Executive Officer	Shigenori Shiga	Support of the President	

(Notes)

1. An asterisk (*) indicates that the Executive Officer concurrently serves as a Director.
2. Mr. Masakazu Kakumu resigned Executive Officer on May 31, 2016.
3. Following two (2) Executive Officers were retired from their respective offices due to expiry of the term of office at the close of the first meeting of the Board of Directors held after the Ordinary General Meeting of Shareholders for the 177th fiscal year held on June 22, 2016:
   Representative Executive Officer, President and Chief Executive Officer Mr. Muromachi Masashi
   Executive Officer, Corporate Vice President, Mr. Hidehito Murato
4. Following five (5) Executive Officers were newly elected and assumed office at the first meeting of the Board of Directors held after the Ordinary General Meeting of Shareholders for the 177th fiscal year:
   Executive Officer, Corporate Vice President Messrs. Kazunori Matsubara, Isao Aoki, Mamoru Hatazawa, Naoto Hasegawa, Tomoharu Watanabe
5. Mr. Shigenori Shiga resigned Representative Executive Officer and became Executive Officer on March 31, 2017.
6. Mr. Tomoharu Watanabe resigned Executive Officer on March 31, 2017.
7. The following Changes occurred as of April 2017.

Assignment	Name	Responsibility	Status of significant concurrent holding of positions.
Representative Executive Officer Corporate Senior Executive Vice President(*)	Yasuo Naruke	Responsible for Storage & Electronic Devices Solutions Business; President, Storage & Electronic Devices Solutions Company (in-house company)	Representative Director, President and Chief Executive Officer, Toshiba Memory Corporation
Representative Executive Officer Corporate Executive Vice President	Fumiaki Ushio	General Executive, Human Resources & Administration Div.; General Manager, Management Reform Promotion Div.	Chairman, Japan Overseas Medical Fund

Assignment	Name	Responsibility	Status of significant concurrent holding of positions.
Executive Officer Corporate Senior Vice President	Masayasu Toyohara	General Executive, Strategic Planning Div.	

(4) State of activities of the Board of Directors and committees

The following outlines the Board of Directors' and committees' principal activities held in FY 2016.

1) State of activities of the Board of Directors

Toshiba held the "Directors Council" (so-called "Executive Session") composed solely of independent Outside Directors in order for them to share information and problem awareness among themselves, better understand the Company's operations for Outside Directors and deliberate on the Toshiba Group's key business challenges. At each Directors Council meeting, held prior to a Board of Directors meeting, an advance briefing on proposals to the Board of Directors was provided before the members exchanged opinions. Moreover, the Directors Council was operated to ensure that independent Outside Directors' opinions obtained through its meetings were reflected in the Company's management.

The Board of Directors was provided with detailed explanations by Executive Officers in charge in relation to agreements on the company split involving the Memory Business, from the perspective of achieving further growth of that business through development of an agile and speedy management decision-making structure and strengthening means of fundraising. Management subsequently deliberated on the reasonableness of such agreements, and determined matters in that regard.

The Board of Directors deliberated on matters regarding support for reviving the business of Westinghouse Electric Company LLC (hereinafter "WEC") from the perspective of eliminating risk in the Company's overseas nuclear power business through revival and deconsolidation of the WEC Group. Accordingly, the Board of Directors made the decision not to reject without rational grounds otherwise any suggestion made by WEC to make a filing under Chapter 11 of the U.S. Bankruptcy Code, in the event that WEC makes such a suggestion.

The Board of Directors was provided with reports on business plans, budget, monthly operating results and risk control information and the state of duty execution by Directors and Executive Officers pursuant to applicable laws and ordinances, the Articles of Incorporation, the Board of Directors Regulations, etc.

2) State of activities by committees

a. Nomination Committee

The Nomination Committee deliberated on the proposal for the election of President and Chief Executive Officer to be submitted to the first Board of Directors meeting to be held after the closing of the Ordinary General Meeting of Shareholders for the 177th fiscal year, and on the organizational structure of officers from the Ordinary General Meeting of Shareholders onward.

The Nomination Committee deliberated on the content of a survey implemented in regard to the behavior and compliance mindedness of the President and Chief Executive Officer as top manager.

The Nomination Committee deliberated on the organizational structure of officers from the Ordinary General Meeting of Shareholders for the 178th fiscal year onward.

The Nomination Committee revised the standards for handling Executive Officers.

b. Audit Committee

The Audit Committee appointed attorneys and other independent third parties to conduct an investigation in conjunction with WEC regarding losses associated with WEC's acquisition of CB&I Stone & Webster Inc. The Audit Committee's findings in that regard were reported to the Board of Directors on April 11, 2017, and on August 10, 2017. The investigation found no evidence of problems with the timing of loss recognition. It was determined that internal controls of both the Company and WEC function effectively, and that the financial statements have not been affected. In the process of conducting the investigation, it was discerned that there had been actions and comments considered as undue pressure within a limited scope and time period with respect to some of the management executives. As for those management executives, however, the Audit Committee requested that the executive side implement measures that do not involve WEC's management, and has accordingly verified that remedial measures are being implemented.

The Audit Committee monitored the state of duty execution by executive side personnel by attending significant meetings such as Board of Directors meeting and making inquiries to Executive Officers, concerning measures to thoroughly prevent the recurrence of the accounting treatment incidents and the state of observance of laws and regulations. In addition, the Audit Committee made inquiries to the Internal Audit Division, the Internal Management System Reinforcement Project Team and the Management Revitalization Promotion Department regularly, thereby verifying the state of implementation of improved internal control system and the status of progress of corporate culture reform programs.

Outside Director Ryoji Sato, Chairman of the Audit Committee, has been serving full-time since April 1, 2016. In that capacity, he has been attentively engaged in collecting information, which involves listening to explanations furnished by senior executives and the accounting auditor prior to other part-time Audit Committee members, and attending important meetings (such as corporate management meetings, Accounting Compliance Committee meetings, and Annual Securities Report Disclosure Committee meetings). The part-time Audit Committee members have also endeavored to collect information onsite, which has entailed attending the Internal Audit Division's onsite audit briefings. The information collected has been shared with Audit Committee members in a timely manner.

The whistleblowing system within the Audit Committee received 80 whistleblowing reports before taking action to deal with them. The Audit Committee was briefed on details and status of responses of all 399 whistleblowing cases reported to the whistleblowing contact point on the Company's executive side. The committee has also preferentially verified investigation results and status of improvements, with respect to important reports related to accounting and compliance.

The Audit Committee held information exchange meetings and dialogues with Toshiba Group Company Auditors and Audit Committee members before providing training to Company Auditors of group enterprises, thus striving to strengthen the governance over, and to improve the quality of, the Toshiba Group's audits.

c. Compensation Committee

The Compensation Committee deliberated on the payment of work compensation for Executive Officers (performance-linked portion) according to their performance evaluation for FY2015.

The committee deliberated on the details of person-by-person compensation to be paid to Directors and Executive Officers in FY2016.

The Compensation Committee deliberated on the state of Executive Officer compensation such as the levels, structure and composition of compensation, including on a compensation system linked to medium- to long-term performance.

10. Compensation Policy and the Amount of Compensation

(1) Compensation Policy

The Compensation Committee establishes compensation policy regarding compensation of each Director and/or Executive Officer as follows;

Since the main responsibility of Directors is to supervise the execution of the overall Group's business, compensation for Directors is determined at an adequate level to secure highly competent personnel and ensure effective work of the supervisory function.

Since the responsibility of Executive Officers is to increase corporate value in their capacity as executives responsible for companies or divisions within the Group, compensation for Executive Officers is divided into the fixed compensation and the performance-based compensation, and determined at an adequate level to secure highly competent personnel and ensure effective function of their compensation package as an incentive to improve business performance.

i. Director's Compensation

The fixed compensation is paid to Directors who do not concurrently hold office as an Executive Officer based on his/her status as a full-time or part-time Director and his/her duties.

The fixed compensation is paid to Directors who concurrently hold office as an Executive Officer in addition to the Executive Officer's compensation specified in (ii).

ii. Executive Officer's Compensation

Executive Officer's compensation is comprised of the basic compensation based on the Executive Officer's rank (eg. Representative Executive Officer, President and Chief Executive Officer, Representative Executive Officer, Corporate Senior Executive Vice President) and the service compensation calculated according to his/her duties as an Executive Officer.

40-45% of the service compensation will fluctuate from zero (no compensation) to 2 times according to the year-end performance of the Company or of the division for which the Executive Officer is responsible.

iii. Compensation Standards

Compensation standards are determined at suitable levels as a global company, with the aim of securing highly competent management personnel. The compensation standards of other listed companies and payroll and benefits of employees are considered when determining the Company's compensation standards of management.

(2) Amount of Compensation

Item	Number of Directors/Executive Officers	Amount
	Persons	Millions of yen
Directors	13	125
(Outside Directors)	(7)	(101)
Executive Officers	33	852

(Notes)

The above-mentioned compensations include: 1) compensations for Directors who retired at the closing of the Ordinary General Meeting of Shareholders for the 177th fiscal year held on July 22, 2016 and Executive Officers who resigned at the closing of the Board of Directors meeting held on the same date with regard to the period from April 2016 to the retirement or resignation date; 2) compensations for Directors and Executive Officers who resigned in the 2016 fiscal year with regard to the period from April 2016 to resignation date.

11. The Company's accounting auditor

(1) Name of the Company's accounting auditor

PricewaterhouseCoopers Aarata LLC

(Note)

At the 177th Ordinary General Meeting of Shareholders held on June 22, 2016, PricewaterhouseCoopers Aarata LLC was selected as the Company's new accounting auditor, thereby causing the resignation of its former accounting auditor Ernst & Young ShinNihon LLC. PricewaterhouseCoopers Aarata converted the firm to a limited liability audit corporation on July 1, 2016, and changed the firm's name to PricewaterhouseCoopers Aarata LLC effective on the same date.

(2) Amounts of accounting auditor fees

Item	Pricewaterhouse Coopers Aarata LLC (millions of yen)	Ernst & Young ShinNihon LLC (millions of yen)	Total (millions of yen)
Amount of fees for the fiscal year under review	2,136	-	2,136
Total amount of money and other financial benefits required to be paid to accounting auditors by the Company and its consolidated subsidiaries	3,233	1,437	4,670

(Notes)

1. The audit contract between the Company and its accounting auditors does not distinguish between an audit fee as defined by the Companies Act and an audit fee as defined by the Financial Instruments and Exchange Act. Therefore, a combined total amount of these two fee categories is presented above.
2. The Company has paid compensation to Pricewaterhouse Coopers Aarata LLC in consideration of counsel, guidance and other relevant services provided in relation to internal control over financial reporting, which is a business other than the businesses provided for in Article 2, Paragraph 1 of the Certified Public Accountants Act.
3. Of the fees for audits for the prior fiscal year, the 1,437 million yen paid to Ernst & Young ShinNihon LLC constitutes the amount paid upon receipt of invoice for June 2016 and thereafter. The Audit Committee has furnished its consent with respect to such fees pertaining to the Company, upon having deemed them fair and reasonable.
4. Of the fees for audits for the fiscal year under review, the 2,136 million yen paid by the Company to PricewaterhouseCoopers Aarata LLC constitutes the amount paid upon receipt of invoice for the period until June 2017, calculated on the basis of a report received from the accounting auditor in March 2017. PricewaterhouseCoopers Aarata LLC's billing has been calculated on the basis of its services having required a considerable number of additional man-hours. This was partially because the accounting auditor had to review the audit plan based on circumstances involving the loss recorded in relation to WEC's acquisition of S&W, and also partially because more time than expected was required with respect to gaining an understanding of and evaluating the status of establishing internal controls, as well as evaluating the operational status of the internal controls. The Audit Committee has furnished its consent with respect to such fees, having acknowledged the

need for such additional man hours, upon having been told about the circumstances regarding the increased man hours.

(3) Matters regarding audits of subsidiaries

Of the main Group companies, the entities Landis+Gyr Holding A.G., Toshiba America, Inc., Toshiba China Co., Ltd., Toshiba Europe Ltd., and Toshiba Asia Pacific Pte., Ltd. all undergo audits performed by accounting auditors other than PricewaterhouseCoopers Aarata LLC.

(4) Policy of the dismissal or non-reappointment of accounting auditors

i. The Audit Committee will, if it considers that any accounting auditor comes under any of the items of Article 340, Paragraph 1 of the Companies Act, dismiss such accounting auditor by the agreement of all of its members.

ii. The Audit Committee will, if it considers that any accounting auditor comes under any of the following items, decide to propose the appointment of a new accounting auditor and the dismissal and non-reappointment of such accounting auditor at the General Meeting of Shareholders:

a. If the accounting auditor received an administrative punishment for violation of any law or regulation;

b. If the accounting auditor was punished, etc. in accordance with the regulations of the Japanese Institute of Certified Public Accountants;

c. If the Company receives from the accounting auditor a notice to the effect that the auditor does not continue the audit engagement with the Company; or

d. If the Company intends to make the audit service more proper or more efficient.

12. System for Ensuring the Appropriate Performance of the Company's Business (Internal Control System), etc.

(1) Systems to Ensure the Appropriateness of Business Operations of Toshiba Corp. and its Subsidiaries

The Board of Directors resolved systems to ensure the appropriateness of business operations as follows:

i. System to ensure that Executive Officers' compliance with laws and regulations and the Articles of Incorporation.

a. Executive Officers periodically report to the Board of Directors of Toshiba Corp. on their execution of their duties and are required to report on necessary items to the Board of Directors, as necessary.

b. The General Manager of the Internal Audit Division periodically reports to the Board of Directors of Toshiba Corp. on internal audit results.

c. The Audit Committee of Toshiba Corp. periodically interviews Executive Officers, and the General Manager of the Internal Audit Division periodically reports to the Audit Committee on internal audit results.

d. Executive Officers report to the Audit Committee of Toshiba Corp. on any material violation of laws and regulations without delay in accordance with the Rules concerning Reporting to the Audit Committee.

e. Toshiba Corp. has established the Toshiba Group Standards of Conduct clarifying values and codes of conduct to be shared by all officers and employees and ensures, through continuous execution of officer education, etc., that Executive Officers of Toshiba Corp. comply with the Toshiba Group Standards of Conduct.

f. Toshiba Corp. separates supervision from business execution by placing the Internal Audit Division under the direct control of the Audit Committee and establishes a system in which the Internal Audit Division effectively performs audits of accounting, compliance inspections and audits of other matters.

ii. System for retention and management of information concerning Executive Officers' execution of their duties.

a. In accordance with the Rules concerning the Document Retention Period, Executive Officers of Toshiba Corp. appropriately retain and manage material documentation, such as information materials for the Management Meetings and decision-making documents, and other documents such as account books and records.

b. Executive Officers of Toshiba Corp. run a system that allows Directors to access significant information, such as information materials for the Management Meetings, decision-making documents, financial statements and records and business reports.

iii. Rules and other systems concerning risk of loss management

a. In accordance with the Basic Rules concerning Risk-Compliance Management, the Chief Risk-Compliance Management Officer (hereinafter referred to as the "CRO") of Toshiba Corp. formulates and promotes measures concerning crisis and risk management of Toshiba Group in his/her capacity as the chairman of the Risk-Compliance Committee. In formulating and promoting such measures, the CRO appropriately performs risk of loss management for the entire Toshiba Group by confirming and improving the effectiveness of such measures.

b. Executive Officers of Toshiba Corp. formulate and promote measures necessary for continuously clarifying business risk factors of Toshiba Group and minimizing loss in the event that risk is realized in accordance with Basic Rules of Business Risk Management.

iv. System to ensure that Executive Officers efficiently execute their duties

a. The Board of Directors of Toshiba Corp. determines the basic management policy and approves the mid-term business plan and annual budgets of Toshiba Group prepared by the Executive Officers.

b. The Board of Directors of Toshiba Corp. delegates authority and responsibilities to each Executive Officer in an appropriate manner, and Executive Officers clarify the authority and responsibilities of the Executive Officers and employees in accordance with the Rules concerning Responsibilities of Division and the Rules concerning Managerial Duties.

c. Executive Officers of Toshiba Corp. set concrete targets and roles for organizations and employees.

d. Executive Officers of Toshiba Corp. make decisions on business operations based on appropriate procedures in accordance with the Board of Directors Rules, the Corporate Decision Making Rule, the In-house Company Decision Making Rule and other rules.

e. Executive Officers of Toshiba Corp. appropriately evaluate the performance of Toshiba Group by means of the Performance Evaluation Committee.

f. Executive Officers of Toshiba Corp. promote strengthening of information security systems and operate the accounting system, the authorization system and other information processing systems in an appropriate manner.

v. System to ensure that employees' performance of their duties conforms to laws and regulations and the Articles of Incorporation

a. The Representative Executive Officer, President and CEO of Toshiba Corp. ensures, through continuous execution of employee education, etc., that employees comply with the Toshiba Group Standards of Conduct clarifying values and codes of conduct to be shared by all officers and employees.

b. The CRO of Toshiba Corp. formulates and promotes measures of Toshiba Group concerning compliance with laws and regulations in his/her capacity as the chairman of the Risk-Compliance Committee in accordance with the Basic Rules concerning Risk-Compliance Management.

c. Toshiba Corp. establishes a whistle-blower system in which the officers and employees of Toshiba Corp. are able to make a report to the business execution side of Toshiba Corp. if they become aware of an illegal act of Toshiba Corp., and the Executive Officer of Toshiba Corp. in charge endeavors to detect problems early and deal with them in an appropriate manner by making use of the whistle-blower system. The Toshiba Group Standards of Conduct clearly stipulate that the officers and employees who have used this system must not be treated disadvantageously on the grounds that they have done so. In addition, Toshiba Corp. establishes a whistle-blower system in which the Audit Committee of Toshiba Corp. directly receives internal reports and endeavors to collect information on problems early.

vi. System to ensure the appropriateness of business operations of the corporate group composed of Toshiba Corp. and its subsidiaries

a. The subsidiaries adopt and implement the Toshiba Group Standards of Conduct and establish whistle-blower systems according to the legal systems and circumstances of the countries in which they operate.

b. Toshiba Corp. establishes a system in which its subsidiaries report to Toshiba Corp. in accordance with the Operational Communication Arrangement, etc. in the event that material issues arise in their business operations.

c. Toshiba Corp. formulates appropriate measures for internal control, including that of its subsidiaries, and causes its subsidiaries to promote the measures according to their situations.

d. The subsidiaries establish audit systems such as auditors in accordance with the Toshiba Group Auditors' Audit Policy.

e. Toshiba Corp. executes internal audits on the accounting treatment processes and business processes of its subsidiaries.

f. Toshiba Corp. appropriately and effectively manages the systems and business processes common throughout Toshiba Group and establishes a system in which shared resources are appropriately and effectively allocated.

g. Under the relevant license agreements, Toshiba Corp. in principle obligates its affiliates that are permitted to use “Toshiba” in part of their company names to adopt the Toshiba Group Standards of Conduct.

(2) Items Necessary for Performance of Duties by the Audit Committee of Toshiba Corp.

The Board of Directors resolved items necessary for the Audit Committee’s performance of its duties as follows:

i. Directors and employees assigned to assist the Audit Committee in the performance of its duties

a. In order to assist the Audit Committee of Toshiba Corp. in the performance of its duties, the Audit Committee Office consisting of around ten staff is established, and the head of the Audit Committee Office is an Executive Officer. No director is assigned to assist the Audit Committee in the performance of its duties.

ii. Ensuring independence of employees mentioned in the preceding paragraph from Executive Officers and effectiveness of instructions to such employees

a. The Audit Committee has the right to approve the appointment, request the dismissal, and veto the dismissal of the head and employees of the Audit Committee Office of Toshiba Corp., and the head of the Audit Committee Office is under the direction of the Audit Committee. The employees of the Audit Committee Office are under the direction of the Audit Committee and the head of the Audit Committee Office.

iii. System for reporting to the Audit Committee

a. Directors, Executive Officers and employees of Toshiba Corp. report to the Audit Committee on each relevant occasion in accordance with the Rules concerning Reporting to the Audit Committee and the Rules concerning Operation of the System of Reporting to the Audit Committee in the event that any material issue arises that may affect operations and financial performance.

b. The subsidiaries of Toshiba Corp. periodically report their situations and other matters to the Audit Committee of Toshiba Corp. through the Toshiba Group Auditors Liaison Organization, etc. In addition, Toshiba Corp. establishes the Toshiba Group Auditor Hotline through which the auditors and employees in charge of audit reporting of the subsidiaries are able to make a report to the Audit Committee if they become aware of an illegal act of such subsidiaries.
c. Toshiba Corp. establishes the Audit Committee Hotline through which the officers and employees of Toshiba Corp. and officers and employees of its domestic subsidiaries are able to make a report to the Audit Committee of Toshiba Corp. in accordance with the Rules concerning Operation of the System of Reporting to the Audit Committee if they become aware of an illegal act of Toshiba Corp. or such subsidiaries.
d. The Representative Executive Officer, President and CEO provides members of the Audit Committee designated by the Audit Committee with opportunities to attend important meetings, including the Management Committee meetings.

iv. System to ensure that persons reporting to the Audit Committee are not treated disadvantageously on the grounds that they have made such report

a. The Rules concerning Reporting to the Audit Committee and the Rules concerning Operation of the System of Reporting to the Audit Committee clearly stipulate that the officers and employees of Toshiba Group who have made a report to the Audit Committee of Toshiba Corp. must not be treated disadvantageously on the grounds that they have done so.

v. Policy on procedures for advance payment or redemption of expenses arising from performance of duties of the Audit Committee's members and other settlement of expenses or debts arising from performance of such duties

a. If a member of the Audit Committee requests Toshiba Corp. to make advance payment of the expenses, etc. set out in Article 404, Paragraph 4 of the Companies Act in relation to the performance of his or her duties, unless it is determined after examination by the relevant departments that the expenses or debts in relation to such request are not necessary for the performance of duties of such member of the Audit Committee, Toshiba Corp. promptly settles such expenses or debts. Toshiba Corp. annually budgets a certain amount for the payment of expenses and other costs arising from the performance of duties of the Audit Committee's members. If the need arises during the fiscal year, Toshiba Corp. increases the budget after examination by the relevant departments at the request of the Audit Committee's members.

vi. Other system to ensure that audits by the Audit Committee are conducted effectively

a. The Representative Executive Officer, President and CEO periodically exchanges information with the Audit Committee.
b. Executive Officers and employees report the execution of their duties to the Audit Committee by means of the periodic interviews conducted by the Audit Committee and circuit interviews.
c. The Audit Committee places the Internal Audit Division under its direct control. The Audit Committee presents audit policies and gives audit instructions to the Internal Audit Division. The General Manager of the Internal Audit Division periodically reports the internal audit results to the Audit Committee.
d. The Audit Committee has accounting auditors provide explanations and reports concerning the accounting audit plan at the beginning of each fiscal year, the situation of accounting audits during each fiscal year, and the results of the accounting audits at the end of each fiscal year.
e. The Executive Officer in charge provides explanations to the Audit Committee concerning the settlement of accounts at the end of each fiscal year as well as each quarterly settlement of accounts prior to the approval by the Board of Directors.
f. The General Manager of the Internal Audit Division is an Executive Officer. The Audit Committee has the right to approve the appointment, request the dismissal, and veto the

dismissal of the General Manager of the Internal Audit Division. The General Manager of the Internal Audit Division is under the direction of the Audit Committee.

g. The members of the Audit Committee have the right to access all internal reports made to the whistle-blower system on the business execution side.

(3) State of Operation of the Systems to Ensure the Appropriateness of Business Operations for itself and its Subsidiaries

i. State of holding of the Compliance Committee meetings

To formulate and promote measures to manage crisis risk for the Toshiba Group, the Company held a Risk-Compliance Committee meeting twice in FY2016 to determine company-wide priority measures before implementing them for a period of one year. Moreover, we held the Accounting Compliance Committee meeting 15 times in order to: 1) detect timely any early signs potentially leading to an instance of inappropriate financial reporting; 2) discover early any risks threatening the Company's internal control; and 3) issue instruction on, and discuss, countermeasures.

ii. State of development of the whistleblowing system

The Company has put in place, as an executive structure, the Risk Consultation Hotline (each whistleblower is to choose from the law office as a contact point or the internal contact point), utilizing its whistleblowing system. Moreover, in October 2015 the Company established, as an auditor structure, the Audit Committee Hotline whose whistleblowing contact point is the Audit Committee Office. To make sure we have the whistleblowing system utilized well, we provided all employees with information on the whistleblowing system by email and through e-learning processes. In addition, we highlighted instances of whistleblowing, seeking to further ensure that the existence of this system was fully known to employees and that the anonymity of whistleblowers was strictly protected. Whistleblowing cases, including those related to accounting treatment, totaled 161 in the first half of FY2016 and 238 in the second half, and they were reported to the Audit Committee and the Board of Directors. Accounting-related whistleblowing cases were immediately reported to accounting auditors as well without disclosing the whistleblower's personal information. We investigated all cases of whistleblowing before addressing any case needing to be dealt with.

iii. State of implementation of compliance-related training for Directors and employees

The Company held three rounds of training for its senior executives, which involved raising awareness of information disclosure along with appropriate financial reporting and accounting compliance, raising awareness with respect to regaining people's confidence, and causing awareness of compliance to become more pervasive. We also implemented new initiatives involving accounting knowledge and accounting compliance training, in addition to training for vice presidents based in Japan and training and development based on levels of responsibility particularly for when an employee gets promoted. We also implemented accounting compliance education through the e-learning scheme for managers of our overseas subsidiaries and employees of Group companies in Japan. In addition, we provided corporate culture reform training to all accounting personnel inside and outside Japan.

iv. State of implementation of internal audit

The Internal Audit Division formulated its internal audit policy and plan pursuant to the Audit Committee's audit policy on a half-yearly basis. The department conducted onsite audits of nine corporate staff divisions and 17 subsidiaries and affiliates in the first half of FY2016, and three corporate staff divisions, four in-house companies and 36 subsidiaries and affiliates in the second half according to the above-mentioned audit plan. The findings of such onsite audits were reported to the Audit Committee by the head of the Internal Audit Division at least once a month.

v. State of Audit Committee members' activities and assistance for them

Audit Commissioners monitored and reviewed the state of duty execution by Directors and Executive Officers by attending significant meetings, such as Board of Directors meetings and corporate management meetings, and making inquiries to Executive Officers on 25 occasions in total and to the heads of internal control and internal audit business units on 39 occasions. Moreover, Audit Committee members received explanations and reports from accounting auditors on audit plans and the state of implementation of audits and their findings. During the course of audit activities, they actively demanded reporting through the Audit Committee Office and the Internal Audit Division that was put under its direct control. The Audit Committee Hotline whose whistleblowing contact point is the Audit Committee Office, received whistleblowing reports totaling 80 including accounting treatment-related ones before taking action to deal with them.

13. Basic Policy on the Control of the Company and Takeover Defense Measure

(1) Contents of our basic policy

We are of the view that, in order for the Toshiba Group to earn an appropriate level of profits to be returned to shareholders and continuously improve its enterprise value and shared benefit of shareholders, the Group must solidify and develop an adequate relationship with stakeholders such as customers, business partners, employees and local communities, etc., not to mention shareholders, and run the organization in ways that pay sufficient attention to the benefit of such stakeholders.

If a party offers to acquire shares in the Group and in order to properly judge the effect the acquisition will potentially have on its enterprise value and shareholders' shared benefit, it is necessary to fully grasp: 1) a synergy effect that will likely be achieved through an organic integration of individual business segments; 2) the actual conditions of the Group; and 3) components of the Group's enterprise value.

In light of the above-mentioned elements, Toshiba's Board of Directors believe that: 1) any such party acquiring, or offering to acquire, a large number of shares in the Company as does not contribute to securing and improving its enterprise value and shareholders' shared benefit is not suitable to be an entity governing the determination of the organization's financial and operational policy; and 2) against such entity's act to acquire a large number of shares in the Company, we must take the necessary and reasonable action, thereby securing enterprise value and shareholders' shared benefit.

Based on the above-mentioned thinking, Toshiba introduced countermeasures against large-scale acquisitions of shares of the Company (so-called "Takeover Defense Measures") in June 2006 before renewing them in June 2009 and June 2012. However, we have decided not to renew these countermeasures after carefully considering the renewal in light of: 1) the changing operating environment; 2) the state of progress of the development of the Financial Instruments and Exchange Act; and 3) the opinions of shareholders.

Even after the termination of the measures, if any party seeks to acquire a large number of shares in the Company, we will i) request the party to provide information necessary and sufficient for shareholders to properly judge whether the proposed acquisition is reasonable or not and ii) publish the opinion of the Toshiba Board of Directors to secure an amount of time and information for shareholders to consider the proposed share acquisition. Thus, the Company will continue striving to secure and improve its enterprise value and shareholders' shared benefit while taking appropriate action within a scope that is allowed under the Financial Instruments and Exchange Act, the Companies Act and other applicable laws and regulations.

(2) Special initiative that will contribute to achieving the goal of the basic policy
In an effort to regain the confidence of all stakeholders such as shareholders and investors by becoming an organization with a robust corporate structure, the Toshiba Group continues to implement the following programs: 1) “Reinforcement of Internal Management System and Reform of Corporate Culture”; 2) “Execution of Structural Reform”; 3) “Revision to Business Portfolios and Business Operation Framework”; and 4) “Development of Financial Platform.”

14. The Group’s Employees As of March 31, 2017

Segment	Number of Employees
Energy Systems & Solutions	26,534
Infrastructure Systems & Solutions	43,520
Retail & Printing Solutions	20,777
Storage & Electronic Devices Solutions	29,423
Industrial ICT Solutions	13,069
Others	16,862
Group-wide (shared)	3,307
Total	153,492

(Note)
1. The Company has 32,353 employees.
2. The number of employees includes the one of retired employees and others on March 31, 2017.

15. Main Places of Business and Facilities of the Group

As of March 31, 2017

(1) The Company

Segment	Major Distribution	
Company-wide	Offices	Principal Office (Minato-ku, Tokyo and Kawasaki), Hokkaido Branch Office (Sapporo), Tohoku Branch Office (Sendai), Kanto Branch Office (Minato-ku, Tokyo), Hokuriku Branch Office (Toyama), Chubu Branch Office (Nagoya), Kansai Branch Office (Osaka), Chugoku Branch Office (Hiroshima), Shikoku Branch Office (Takamatsu), Kyushu Branch Office (Fukuoka)
	Laboratories, etc.	Corporate Research & Development Center (Kawasaki), Corporate Manufacturing Engineering Center (Yokohama), Yokohama Complex (Yokohama), Ome Complex (Ome)
Energy Systems & Solutions	Laboratories	Power and Social Systems Research and Development Center (Yokohama)
	Production Facilities	Fuchu Operations-Energy Systems & Solutions (Fuchu, Tokyo), Hamakawasaki Operations (Kawasaki), Keihin Product Operations (Yokohama)
Infrastructure Systems & Solutions	Production Facilities	Kashiwazaki Operations (Kashiwazaki), Fuchu Complex (Fuchu, Tokyo), Fuchu Operations-Infrastructure Systems & Solutions (Fuchu, Tokyo), Komukai Complex (Kawasaki), Mie Operations (Asahi-Cho, Mie)
Storage & Electronic Devices Solutions	Laboratories	Center For Semiconductor Research & Development (Kawasaki)
	Production Facilities	Yokkaichi Operations (Yokkaichi), Himeji Operations – Semiconductor (Taishi, Hyogo)
Industrial ICT Solutions	Laboratories	IoT Technology Center (Kawasaki)
Others	Laboratories	Isogo Nuclear Engineering Center (Yokohama)
	Production Facilities	Fukaya Complex (Fukaya)

(Notes)
In April 2017, the Company carried out the following business facility abolition and reorganization programs

- Ome Complex was shut down.
- Yokkaichi Operations was transferred to Toshiba Memory Corporation.
- IoT Technology Center was reorganized into Software & AI Technology Center.

(2) The Group Companies
The names and locations of the main companies in the Group are noted in “4. Outline of Main Group Companies”.

Consolidated Balance Sheet

Consolidated Statement of operations

Consolidated Statement of Equity

Notes to Consolidated Financial Statements

For the year ended March 31, 2017

The 178th term

Toshiba Corporation

Consolidated Balance Sheet

As of March 31, 2017

Assets	(Millions of yen)
Current assets	2,736,293
Cash and cash equivalents	707,693
Notes and accounts receivable, trade	1,122,236
Notes receivable	41,431
Accounts receivable	1,106,449
Allowance for doubtful notes and accounts receivable	(25,644)
Inventories	624,321
Deferred tax assets	21,156
Prepaid expenses and other current assets	260,887
Long-term receivables and investments	401,673
Long-term receivables	15,272
Investments in and advances to affiliates	293,705
Marketable securities and other investments	92,696
Property, plant and equipment	657,876
Land	73,947
Buildings	889,495
Machinery and equipment	1,726,471
Construction in progress	21,796
Accumulated depreciation	(2,053,833)
Other assets	473,671
Deferred tax assets	32,591
Goodwill and other intangible assets	361,569
Other assets	79,511
Total assets	4,269,513

Consolidated Balance Sheet (Continued)

As of March 31, 2017

Liabilities	(Millions of yen)
Current liabilities	2,718,403
Short-term borrowings	357,551
Current portion of long-term debts	328,074
Notes and accounts payable, trade	730,900
Accounts payable, other and accrued expenses	416,916
Accrued income and other taxes	84,072
Advance payments received	320,762
Provision for loss on guarantees	143,761
Other current liabilities	336,367
Long-term liabilities	1,826,814
Long-term debt	518,171
Accrued pension and severance costs	531,164
Provision for loss on guarantees	543,897
Other liabilities	233,582
Total liabilities	4,545,217

Equity	
Equity attributable to shareholders of the Company	(552,947)
Common stock	200,000
Authorized: 10,000,000,000 shares	
Issued: 4,237,602,026 shares	
Additional paid-in capital	140,144
Retained earnings (accumulated deficit)	(580,396)
Accumulated other comprehensive loss	(310,750)
Treasury stock, at cost	(1,945)
3,793,341 shares	
Equity attributable to noncontrolling interests	277,243
Total equity	(275,704)
Total liabilities and equity	4,269,513

Consolidated Statement of operations

For the year ended March 31, 2017

	(Millions of yen)
Sales and other income	4,959,077
Net sales	4,870,773
Interest and dividends	7,143
Equity in earnings of affiliates	7,854
Other income	73,307
Costs and expenses	4,733,546
Cost of sales	3,576,520
Selling, general and administrative	1,006,551
Impairment loss on goodwill	16,914
Interest	16,378
Other expense	117,183
Income from continuing operations, before income taxes and noncontrolling interests	225,531
Income taxes:	105,632
Current	72,224
Deferred	33,408
Income from continuing operations, before noncontrolling interests	119,899
Loss from discontinued operations, before noncontrolling interests	(1,280,100)
Net loss before noncontrolling interests	(1,160,201)
Less: Net loss attributable to noncontrolling interests	(194,538)
Net loss attributable to shareholders of the Company	(965,663)

Consolidated Statement of Equity

For the year ended March 31, 2017

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to noncontrolling interests	Total equity
Balance at March 31, 2016	439,901	399,470	(76,782)	(431,828)	(1,887)	328,874	343,384	672,258
Transfer to additional paid-in capital from common stock	(239,901)	239,901						
Transfer to retained earnings (accumulated deficit) from additional paid-in capital		(462,049)	462,049					
Change in ownership for noncontrolling interests and others		(37,178)				(37,178)	129,769	92,591
Dividends attributable to noncontrolling interests							(11,121)	(11,121)
Comprehensive loss								
Net loss			(965,663)			(965,663)	(194,538)	(1,160,201)
Other comprehensive income (loss), net of tax:								
Net unrealized gains and losses on securities				882		882	92	974
Foreign currency translation adjustments				36,438		36,438	6,572	43,010
Pension liability adjustments				80,960		80,960	3,156	84,116
Net unrealized gains and losses on derivative				2,798		2,798	(71)	2,727
Total comprehensive loss						(844,585)	(184,789)	(1,029,374)
Purchase of treasury stock, net, at cost					(58)	(58)		(58)
Balance at March 31, 2017	200,000	140,144	(580,396)	(310,750)	(1,945)	(552,947)	277,243	(275,704)

(For reference) Consolidated Statement of Cash Flows

For the year ended March 31, 2017

	(Millions of yen)
Cash flows from operating activities	134,163
Cash flows from investing activities	(178,929)
(Free cash flow)	(44,766)
Cash flows from financing activities	(219,758)
Effect of exchange rate changes on cash and cash equivalents	(3,312)
Net increase in cash and cash equivalents	(267,836)
Cash and cash equivalents at beginning of the year	975,529
Cash and cash equivalents at end of the year	707,693

Notes to Consolidated Financial Statements

1. Notes Relating to Assumptions for the Going Concern

The Group recorded a net loss attributable to shareholders of the Company of ¥965,663million ($8,621,991 thousand), due to loss of ¥1,242,789 million ($11,096,330 thousand) generated in Westinghouse Electric Company ("WEC"), WEC's U.S. subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited ("TNEH(UK)"), a holding company for Westinghouse Group operating companies outside the U.S. (collectively, the "Filing Companies"). A net loss attributable to shareholders of the Company of ¥460,013 million was recorded in FY2015. As a result, consolidated equity attributable to shareholders of the Company decreased to -¥552,947 million (-$4,937,027 thousand), with consolidated net assets of -¥275,704 million (-$2,461,643 thousand) as of March 31, 2017.

In connection with this, on December 28, 2016, the rating agencies downgraded the Company's credit rating causing a breach of financial covenants in outstanding syndicated loans of ¥257,661 million ($2,300,545 thousand) arranged by the Company's main financial institutions (include in "Current portion of long-term debt" in the consolidated balance sheet). The total syndicated loans is recorded as a part of Toshiba Group's total short-term and long-term borrowings of ¥1,203,796 million ($10,748,179 thousand) in consolidated balance sheet as of March 31, 2017. These loans are callable at any dates by the financial institutions as of August 10, 2017. If these loans are called in, other bonds and certain borrowings would become callable.

Taking into consideration of the parent company guarantees and the expenditures which the Company will pay related to nuclear power construction projects by WEC, WEC's U.S. subsidiaries and affiliates, the Company's liquidity will be significantly impacted.

In addition to the foregoing, the Company operates the business that require a Special Construction Business License from the Japanese government. The Company is required to meet a certain financial criteria in order to renew this license. The Company's current Special Construction Business License expires in December 2017. If the Company does not take any counter action to improve financial condition, and if the Company is unable to meet the criteria and to renew the license, there will be extremely negative impact on business execution.

For the reasons stated above, there are material events and conditions that raise the substantial doubt about the Company's ability to continue as a going concern.

As part of the Company's plan to offset the negative impact of the ongoing situation, the Company has been reviewing a restructuring plan of Westinghouse Group including deconsolidation by a potential sale of a majority stake in order to eliminate risk in the overseas nuclear power business. Then, the Filing Companies have filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code on March 29, 2017 (U.S. time) with the U.S. Bankruptcy Court of New York. In order to rebuild Westinghouse Group, the Company recognizes that it is essential that the Filing Companies and its customers, including the power utility companies, should be provided with appropriate coordination, under the guidance of the court. In addition, deconsolidation of Westinghouse Group (hereinafter, deconsolidated Westinghouse Group is referred to as "WEC Group") as a result of the Chapter 11 filing on March 29, 2017 would meet Toshiba Group's objective to eliminate risks in the overseas nuclear power business. Relating to the above, the Company and the owners of a project in Georgia, U.S., for the construction of two nuclear power plants with Westinghouse AP1000 reactors reached an agreement that sets the limit of Toshiba's parent company guarantee obligation at $3.68 billion (¥412.9 billion) ("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. The Company and the owners of a project in South Carolina, U.S., for the construction of two nuclear power plants with Westinghouse AP1000 reactors reached an agreement that sets the limit of Toshiba's parent company guarantee obligation at $2.168 billion (¥243.2 billion) ("maximum limit"). The agreement, which was signed in the U.S. 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 Toshiba's guarantees for all four nuclear power reactors of the U.S. nuclear power construction projects have been definitively determined, and Toshiba 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 Toshiba, even in the event of future increases in construction costs.

Moreover, the Company is contemplating actions that include, but are not limited to, a potential sale of all or a majority stake in the Memory Business (the "Transferred business") to create a more agile structure, which will allow for speedy management decisions in the Transferred business. It is also anticipated that the result of this transaction will allow the Company to secure repayment of borrowing to the financial institutions, rebuild capital and recover consolidated equity attributable to shareholders of the Company. To implement the sale smoothly, the Company received approval of the absorption-type company split agreement relating to the Company split between the Company and Toshiba Memory Corporation, which took over the Transferred business, on the effective date of April 1, 2017 in extraordinary shareholder's meeting held on March 30, 2017. The Company decided to give a preferred negotiation right to Innovation Network Corporation of Japan, Bain Capital Private Equity LP, and Development Bank of Japan (the "Consortium") in board of director's meeting held on June 21, 2017. The Company is aiming to sell the stake by the end of March, 2018, after necessary procedures like final agreement with potential candidate and screening based on competition law.

Additionally, while reviewing significance of the assets without exceptions, Toshiba Group will attempt to improve the Company's financial condition by steadily executing a business plan that mainly focus on the social infrastructure business. The Company will also provide explanations to the financial institutions faithfully and will ask sincerely for them to forfeit profits at due date and a renewal or enlarged access of the commitment line agreement (¥680.0 billion). In addition, the Company will take every measures such as absorption-type company split which the licensed companies take over the business to renew the Special Construction Business License from the Japanese government in conjunction with the countermeasure mentioned above.

Although Toshiba Group is examining the details of the aforementioned countermeasures at the present time, substantial doubt about the Company’s ability to continue as a going concern exists as of August 10, 2017.

The consolidated financial statements are prepared with an assumption of a going concern and do not reflect the impact of material uncertainty concerning the assumption of a going concern in the consolidated financial statements.

2. Investigation by the Company's Audit Committee

Audit Committee of the Company has, in connection with the appropriation of the loss related to the acquisition by WEC of CB&I Stone & Webster Inc. ("S&W") from Chicago Bridge & Iron Company N.V. ("CB&I"), commissioned experts including outside attorneys to perform four investigations, including the appropriateness of the recognition period of such losses by the Company and WEC, and has received reports from the experts. As a result, no matter influencing financial reporting, including evidence giving rise to problem on recognition period of the losses, was found.

However, in the investigations, it was concluded that, for a limited period and scope, with respect to two executives of the Company, it cannot be denied one of the executives' conduct might be deemed as improper pressure with a possibility of giving influence on internal control over financial reporting at WEC, and, with respect to the other executive, no reasons can be found that will overturn evaluation that there was a conduct by him possibly being deemed as such pressure. Therefore, the Company has implemented remedial measures for those two executives, including absolute isolation from management of WEC.

In the meantime, in the results of the aforementioned investigations, one of the experts indicated that "based on the facts developed in the investigation, WEC should consider whether the totality of the information that may have been known within various parts of the organization warrant reconsideration of its prior financial statements to recognize accounting impacts of the ETC variance on the US AP1000 Project earlier than the October, 2016 submission by Fluor Enterprises, Inc., as well as any associated impacts on internal controls over financial reporting". The Company has confirmed that proper measures have been taken with respect to such indication, and there was no such impact.

3. Notes to Significant Matters Supporting the Basis of Preparation of Consolidated Financial Statements

(Significant Accounting Policies)

1) Standard of Preparation of the Consolidated Financial Statements

The consolidated financial statements of the Company are prepared in conformity with terms, forms and preparation methods of generally accepted accounting principles in the U.S. (hereinafter, the "U.S. GAAP") pursuant to the provisions of Article 120-3, Paragraph 1 of the Ordinance on Accounting of Companies. However, pursuant to the provision of the Ordinance's Article 120, Paragraph 1 that is applied mutatis mutandis to Article 120-3, Paragraph 3, the Company partially omits presentation and notes required by the U.S. GAAP.

2) 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.

3) Marketable Securities and Other Investments

The Group classifies all of its marketable securities as available-for-sale which are reported at fair value, with unrealized gains and losses included in accumulated other comprehensive income (loss), net of tax. Other investments without quoted market prices are stated at cost. 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.

Marketable securities and other investment securities 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.

4) Method of Depreciation for Property, Plant and Equipment

Depreciation for property, plant and equipment is computed primarily by the straight-line method.

5) 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 sale are considered to be held and used until disposed of.

6) Goodwill and Other Intangible Assets

In accordance with ASC 350 “Intangible assets – Goodwill and others,” goodwill and recognized intangible assets determined to have an indefinite useful life are no longer amortized, but instead are tested for impairment at least annually. Intangible assets with finite useful lives, consisting primarily of core and current technology and software, are amortized using the straight-line method over their respective contractual periods or estimated useful lives.

7) Allowance for Doubtful Accounts

An allowance for doubtful trade receivables 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.

8) Accrued Pension and Severance Costs

The Company and certain subsidiaries 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 percent 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.

9) Provision for loss on guarantees

To prepare for possible losses on guarantees in the future, the expected amount of loss to be incurred is recorded, taking into account the guaranteed party’s financial position and others.

10) Application of new accounting standards

The Company adopted early ASU No. 2017-04 "Intangibles - Goodwill and Other - Simplifying the Test for Goodwill Impairment" from the tests for goodwill impairment which were conducted after January 1, 2017. ASU No. 2017-04 eliminated Step 2 from the goodwill impairment test and requires for the entity to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units' fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. No impact was evaluated to the Company's financial position and operating results.

4. Notes to Consolidated Balance Sheet

1) Liabilities on guarantee and their kinds 136,159 million yen

2) Important disputes

In January 2007, the European Commission (the "Commission") adopted a decision imposing fines on 19 companies, including the Company, for violating EU competition laws in the gas insulated switchgear market. In April 2007, the Company filed an appeal to the General Court of the European Union (the "GC") seeking annulment of the Commission's decision. In July 2011, the GC handed down a judgment and annulled the entire fine imposed on the Company, but upheld the Commission's determination about alleged anti-competitive behavior. The Company appealed the GC's judgment to the European Court of Justice (the "ECJ") in September 2011. In June 2012, the Commission adopted a decision re-imposing fines on the Company, by recalculating the above-mentioned fines. In this decision, the Company was individually fined €56.8 million and was also fined €4.65 million jointly and severally with Mitsubishi Electric Corporation. The Company filed an appeal with the GC seeking annulment of this decision in September 2012 on the ground that the procedure and substance of the new decision are unreasonable. In January 2016, the GC upheld the Commission's decision to re-impose fines on the Company. After a careful review of the judgment, the Company decided to file an appeal to the ECJ in March 2016. In July 2017, EJC handed down its final judgment, upholding the Commission's determination. The Company accrued the reasonably estimated amount expected to be paid for the fines. In December 2013, the ECJ delivered its final ruling to support the Commission's decision in respect of the alleged infringement of EU competition laws in the gas insulated switchgear market.

In February 2011, the Ministry of Defense of Japan (the "MOD") cancelled a contract for development and manufacture of "reconnaissance system for F-15" between the MOD and the Company. In July 2011, the Company filed a lawsuit against the MOD to Tokyo District Court seeking payment of approximately ¥9,319 million ($83,205 thousand) including payment for parts which have been already completed. In October 2012, the MOD filed a counterclaim seeking payment for the penalty of the cancellation of the contract. In March 2014, the Company expanded seeking payment of approximately ¥3,017 million ($26,938 thousand). In March 2016, the Tokyo District Court handed down a judgment of first instance, dismissing the Company's claim. However, as the ruling was deemed unacceptable, the Company filed an appeal to the Tokyo High Court in the same month. The Company properly executed its duties pursuant to conditions of the contract. Therefore, the Company thought that the MOD's cancellation of the contract and the claim for penalty was unreasonable and had asserted its position in the Court. In June 2017, a court settlement was reached between both parties, marking the closing of this litigation.

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 U.S. in relation to the inappropriate financial reporting by the Company. While the Company filed a petition with the court for rejection of the lawsuit on the grounds that securities laws of the U.S. do not apply to the above-mentioned securities, among other reasons, the decision to reject the lawsuit was made as of May 20, 2016 (U.S. time). As of July 25, 2016 (U.S. time), the plaintiff appealed the decision.
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 ¥16,106 million ($143,804 thousand) in June 2016, ¥43,890 million ($391,875 thousand) in April 2017 and ¥9,227 million ($82,384 thousand) in June 2017, (2) Japan Trustee Services Bank, Ltd., of approximately ¥1,262 million ($11,268 thousand) in May 2016 and ¥11,993 million ($107,080 thousand) in August 2016, (3) the Master Trust Bank of Japan, Ltd., of approximately ¥5,105 million ($45,580 thousand) and ¥13,114 million ($117,089 thousand) in March 2017, (4) Trust & Custody Services Bank, Ltd., of approximately ¥14,065 million ($125,580 thousand) in March 2017. There is a likelihood that shareholders and other entities will file a lawsuit against the Company in the future.

The Group undertakes 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.

3) Reduction in the amount of common stock and disposal of other capital surplus in the non-consolidated balance sheet of Toshiba Corporation

To fund the accumulated deficit of the Company's standalone balance sheet, ¥239,901 million ($2,141,973 thousand) reduction in common stock, pursuant to the Corporation Law of Japan, was approved at the Ordinary General Meeting of Shareholders for the 177th fiscal period held on June 22, 2016. The reduction in common stock and transfer of ¥462,049 million ($4,125,438 thousand) other capital surplus (including the increase due to the reduction in common stock) to the accumulated deficit of the Company's standalone balance sheet were done on July 31, 2016. Since there are no such laws or rules in the U.S., the accompanying consolidated financial statements reflect the transactions as recorded on the Company's standalone balance sheet in such a way as permitted under the Corporation Law of Japan.

5. Notes to Consolidated Statement of operations

Impairment loss on goodwill

For the fiscal year under review, the Company recorded 748,554 million yen in impairment loss on goodwill chiefly in the Energy Systems & Solutions segment. Of this amount, 731,640 million yen is an impairment loss related to the nuclear power business of the WEC Group and included in loss before noncontrolling interests from discontinued operations (after tax effect) in the consolidated statement of operations. Consequently, impairment loss on goodwill included in income before income taxes from continued operations is 16,914 million yen.

6. Discontinued Operations

1) Healthcare

In the December 21, 2015 press release titled "Toshiba to Execute 'Toshiba Revitalization Action Plan'," the Company announced its intention to invite a third party or parties to acquire an ownership interest in Toshiba Medical Systems Corporation ("TMSC"), in order to ensure the future provision of sufficient support and resources for the Healthcare business to maximize its value and realize its full potential, and for the Company to improve its financial status. As a result, on March 17, 2016 the Company decided to sell its shares in TMSC (the "Transaction"), and signed a share transfer agreement with Canon Inc. ("Canon"). The Transaction was determined to have been completed on that day, and TMSC was no longer a subsidiary of the Company. TMSC became a subsidiary of Canon when Canon received clearance from the authorities regulating competition law in key countries by the time December 19, 2016.

As a result of the Transaction, the Company abolished the Healthcare Company, its in-house company unit effective March 31, 2016.

The above-mentioned decisions represent a strategic shift that will have a major effect on the Group's business operation and financial results. Consequently, pursuant to ASC 205-20, the financial position and operating results of the component that was disposed of are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations.

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

As of March 31, 2017 assets and liabilities of the relevant component that was disposed of aren’t included in the consolidated balance sheets

Operating performance

	(Millions of yen)
Sales and other income	11,810
Net sales	6,528
Other income	5,282
Costs and expenses	5,627
Cost of sales	3,308
Selling, general and administrative	2,265
Other expense	54
Income from discontinued operations, before income taxes and noncontrolling interests	6,183
Gain from sale of shares of discontinued operations, before income taxes and noncontrolling interests	13,638
Income taxes	2,171
Income from discontinued operations, before noncontrolling interests	17,650
Less: Net income from discontinued operations attributable to noncontrolling interests	-
Less: Net income from discontinued operations attributable to noncontrolling interests	17,650

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

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

	(Millions of yen)
Depreciation and amortization	53
Capital expenditure	32

2) Home Appliances business

Additionally, in the December 21, 2015 press release titled "Toshiba to Execute 'Toshiba Revitalization Action Plan'," the Company announced that the Group was streamlining the operations of its Home Appliances business, included to date in the Lifestyle Products & Services business segment, while also pursuing structural reform with a view to potentially conducting a business reorganization with third parties. As a result, the Visual Products business of Toshiba Lifestyle Products & Services Corporation ("TLSC") was transferred to the Company effective March 30, 2016, and the Company signed a share transfer agreement with Midea International Corporation Company Limited ("Midea"), a wholly-owned subsidiary of Midea Group Co., Ltd., on a transfer to Midea of Toshiba's 80.1% of shares outstanding in TLSC, retaining the Home Appliances business.

As a result of the above-mentioned share transfer, TLSC was no longer a subsidiary of the Company effective June 30, 2016, and was transferred to Midea Group.

The above-mentioned share transfer represents a strategic shift that will have a major effect on the Group's business operation and financial results. TLSC and its subsidiaries, including the Home Appliances business, are classified as held for sale. Consequently, pursuant to ASC 205-20, the financial position and results of operations of the component that was disposed of are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations.

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

As of March 31, 2017 assets and liabilities of the relevant component that was disposed of aren’t included in the consolidated balance sheets

Operating performance

	(Millions of yen)
Sales and other income	75,860
Net sales	75,138
Other income	722
Costs and expenses	79,639
Cost of sales	62,139
Selling, general and administrative	17,068
Other expense	432
Income from discontinued operations, before income taxes and noncontrolling interests	(3,779)
Gain from sale of shares of discontinued operations, before income taxes and noncontrolling interests	83,923
Income taxes	4,546
Income from discontinued operations, before noncontrolling interests	75,598
Less: Net income from discontinued operations attributable to noncontrolling interests	26
Less: Net income from discontinued operations attributable to noncontrolling interests	75,572

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

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

	(Millions of yen)
Depreciation and amortization	224
Capital expenditure	2,461

3) Westinghouse'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 the Filing Companies have resolved and then filed for a voluntary petition under Chapter 11 of the U.S.

Bankruptcy Code on March 29, 2017 (U.S. time) with the Bankruptcy Court of New York. In addition, with the commencement of the filing, WEC Group is deconsolidated from the Group as WEC Group is no longer under the control of the Company.

The above-mentioned Chapter 11 filing 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 205-20, the financial position and results of operations of the component that was disposed of are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations.

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

As of March 31, 2017 assets and liabilities of the relevant component that was disposed of aren’t included in the consolidated balance sheets

Operating performance

	(Millions of yen)
Sales and other income	644,231
Net sales	643,066
Other income	1,165
Costs and expenses	2,038,388
Cost of sales	623,094
Impairment loss on goodwill	731,640
Impairment loss on fixed assets	114,220
Selling, general and administrative	80,624
Other expense	488,810
Loss from discontinued operations, before income taxes and noncontrolling interests	(1,394,157)
Loss from sale of shares of discontinued operations, before income taxes and noncontrolling interests	(20,809)
Income taxes	(1,373,348)
Loss from discontinued operations, before noncontrolling interests	(130,559)
Less: Net loss from discontinued operations attributable to noncontrolling interests	(1,242,789)

For the fiscal year ended March 31, 2017, other expenses includes provision for loss on guarantees amounted to ¥687,658 million ($6,139,804 thousand), allowance for doubtful notes and accounts amounted to ¥239,687 million ($2,140,063 thousand) and has been offset by gains from deconsolidation amounted to -¥461,965 million (-$4,124,688 thousand).

The Company and the owners of a project in Georgia, U.S., 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 $3.68 billion (¥412.9 billion)("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, U.S., 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 $2.168 billion (¥243.2 billion)("maximum limit"). The agreement, which was signed in the U.S. 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 U.S. 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. The above-mentioned provision for loss on guarantees amounted to ¥687,658 million ($6,139,804 thousand) reflects agreed amount between with both Georgia Power Company and the Company, between South Carolina Electric & Gas Company and the Company.

With the start of Filing Companies' rehabilitation proceedings, the Company judged that the value of the accounts and other receivables held by the Group are damaged and set up an allowance for doubtful accounts for the entire amount of them, which was ¥239,687 million ($2,140,063 thousand). These accounts and other receivables are accounted for as other assets in the consolidated balance sheets. In calculating gains from deconsolidation amounted to -¥461,965 million (-$4,124,688 thousand), the Company estimates the fair value of investment for WEC Group held by the Company as no value.

Although these estimates in accounting may differ greatly from those which the Company will actually bear according to the progress of the rehabilitation proceedings, it is difficult to estimate the impact at this time.

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

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

	(Millions of yen)
Depreciation and amortization	28,647
Capital expenditure	7,804

7. Notes Concerning Financial Instruments

1) Matters concerning financial instruments

The Company is managing funds mainly on short-term deposits. It also raises funds through issuance of corporate bonds and borrowings from financial institutions including banks.

Investment securities are mainly stocks. For marketable securities, the Group evaluates their fair values on the basis of market prices.

The intended use of corporate bonds and long-term borrowings is working funds and the funds for capital investments.

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 and currency swap agreements to reduce its exposures.

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

2) Matters concerning market value of financial instruments

The consolidated balance sheet amounts as of March 31, 2017, fair values and their differences are as follows:

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Assets concerning financial instruments			
Investment securities and other investments	52,655	52,655	-
Liabilities concerning financial instruments			
Corporate bonds and long-term loans payable	830,278	788,001	42,277
Financial derivatives	2,684	2,684	-

The above table excludes the financial instruments for which fair values approximate their carrying amounts and those related to leasing activities. 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. 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.

For nonmarketable securities evaluated by the cost method, as it is practically difficult to evaluate their fair values, they were not included in “investment securities and other investments.”

8. Notes to net earnings (loss) per share

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.

Net income per share from continued operations	
Earnings from continuing operations per share attributable to shareholders of the Company: —Basic	43.44 yen
Net loss per share from discontinued operations	
Loss from discontinued operations per share attributable to shareholders of the Company: —Basic	(271.52) yen
Net loss per share	
Net loss per share attributable to shareholders of the Company: —Basic	(228.08) yen

Diluted net loss per share attributable to shareholders of the Company for the fiscal years ended March 31, 2017 has been omitted because the Company did not have the potential common stock outstanding with dilutive effects for the period.

9. Acquisition by a subsidiary of shares in CB&I Stone & Webster Inc.

WEC entered into an agreement with CB&I to acquire all the shares of S&W, the subsidiary of CB&I, which is engaged in construction and integrated services of nuclear power plants, on October 27, 2015 (U.S. time), and completed the procedures for the acquisition of the shares and acquired S&W on December 31, 2015 (U.S. time). In line with this, all outstanding claims such as compensation claims between WEC and S&W were mutually discharged under the agreement concerned prior to the completion of the above-mentioned share acquisition procedure.

WEC has been engaged in plant design, engineering, procurement, construction and provision of support of AP1000 nuclear power plants for the Vogtle Electric Generating Plant and the V.C. Summer Nuclear Generating Station in the U.S. with S&W as the consortium partner. Following the acquisition, S&W continued to proceed with the construction work as a subsidiary of WEC. In addition, WEC agreed with Southern Co., which is the owner of the Vogtle Electric Generating Plant project mentioned above, and SCANA Corporation, which is the owner of the V.C. Summer Nuclear Generating Station project respectively to revise the current EPC contracts. Under these agreements, all the claims existing between the owner and the consortium on each project at the time of the acquisition of the shares including litigations were also mutually discharged.

The Group allocated the purchase price to the assets acquired and liabilities assumed in accordance with ASC No.805 "Business Combinations" ("ASC No.805"). Under the above share acquisition agreement, payments from WEC to CB&I were to be made at the time of completion of the construction and achievement of certain milestones, and so on for the continuous supply of equipment and others from CB&I to WEC for the above projects of the plants in the U.S. Of the payments, approximately $141 million is the present value of deferred payment of consideration. As a result of deducting approximately $33 million, the fair value related to the discharge of pre-existing claims between WEC and CB&I, from $141 million mentioned above, the purchase price is approximately $108 million.

The following table summarizes the allocation of the purchase price to the identifiable assets acquired and liabilities assumed as of the acquisition date:

(As of the acquisition date)

(Millions of yen)

	Fair value	Provisional amount	Adjustment
Purchase price	12,981	13,870	(889)
Current assets	7,417	49,426	(42,009)
Non-current assets	21,341	21,939	(598)
Current liabilities	31,653	57,495	(25,842)
Allowance for losses on construction contracts	652,267	–	652,267
Total identifiable net assets acquired	(655,162)	13,870	(669,032)

*1. Adoption of New Accounting Standards, adjustments to provisional values that are identified duringthe measurement period are recognized in the reporting period in which the amounts of the adjustments are determined.

*2. Fair value and provisional value are translated into yen at the rate of exchange as of acquisition date.

The excess of the purchase price over the fair value of the identifiable assets acquired and liabilities assumed amounted to ¥668,143 million ($5,965,563 thousand), which was recorded as goodwill and allocated to Nuclear Energy Systems & Services Division and then impairment losses were recorded on the goodwill in the fiscal year ended March 31, 2017. The Company evaluated the goodwill to be unrecoverable when large increases in related project costs were identified as the result of cost reviews during the allocation of the purchase price, which outweighed the projects' profitability.

The Company calculated the provisional estimate for the opening balance sheet of S&W in accordance with ASC No.805. In accordance with ASC No.805, the Company utilized the best available information, including qualitative and quantitative inputs, and management judgment in applying the GAAP requirements for establishing a provisional opening balance sheet for the acquired business during the provisional periods. The Company appropriately completed the purchase accounting in the period ending December 31, 2016 when the Company had received all of the quantitative inputs required to complete the accounting. The most significant input was the new construction estimate from the new constructor, which was received in the quarter ending December 31, 2016.

Additional information considered in the provisional accounting for the fiscal year ended March 31, 2016 include S&W's audited cost estimates, analysis of the risk if construction continued under legacy constructor without implementation of new construction contractor, performance and planning of productivity by replacement construction contractor, increase in contract price as a result of contract settlements at time of acquisition, and reduction of liquidated damages as a result of contract settlements.

WEC, WEC's U.S. subsidiaries and affiliates, and TNEH(UK) have resolved and then filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code on March 29, 2017 (U.S. time) with the U.S. Bankruptcy Court of New York. With the commencement of the rehabilitation proceedings, WEC Group including S&W was deconsolidated from the Group's scope of consolidation and presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations.

Since discrepancy in opinion emerged between WEC and CB&I in the process of calculating the actual working capital amount, CB&I commenced a legal suit against WEC seeking to apply the arbitration clause of the calculation. WEC aimed to realize that the calculation would be done based on the share acquisition agreement and that CB&I would pay WEC $2,151 million, which is the difference between the actual working capital amount WEC calculated and the assumed working capital amount on the above agreement. On the other hand, CB&I claimed WEC's payment of $428 million to CB&I, which is the excess of working capital amount CB&I calculated over the assumed working capital amount on the agreement, and resolution in litigation. The Group didn't recognize the assets or liabilities related to the above calculation because it was under legal suit at the point of the settlement of the accounting for the business combination mentioned above.

Operating results of S&W are included in the Company's consolidated statements of operations from the fourth quarter of the fiscal year ended March 31, 2016.

10. Significant Subsequent Events

A Company Split of the Memory business

At the board of directors meeting held on January 27, 2017, the Company decided that the Memory business (including the SSD business, but excluding its image sensor business) of the Storage & Electronic Devices Solutions Company, one of the Company's in-house companies, was separated from the Company by a company split ("the Company Split"). The Company thinks splitting off the Memory Business into a single business entity will afford it greater flexibility in rapid decision-making and enhance financing options, which will lead to further growth of the business. The Company Split is between the Company and Toshiba Memory Corporation ("TMC"), its wholly-owned subsidiary. On February 24, 2017, the Company concluded an absorption-type company split agreement. The effective date of the Company Split was April 1, 2017. The Company Split was subjected to approval at the extraordinary general meeting of shareholders as of the March 30, 2017.

The Company is considering restructuring TMC with third-party capital, including the potential sale of a majority stake. At the board of director's meeting held on June 21, 2017, the Company decided to give a preferred negotiation right to Innovation Network Corporation of Japan, Bain Capital Private Equity LP, and Development Bank of Japan(the "Consortium").

Acquisition of ENGIE's stake in NuGen

Under the Shareholder Agreement between the Group and ENGIE S.A. ("ENGIE"), shares of NuGeneration Limited ("NuGen"), a consolidated subsidiary of the Company, were currently held 60% by the Group and 40% by ENGIE. WEC, WEC's U.S. subsidiaries and affiliates, and TNEH(UK) have resolved and then filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court of New York on March 29, 2017 (U.S.

time). The action met the definition of an "Event of Default" under the terms of the Agreement, ENGIE accordingly exercised the right to sell its entire shareholding to the Group, requiring the Company to purchase all shares in NuGen on April 3, 2017 (French standard time). After consultation with ENGIE, the Company completed the procedures for the acquisition of all the shares in NuGen on July 25, 2017 (all UK standard time). The purchase price was ¥15.9 billion ($142 million) and its transaction will be accounted for during the first quarter of the fiscal year ending March 31, 2018.

Assets Pledged as Collateral for Secured Borrowings and etc.

The Company agreed to the pledge listed stocks (with carrying amount of ¥88.7 billion ($792 million)) and real estate (with carrying amount of ¥2.8 billion ($25 million)) which had been held by the Company as collateral, for certain borrowings of ¥487.1 billion ($4,349 million) from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total of 95), in accordance with the collateral pledge agreement which was signed on April 28th, 2017. On the same date, the Company completed arrangement to pledge these assets as collateral.

The Company also agreed to the pledge TMC stocks as collateral related to the commitment line contracts agreed with Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total borrowing limit of ¥680.0 billion ($6,071 million)), in accordance with the revolving pledge agreement which was agreed on June 28, 2017. The Company completed the arrangement to pledge TMC stocks as collateral on June 30, 2017.

Sale of shares of Landis+Gyr AG via an IPO on the Swiss Stock Exchange

The Company was considering various capital measures including the sale of shares of Landis+Gyr AG via an IPO to enhance the financial structure of the Group. On July 21, 2017, the Company decided in relation to Landis+Gyr Group AG, a subsidiary of the Group and the holding company for Landis Gyr AG, to move forward with an IPO and list its shares on the Swiss Stock Exchange. In connection with this offering in Switzerland and sales to certain qualified institutional investors in various other jurisdictions, the Company sold its entire interest in Landis+Gyr Group AG. The settlement date for the sales of the shares was July 25, 2017, and Landis+Gyr Group AG was deconsolidated from the Group on the same date. The sale price was approximately ¥161.6 billion ($1,443 million) which was 60% of total sale price, approximately ¥269.4 billion ($2,405 million), and its transaction will be accounted for during the second quarter of the fiscal year ending March 31, 2018.

Non-Consolidated Balance Sheet

Non-Consolidated Statement of Operations

Non-Consolidated Statement of Changes in Net Assets

Notes to Non-Consolidated Financial Statements

For the year ended March 31, 2017

The 178th term

Toshiba Corporation

Non-Consolidated Balance Sheet

As of March 31, 2017

Assets	(Millions of yen)
Current assets	1,588,654
Cash and cash equivalents	392,243
Notes receivables	9,978
Accounts receivables	742,028
Finished products	155,558
Raw materials	21,036
Work in process	125,300
Advance payments	18,810
Prepaid expenses	11,707
Other current assets	186,031
Allowance for doubtful accounts	(74,042)
Fixed assets	1,214,990
Tangible fixed assets	412,637
Buildings	206,104
Structures	14,570
Machinery and equipment	81,752
Delivery equipment	225
Tools, fixtures and furniture	41,153
Land	54,191
Lease assets	1,327
Construction in progress	13,311
Intangible fixed assets	21,297
Software	17,403
Other intangible fixed assets	3,894
Investments and others	781,055
Investment securities	62,375
Security investments in subsidiaries and affiliates	464,332
Other investments	305
Other investments in subsidiaries and affiliates	112,178
Long-term loans	109,540
Long-term prepaid expenses	6,228
Claims provable in bankruptcy and rehabilitation	124,569
Other assets	32,417
Allowance for doubtful accounts	(130,893)
Total assets	2,803,644

Non-Consolidated Balance Sheet (Continued)

As of March 31, 2017

Liabilities	(Millions of yen)
Current liabilities	2,156,479
Notes payable	2,173
Accounts payable	393,707
Short-term loans	518,958
Current portion of debentures	60,000
Lease obligations	914
Accrued liabilities	123,591
Accrued expenses	188,435
Corporate and other taxes payable	15,554
Advance payments received	231,145
Deposits received	285,486
Allowance for warranty and others	9,194
Allowance for losses on construction contracts	68,038
Allowance for losses on business of subsidiaries and affiliates	79,881
Allowance for losses on litigation	7,591
Allowance for losses on guarantees	143,761
Other current liabilities	28,045
Long-term liabilities	1,377,502
Debentures	150,000
Long-term loans	423,680
Lease obligations	2,081
Allowance for retirement benefits	163,840
Allowance for losses on litigation	64,577
Allowance for losses on guarantees	543,897
Asset retirement obligations	3,952
Deferred tax liabilities	13,187
Other long-term liabilities	12,287
Total liabilities	3,533,982
Net Assets	
Shareholders’ equity	(735,262)
Common stock	200,000
Capital surplus	158,688
Other capital surplus	158,688
Retained earnings	(1,092,006)
Other retained earnings	(1,092,006)
Reserves for deferral of gains on sales of property	10,235
Retained earnings brought forward	(1,102,242)
Treasury stock	(1,945)
Difference of appreciation and conversion	4,925
Net unrealized gains (losses) on investment securities	17,846
Deferred profit (loss) on hedges	(12,921)
Total net assets	(730,337)
Total liabilities and net assets	2,803,644

Non-Consolidated Statement of Operations

For the year ended March 31, 2017

	(Millions of yen)
Net sales	2,615,379
Cost of sales	2,024,890
Gross margin	590,488
Selling, general and administrative expenses	399,405
Net operating income	191,083
Non-operating income	89,111
Interest income	3,604
Dividend income	60,897
Miscellaneous income	24,610
Non-operating expenses	71,546
Interest expenses	17,357
Foreign exchange losses	18,076
Miscellaneous expenses	36,111
Ordinary income	208,648
Extraordinary gains	156,904
Gains on sales of subsidiaries and affiliates	79,863
Reversal of allowance for doubtful accounts	12,878
Reversal of allowance for losses on business of subsidiaries and affiliates	29,723
Gains from sales of fixed assets	22,143
Gain on transfer from business divestiture	12,294
Extraordinary losses	1,439,452
Losses on valuation of shares of subsidiaries and affiliates	51,374
Losses on valuation of investment securities	532
Provision of allowance for losses on business of subsidiaries and affiliates	16,824
Impairment loss	8,531
Loss on litigation	63,956
Loss related to withdrawal from overseas nuclear power business	1,298,233
Net loss before income taxes	1,073,899
Corporate tax, inhabitant tax and business tax	15,055
Taxes deferred	3,051
Net loss	1,092,006

Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2017

(Millions of yen)	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings				Treasury stock	Total shareholders' equity
		Other capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
				Reserves for deferral of gains on sales of property	Retained earnings brought forward			
Balance at beginning of the term	439,901	380,836	13,974	3,835	(479,859)	(462,049)	(1,887)	356,801
Changes in the term								
Capital reduction	(239,901)	239,901						-
Disposal of capital surplus		(462,049)			462,049	462,049		-
Reversal of legal retained earnings			(13,974)		13,974	-		-
Reversal of reserves for deferral of gains on sales of property				6,400	(6,400)	-		-
Net loss					(1,092,006)	(1,092,006)		(1,092,006)
Decrease due to company split		0						0
Purchase of treasury stock							(58)	(58)
Disposal of treasury stock		0					0	0
Net changes of items other than shareholders' equity								
Total changes in the term	(239,901)	(222,147)	(13,974)	6,400	(622,382)	(629,957)	(58)	(1,092,064)
Balance at end of the term	200,000	158,688	-	10,235	(1,102,242)	(1,092,006)	(1,945)	(735,262)

	Difference of appreciation and conversion			Total net assets
	Net unrealized gains (losses) on investment securities	Deferred profit (loss) on hedges	Total difference of appreciation and conversion	
Balance at beginning of the term	17,399	(2,653)	14,745	371,547
Changes in the term				
Capital reduction				-
Disposal of capital surplus				-
Reversal of legal retained earnings				-
Reversal of reserves for deferral of gains on sales of property				-
Net loss				(1,092,006)
Decrease due to company split				0
Purchase of treasury stock				(58)
Disposal of treasury stock				0
Net changes of items other than shareholders' equity	447	(10,267)	(9,820)	(9,820)
Total changes in the term	447	(10,267)	(9,820)	(1,101,884)
Balance at end of the term	17,846	(12,921)	4,925	(730,337)

<u>Notes to Non-Consolidated Financial Statements (1)</u>

1. Notes Relating to Assumptions for the Going Concern

In the fiscal year ended March 31, 2017, the Company recorded a net loss of 1,092,006 million yen mainly due to a loss related to withdrawal from overseas nuclear power business of 1,298,233 million yen recorded as extraordinary losses. (A net loss of 330,017 million yen was recorded in the fiscal year ended March 31, 2016.) As a result, shareholders' equity amounted to minus 735,262 million yen with net assets of minus 730,337 million yen as of March 31, 2017.

In connection with this, on December 28, 2016, the rating agencies downgraded the Company's credit rating causing a breach of financial covenants in outstanding syndicated loans of 257,661 million yen arranged by the Company's main financial institutions (included in "Short-term loans" in the non-consolidated balance sheet). The total syndicated loans is recorded as a part of the Company's total short-term and long-term borrowings of 942,638 million yen in the non-consolidated balance sheet as of March 31, 2017. These loans are callable at any dates by the financial institutions as of August 10, 2017. If these loans are called in, other bonds and certain borrowings would become callable.

Taking into consideration of the parent company guarantees and the expenditures which the Company will pay related to nuclear power construction projects by Westinghouse Electric Company ("WEC") and its U.S. subsidiaries and affiliates, the Company's liquidity will be significantly impacted.

In addition to the foregoing, the Company operates the business that require a Special Construction Business License from the Japanese government. The Company is required to meet a certain financial criteria in order to renew this license. The Company's current Special Construction Business License expires in December 2017. If the Company does not take any counter action to improve financial condition, and if the Company is unable to meet the criteria and to renew the license, there will be extremely negative impact on business execution.

For the reasons stated above, there are material events and conditions that raise the substantial doubt about the Company's ability to continue as a going concern.

As part of the Company's plan to offset the negative impact of the ongoing situation, the Company has been reviewing a restructuring plan of Westinghouse Group including deconsolidation by a potential sale of a majority stake in order to eliminate risk in the overseas nuclear power business. Then WEC, WEC's U.S. subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse Group operating companies outside the U.S. (collectively, the "Filing Companies") have filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code on March 29, 2017 (local time in the U.S.) with the U.S. Bankruptcy Court of New York. In order to rebuild Westinghouse Group, the Company recognizes that it is essential that the Filing Companies and its customers, including the power utility companies, should be provided with appropriate coordination, under the guidance of the court. In addition, deconsolidation of Westinghouse Group as a result of the Chapter 11 filing on March 29, 2017 would meet Toshiba Group's objective to eliminate risks in the overseas nuclear power business. Relating to the above, the Company and the owners of a project in Georgia, U.S., for the construction of two nuclear power plants with Westinghouse AP1000 reactors reached an agreement that

sets the limit of Toshiba's parent company guarantee obligation at 3.68 billion US dollars (412.9 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. The Company and the owners of a project in South Carolina, U.S., for the construction of two nuclear power plants with Westinghouse AP1000 reactors reached an agreement that sets the limit of Toshiba's parent company guarantee obligation at 2.168 billion US dollars (243.2 billion yen) ("maximum limit"). The agreement, which was signed in the U.S. 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 Toshiba's guarantees for all four nuclear power reactors of the U.S. nuclear power construction projects has been definitively determined, and Toshiba 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 Toshiba, even in the event of future increases in construction costs.
Moreover, the Company is contemplating actions that include, but are not limited to, a potential sale of all or a majority stake in the Memory Business (the "Transferred business") to create a more agile structure, which will allow for speedy management decisions in the Transferred business. It is also anticipated that the result of this transaction will allow the Company to secure repayment of borrowing to the financial institutions, rebuild capital and recover consolidated equity attributable to shareholders of the Company. To implement the sale smoothly, the Company received approval of the absorption-type company split agreement relating to the company split between the Company and Toshiba Memory Corporation, which took over the Transferred business, on the effective date of April 1, 2017 in extraordinary shareholder's meeting held on March 30, 2017. The Company decided to give a preferred negotiation right to Innovation Network Corporation of Japan, Bain Capital Private Equity LP, and Development Bank of Japan (the "Consortium") in board of director's meeting held on June 21, 2017. The Company is aiming to sell the stake by the end of March 2018, after necessary procedures like final agreement with potential candidate and screening based on competition law.
Additionally, while reviewing significance of the assets without exceptions, the Company will attempt to improve the Company's financial condition by steadily executing a business plan that mainly focuses on the social infrastructure business. The Company will also provide explanations to the financial institutions faithfully and will ask sincerely for them to forfeit profits at due date and a renewal or enlarged access of the commitment line agreement (680.0 billion yen). In addition, the Company will take every measures such as absorption-type company split which the licensed companies take over the business to renew the Special Construction Business License from the Japanese government in conjunction with the countermeasure mentioned above.

Although the Company is examining the details of the aforementioned countermeasures at the present time, substantial doubt about the Company's ability to continue as a going concern exists as of August 10, 2017.

Notes to Non-Consolidated Financial Statements (3)

The non-consolidated financial statements are prepared with an assumption of a going concern and do not reflect the impact of material uncertainty concerning the assumption of a going concern in the non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements (4)

2. Notes to Significant Accounting Policies

(1) Method of valuation of securities

Investment securities in affiliates	Valued at acquisition cost based on the moving average method
Other securities	
Marketable securities	Valued at market value at the end of fiscal year (The difference are recorded directly in net assets and cost of sales is calculated by the moving average method)
Non-marketable securities	Valued at acquisition cost based on the moving average method

(2) Method of valuation of derivatives

Derivatives	Valued at market value

(3) Method of valuation of inventories

Finished products	Valued at acquisition cost either based on the specific identification method or on the moving average method
Work in process	Valued at acquisition cost either based on the specific identification method or on the weighted average method
Raw materials	Valued at acquisition cost based on the moving average Method

Amounts carried on the balance sheet are stated after their devaluation based on the lowered profitability.

(4) Depreciation methods for fixed assets

Tangible fixed assets (excluding lease assets)	The straight-line method. Service life of buildings and structures is from 3 years to 60 years. Service life of machinery and equipment is from 3 years to 17 years.
Intangible fixed assets (excluding lease assets)	The straight-line method. However, for software for sales, the straight-line method based on estimated sales volume or remaining effective life (up to 3 years). For software for internal use, the straight-line method based on internal service life (up to 5 years).
Lease assets	Lease assets under non-ownership transfer finance lease transactions. For accounting for such lease assets, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

Notes to Non-Consolidated Financial Statements (5)

(5) Recognition of allowance

Allowance for doubtful accounts	To prepare the bad debt expense, allowance for doubtful accounts are recorded. Allowance is recorded based on the write-off history in general and recorded for any specific, known troubled accounts based on the evaluation of possibility of collection of specific accounts.
Allowance for warranty and others	To cover costs of after-sale service of products, estimated service cost during guarantee period is recognized based on historical record.
Allowance for losses on construction contracts	To cover the estimated loss of uncompleted engineering works as of the end of the fiscal year, the estimated loss is recognized.
Allowance for losses on business of subsidiaries and affiliates	To prepare for possible losses associated with business of subsidiaries and affiliates, the expected amount of loss to be incurred by the Company beyond the amount normally estimated based on its investment in such subsidiaries and affiliates is recorded.
Allowance for losses on litigation	To cover the contingent losses that may be incurred in the future with respect to lawsuits or other disputes, a rationally calculated estimate of potential loss is recorded upon having reviewed individual risks in terms of respective contingencies.
Allowance for losses on guarantees	To cover the possible losses on guarantees in the future, the expected amount of loss to be incurred is recorded, taking into account the guaranteed party’s financial position and others.
Allowance for retirement benefits	To cover retirement benefits, it is recorded based on estimated accrued pension and severance costs at the end of fiscal year. Retirement benefit obligations are calculated on the straight-line basis to attribute estimated accrued severance costs to the period to the current fiscal year. Prior service cost is amortized by straight-line method over 10 years. Actuarial differences are amortized by straight-line method over 10 years from the fiscal year following the fiscal year in which they arise.

(6) Revenue recognition

The percentage-of-completion method is applied for construction contracts with a high level of certainty of expected cash flow for the part completed by the end of the period (cost comparison method is used for estimating the progress rate of construction work).

(7) Hedge accounting

Accounting Method

In principal, the Company applies the deferral hedge accounting method. In addition, when the forward exchange contracts meet the conditions for hedged items, the Company does not account for gains and losses on those forward exchange contracts on a fair value basis, but converts hedged items using the rates of those forward exchange contracts at the closing day.

Moreover, when interest swap agreements meet the conditions for hedged items, the Company does not account for gains and losses on those interest swap agreements on a fair value basis, but recognizes swap interest on an accrual basis.

Measures and objects

Measures	Forward exchange contracts, interest rate swap agreements and borrowings denominated in foreign currency, etc.
Objects	Monetary assets and liabilities denominated in foreign currency, commitments on future transactions denominated in foreign currency, borrowings and investments in foreign subsidiaries, etc.

Policy

To reduce foreign currency risk and interest risk and to improve net interest expense, the Company employs derivative instruments within actual demand of the Company.

Evaluation of effectiveness

The Company compares the total amount of market change or change of cash flow of objects and the total amount of market change or change of cash flow of measures. Effectiveness of hedge is evaluated based on change of both. However, when interest rate swap agreements are recognized by the exceptional method described above, evaluation of effectiveness is skipped.

(8) Accounting of consumption taxes

Transactions subject to consumption taxes are recorded at amounts without tax.

(9) Consolidated taxation system

The Company adopted the consolidated taxation system.

(10) Presentation of amount

Amounts under million are rounded down.

(11) Additional information

(Adoption of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company has adopted the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

3. Notes to Changes in Presentation Methods

(Non-Consolidated Balance Sheet)

"Claims provable in bankruptcy and rehabilitation," which had been included in "Other assets" under "Investments and others" under "Fixed assets" up until the previous fiscal year, have been separately stated in the current fiscal year due to their heightened materiality. In the previous fiscal year, "Claims provable in bankruptcy and rehabilitation" included in "Other assets" under "Investments and others" under "Fixed assets" were 395 million yen.

"Allowance for losses on litigation," which had been included in "Accrued expenses" under "Current liabilities" and also in "Other long-term liabilities" under "Long-term liabilities" up until the previous fiscal year, has been separately stated in the current fiscal year due to its heightened materiality. In the previous fiscal year, "Allowance for losses on litigation" included in "Accrued expenses" under "Current liabilities" was 5,647 million yen, and "Allowance for losses on litigation" included in "Other long-term liabilities" under "Long-term liabilities" was 14,856 million yen.

(Non-Consolidated Statement of Operations)

"Foreign exchange losses," which had been included in "Miscellaneous expenses" under "Non-operating expenses" up until the previous fiscal year, have been separately stated in the current fiscal year due to their heightened materiality. In the previous fiscal year, "Foreign exchange losses" included in "Miscellaneous expenses" under "Non-operating expenses" were 7,077 million yen.

4. Notes to Non-Consolidated Balance Sheet

(1) Collateral assets and liabilities secured by collaterals:

Collateral assets:

Security investments in affiliates	18 million yen

The above assets are collaterals pledged on loans of 623 million yen for affiliates.

(2) Accumulated depreciation for tangible fixed assets: 1,008,950 million yen

(3) Liabilities on guarantees and their kinds

The Company guarantees lease obligations, bonds and borrowings from financial institution, etc. as follows:

Notes to Non-Consolidated Financial Statements (8)

(Millions of yen)

Guarantee	Balance of liabilities on guarantees and their kinds
Flash Forward, Ltd.	63,966
Flash Alliance, Ltd.	32,020
Toshiba JSW Power Systems Pvt. Ltd.	23,423
NuGeneration Limited	22,412
Flash Partners Ltd.	20,995
Toshiba America Energy Systems Corporation	10,276
Toshiba South America Ltda.	8,639
Others	41,059
Total	222,793

(4) Important disputes

In January 2007, the European Commission (the "Commission") adopted a decision imposing fines on 19 companies, including the Company, for violating EU competition laws in the gas insulated switchgear market. In April 2007, the Company filed an appeal to the General Court of the European Union (the "GC") seeking annulment of the Commission's decision. In July 2011, the GC handed down a judgment and annulled the entire fine imposed on the Company, but upheld the Commission's determination about alleged anti-competitive behavior. The Company appealed the GC's judgment to the European Court of Justice (the "ECJ") in September 2011. In June 2012, the Commission adopted a decision re-imposing fines on the Company, by recalculating the above-mentioned fines. In this decision, the Company was individually fined 56.8 million euro and was also fined 4.65 million euro jointly and severally with Mitsubishi Electric Corporation. The Company filed an appeal with the GC seeking annulment of this decision in September 2012 on the ground that the procedure and substance of the new decision are unreasonable. In January 2016, the GC upheld the Commission's decision to re-impose fines on the Company. After a careful review of the judgment, the Company decided to file an appeal to the ECJ in March 2016. In July 2017, EJC handed down its final judgment, upholding the Commission's determination.

The Company accrued the reasonably estimated amount expected to be paid for the fines. In December 2013, the ECJ delivered its final ruling to support the Commission's decision in respect of the alleged infringement of EU competition laws in the gas insulated switchgear market.

In February 2011, the Ministry of Defense of Japan (the "MOD") cancelled a contract for development and manufacture of "reconnaissance system for F-15" between the MOD and the Company. In July 2011, the Company filed a lawsuit against the MOD to Tokyo District Court seeking payment of approximately 9,319 million yen including payment for parts which have been already completed. In October 2012, the MOD filed a counterclaim seeking payment for the penalty of the cancellation of the contract. In March 2014, the Company expanded seeking payment of approximately 3,017 million yen. In March 2016, the Tokyo District Court handed down a judgment of first instance, dismissing the Company's claim. However, as the ruling was deemed unacceptable, the Company filed an appeal to the Tokyo

High Court in the same month. The Company properly executed its duties pursuant to conditions of the contract. Therefore, the Company thought that the MOD's cancellation of the contract and the claim for penalty was unreasonable and had asserted its position in the Court. In June 2017, a court settlement was reached between both parties, marking the closing of this litigation.

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 U.S. in relation to the inappropriate financial reporting by the Company. While the Company filed a petition with the court for rejection of the lawsuit on the grounds that securities laws of the U.S. do not apply to the above-mentioned securities, among other reasons, the decision to reject the lawsuit was made as of May 20, 2016 (local time in U.S.). As of July 25, 2016 (local time in U.S.), the plaintiff appealed the decision.
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 payments by (1) foreign institutional investors of approximately 16,106 million yen in June 2016, 43,890 million yen in April 2017 and 9,227 million yen in June 2017, (2) Japan Trustee Services Bank, Ltd., of approximately 1,262 million yen in May 2016 and 11,993 million yen in August 2016, (3) The Master Trust Bank of Japan, Ltd., of approximately 5,105 million yen and 13,114 million yen in March 2017, (4) Trust & Custody Services Bank, Ltd., of approximately 14,065 million yen in March 2017. There is a likelihood that shareholders and other entities will file a lawsuit against the Company in the future.

The Toshiba Group undertakes 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.

Notes to Non-Consolidated Financial Statements (10)

(5) Monetary receivables and liabilities to subsidiaries and affiliates

Current monetary receivables	507,183 million yen
Non-current monetary receivables	112,456 million yen
Current monetary liabilities	556,747 million yen

5. Notes to Non-Consolidated Statement of Operations

(1) Sales to subsidiaries and affiliates	1,559,023 million yen
(2) Purchases from subsidiaries and affiliates	1,143,296 million yen
(3) Non-operating transactions amounts with subsidiaries and affiliates	71,607 million yen

(4) Loss related to withdrawal from overseas nuclear power business

On March 29, 2017 (local time in the U.S.), Westinghouse Electric Company (“WEC”), its U.S. subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited which is a holding company for Westinghouse Group operating companies outside the U.S. filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code (the “Voluntary Petition”) with the U.S. Bankruptcy Court of New York. With the commencement of the Voluntary Petition, the Company recorded a loss related to withdrawal from overseas nuclear power business of 1,298,233 million yen as extraordinary losses mainly due to factors that include 687,658 million yen in losses associated with parent company guarantees provided by the Company to power utility companies with respect to U.S. nuclear power plant construction projects, 443,409 million yen in losses on valuation of shares related to the WEC Group and 123,329 million yen in the allowance for doubtful accounts with respect to the accounts and other receivables held by the Company against the WEC Group.

6. Notes to Non-Consolidated Statement of Changes in Net Assets

(1) The class and number of issued shares as of March 31, 2017 Common stock 4,237,602,026 shares

(2) The class and number of treasury stock as of March 31, 2017 Common stock 3,793,341 shares

(3) Resolution of dividends

Resolution	Total amount of dividends	Dividend per share	Record date	Effective date
Board of Directors Meeting held on December 21, 2015	0 yen	0.00 yen	Mar. 31, 2016	–
Board of Directors Meeting held on September 21, 2016	0 yen	0.00 yen	Sep. 30, 2016	–
Board of Directors Meeting held on April 11, 2017	0 yen	0.00 yen	Mar. 31, 2017	–

7. Notes to Deferred Income Tax Accounting

Deferred tax assets have arisen primarily due to losses on valuation of shares, allowance for losses on guarantees, and non-recognition of the allowance for retirement benefits. A valuation allowance for the full amount has been recorded.

The occurrence of deferred tax liabilities was mainly attributable to net unrealized gains (losses) on investment securities and to reserves under the Act on Special Measures Concerning Taxation.

8. Notes to Transaction with Related Parties

Subsidiaries and affiliates

(Millions of yen)

Distinction of subsidiary/ affiliate	Company	Holding ratio of voting rights[*3]	Relationship	Transaction	Amount	Accounts	Ending balance
Subsidiary	Toshiba America Electronic Components, Inc.	100%	Sales of the Company's products	Sales of the Company's products[*5]	415,978	Accounts receivable	79,626
Subsidiary	Toshiba Electronics Taiwan Corporation	100%	Sales of the Company's products	Sales of the Company's products[*5]	375,284	Accounts receivable	43,036
Subsidiary	Toshiba Electronics Asia, Ltd.	100%	Sales of the Company's products	Sales of the Company's products[*5]	163,543	Accounts receivable	35,842
Subsidiary	Toshiba Lifestyle Products & Services Corporation[*1]	100%	Lending of cash	Debt forgiveness[*6]	132,000	–	–
Subsidiary	Westinghouse Electric UK Holdings Limited[*2]	100%[*4]	Lending of cash	Lending of cash[*7]	72,923	Short-term loans	–
				Receipt of interests[*7]	42	Other current assets	–
Subsidiary	GNFT Corporation	100%	Lending of cash	Lending of cash[*7*8]	–	Short-term loans[*10]	37,976
Affiliate	Flash Forward, Ltd.	50.1%	Lending of cash	Lending of cash[*7*8]	–	Long-term loans	39,500
				Receipt of interests[*7]	126	Other current assets	–
			Guarantees	–	–	Guarantees[*11]	63,966
Subsidiary	Landis+Gyr Holding A.G.	60.0%	Lending of cash	Lending of cash[*7*8]	–	Long-term loans	24,120
				Receipt of interests[*7]	998	Other current assets	155
Subsidiary	Toshiba Information Equipment (Philippines), Inc.	100%	Procurement	Procurement[*9]	295,601	Accounts payable	56,211
Subsidiary	Toshiba Plant Systems & Services Corporation	51.5%	Procurement	Procurement[*9]	84,640	Accounts payable	38,029
Subsidiary	Toshiba Solutions Corporation	100%	Borrowing of cash	Deposit of cash[*7*8]	–	Deposits received	46,537
				Payment of interests[*7]	487	Accrued expenses	42
Subsidiary	Toshiba America, Inc.	100%	Borrowing of cash	Deposit of cash[*7*8]	–	Deposits received	41,801
				Payment of interests[*7]	611	Accrued expenses	63
Subsidiary	Toshiba Asia Pacific Pte., Ltd.	100%	Borrowing of cash	Deposit of cash[*7*8]	–	Deposits received	34,895
				Payment of interests[*7]	198	Accrued expenses	40
Affiliate	Flash Alliance, Ltd.	50.1%	Guarantees	–	–	Guarantees[*11]	32,020

*1. This entity no longer qualifies as a related party because 80.1% of the Company's total shares outstanding in the entity were transferred to Midea International Corporation Company Limited, a wholly-owned subsidiary of Midea Group Co., Ltd., on June 30, 2016. Accordingly, the amount stated is the amount during the period in which this entity qualified as a related party.

*2. This entity no longer qualifies as a related party upon filing having been made for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court of New York on March 29, 2017. Accordingly, the amount stated is the amount during the period in which this entity qualified as a related party.

*3. Voting rights include voting rights held through subsidiaries of the Company.

*4. Toshiba Nuclear Energy Holdings (UK) Limited, 87% of whose voting rights are held by the Company and subsidiaries of the Company, holds all of the voting rights of Westinghouse Electric UK Holdings Limited.

*5. Conditions of sale of the Company's products are determined on the basis of mutual discussion drawing on conditions prevailing in an arms-length transaction, considering market price.

*6. 123,000 million yen in allowance for doubtful accounts recorded at the end of the previous fiscal year was reversed in conjunction with the debt forgiveness.

*7. Conditions of lending and/or borrowing of cash are determined on the basis of mutual discussion drawing on conditions prevailing in an arms-length transaction, considering market interest rate.

*8. Amounts such as those involving lending and/or borrowing of cash are not stated because such transactions are performed on a recurring basis drawing on cash management systems for the effective utilization of funds within the Toshiba Group.

*9. Conditions of procurement are determined on the basis of mutual discussion drawing on conditions prevailing in an arms-length transaction, considering market price.

*10. The Company recorded a total of 15,519 million yen in allowance for doubtful accounts for loans to subsidiaries.
For the current fiscal year, the Company recorded a total of 15,519 million yen in provision for allowance for doubtful accounts.

*11. Guarantees are arranged with respect to lease obligations.

9. Notes to Per Share Information

(1)	Net assets per share	(172.50) yen
(2)	Net loss per share	257.92 yen

10. Notes to Business Combinations and Divestitures

(Transactions, etc. between entities under common control)

(1) Company split of the PC business

Effective April 1, 2016, the Company transferred its PC business to consolidated subsidiary Toshiba Client Solutions Co., Ltd. by means of a company split.

1) Outline of company split

a. Name of the post-company split company

Toshiba Client Solutions Co., Ltd.
Its trade name was changed from Toshiba Information Equipments Co., Ltd. effective April 1, 2016.

b. Business of the business unit that was split

Development, manufacturing and sales of PCs and tablets as well as IoT solutions for corporate customers, excluding licensing businesses relating to essential patents for DVD and BD standards and businesses relating to copy protection

c. Key purpose of company split

The company split was conducted for the purpose of promoting efficient asset-light management by merging Toshiba's Personal & Client Solutions Company and Toshiba Information Equipments Co., Ltd. and concentrating its resources in Japan for design, product development, global production management and sales and services.

d. Date of company split

April 1, 2016

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Toshiba Information Equipments Co., Ltd. was the absorption-based succeeding company.

2) Outline of accounting treatment performed

Accounting treatment was performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(2) Company split of the System LSI business

Effective April 1, 2016, the Company transferred a certain part of the System LSI business at its Oita Operations to Japan Semiconductor Corporation, a consolidated subsidiary of Toshiba, through a company split.

1) Outline of company split

a. Name of post-company split company

Japan Semiconductor Corporation
Its trade name was changed from Iwate Toshiba Electronics Co., Ltd. (“Iwashiba”) effective April 1, 2016.

b. Business of the business unit that was split

Manufacture and contract manufacturing of system LSIs, including analog ICs mainly with Toshiba’s Oita Operations’ 200mm and 150mm wafer production lines, and other service businesses.

c. Main purpose of company split

By consolidating the System LSI business that uses the 200mm and 150mm wafer production lines at its Oita Operations into Iwashiba’s System LSI business as a single business entity, Toshiba will concentrate management resources in priority business areas where the Toshiba Group anticipates market growth and enjoys technological advantages in the System LSI business, such as analog integrated circuits and motor control driver for automotive and other applications. It will also secure efficient and integrated operation of the 200mm and 150mm wafer production lines, and these aims are the purpose of the above-mentioned company split.

d. Date of company split

April 1, 2016

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Iwashiba was the absorption-based succeeding company.

2) Outline of accounting treatment performed

Accounting treatment was performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(Business divestiture)

(1) Divestiture of industrial video camera system business

Effective October 1, 2016, the Company transferred its industrial video camera system business, including video cameras for medical equipment, to Toshiba Medical Systems Corporation, through an absorption-type company split.

1) Outline of business divestiture

a. Name of company to which the business is transferred

Toshiba Medical Systems Corporation

b. Business of the business unit that was divested

Industrial video camera system business, including video cameras for medical equipment, handled by Video Sensing Business Promotion Division in Life Science Division

c. Key purpose of business divestiture

The business divestiture was carried out with the aims of enabling Toshiba Medical Systems Corporation to expand its business and cultivate new business fields and to strengthen the components business by combining the Company’s video processing technologies with its diagnostic medical imaging business.

d. Date of business divestitures

October 1, 2016

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Toshiba Medical Systems Corporation was the absorption-based succeeding company.

2) Outline of accounting treatment performed

In the business divestiture, the Company applied accounting treatment in the case that the Company received cash as a consideration for the business transfer, pursuant to the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013). 12,294 million yen as a gain on transfer from the business divestiture was recorded under “Extraordinary gains.”

3) Appropriate carrying amount of assets in relation to the transferred business operations

Current assets	303 million yen
Fixed assets	105 million yen
Total assets	408 million yen

4) Reporting segment in which the divested business unit was included

Others

5) Approximate profit and loss pertaining to the divested business unit which was recorded in the statements of income for the current fiscal year

It is not stated due to immaterial effect.

11. Notes to Significant Subsequent Events

(Transactions, etc. between entities under common control)

(1) Company split of the memory business

Effective April 1, 2017, the memory business of the Storage & Electronic Devices Solutions Company, one of the Company’s in-house companies, was separated from the Company by means of a company split.

Notes to Non-Consolidated Financial Statements (17)

1) Outline of company split

a. Name of the post-company split company

Toshiba Memory Corporation

b. Business of the business unit that was split

Development, manufacturing, sales and related business, involving memory and related products (including SSDs, but excluding image sensors) operated by the Storage & Electronic Devices Solutions Company, one of the Company's in-house companies

c. Key purpose of company split

Splitting off the memory business in the Storage & Electronic Devices Solutions Company, one of the Company's in-house companies, into a single entity will afford it greater flexibility in rapid decision-making and enhance financing options, which will lead to further growth of the memory business.

d. Date of company split

April 1, 2017

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Toshiba Memory Corporation was the absorption-based succeeding company.

2) Outline of accounting treatment performed

Accounting treatment was performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(2) Company split of the social infrastructure business

Effective July 1, 2017, the Company split and transferred its Infrastructure Systems & Solutions Company, one of the Company's in-house companies, to Toshiba Electric Service Corporation, a consolidated subsidiary of the Company, by means of a company split.

1) Outline of company split

a. Name of the post-company split company

Toshiba Infrastructure Systems & Solutions Corporation
Its trade name was changed from Toshiba Electric Service Corporation effective July 1, 2017.

b. Business of the business unit that was split

Development, manufacturing and sales of social infrastructure business products, systems and services

c. Key purpose of company split

By integrating the Company's in-house Infrastructure Systems & Solutions Company with

Toshiba Electric Service Corporation, it aims to allow the social infrastructure business to establish a management structure capable of optimal and rapid decision-making in a changing business environment, and to deploy an enhanced governance structure. The Company also aims to realize continuous growth for the social infrastructure business by positioning it to continue to promote a spiral lifecycle business offering products, systems and services that improve customer value, which will ultimately lead to maximization of the corporate value of the Toshiba Group.
In addition, Toshiba Electric Service Corporation, the succeeding company, holds special construction business licenses, essential for the social infrastructure business, which will realize a continuous and smooth business transition.

d. Date of company split

July 1, 2017

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Toshiba Electric Service Corporation was the absorption-based succeeding company.

2) Outline of accounting treatment performed

Accounting treatment was performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(3) Company split of the electronic devices business (excluding the memory business)

Effective July 1, 2017, the Company split the Storage & Electronic Devices Solutions Company, one of the Company's in-house companies, by means of a company split.

1) Outline of company split

a. Name of the post-company split company

Toshiba Electronic Devices & Storage Corporation

b. Business of the business unit that was split

Development, manufacturing, sales and related business, involving discrete semiconductors, system LSIs, HDDs and related products

c. Key purpose of company split

By splitting the Company's in-house Storage & Electronic Devices Solutions Company by means of a company split, it aims to allow the electronics devices business to establish a management structure capable of flexible and rapid decision-making, and to deploy an enhanced governance structure. The Company also aims to realize continuous growth for the electronic devices business by positioning it to offer products that improve customer value, which will ultimately maximize the corporate value of the Toshiba Group.

d. Date of company split

July 1, 2017

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Toshiba Electronic Devices & Storage Corporation was the absorption-based succeeding company

2) Outline of accounting treatment performed

Accounting treatment was performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(4) Company split of the ICT solutions business

Effective July 1, 2017, the Company split and transferred its Industrial ICT Solutions Company, one of the Company's in-house companies, to Toshiba Solutions Corporation, a consolidated subsidiary of the Company, by means of a company split.

1) Outline of company split

a. Name of the post-company split company

Toshiba Digital Solutions Corporation
Its trade name was changed from Toshiba Solutions Corporation effective July 1, 2017.

b. Business of the business unit that was split

Development, manufacturing and sales of ICT solutions business products, systems and services

c. Key purpose of company split

By integrating the Company's in-house Industrial ICT Solutions Company with Toshiba Solutions Corporation, it aims to allow the ICT solutions business to establish a management structure capable of flexible and rapid decision-making in a fast changing ICT market, and to deploy an enhanced governance structure. The Company also aims to realize further growth for the ICT solutions business and an improved industry presence in order to become an innovator that responds to the market's digital transformation in a timely manner, and that creates and provides valuable services. Furthermore, it will contribute to maximization of the corporate value of the Toshiba Group by utilizing the ICT technology.
In addition, Toshiba Solutions Corporation, the succeeding company, holds special construction business licenses, essential for the ICT solutions business, which will realize a continuous and smooth business transition.

d. Date of company split

July 1, 2017

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba was the absorption-based splitting company and Toshiba Solutions Corporation was the absorption-based succeeding company.

2) Outline of accounting treatment performed

Accounting treatment was performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(5) Company split of the energy business

Effective October 1, 2017, the Company has established plans to split the Energy Systems & Solutions Company, one of the Company's in-house companies, and the Nuclear Energy Systems & Solutions Division by means of a company split, on the basis of resolution made at the Ordinary General Meeting of Shareholders held on June 28, 2017.

1) Outline of company split

a. Name of the post-company split company

Toshiba Energy Systems & Solutions Corporation

b. Business of the business unit that was split

Development, manufacturing and sales of energy business products, systems and services

c. Key purpose of company split

By splitting the Company's in-house Energy Systems & Solutions Company and the Nuclear Energy Systems & Solutions Division by means of a company split, it aims to allow the energy business to establish a management structure capable of flexible and rapid decision-making in a changing business environment, and to deploy an enhanced governance structure. The Company also aims to realize further growth for the energy business by positioning it to offer products, systems and services that improve customer value in next generation energy sources, which will ultimately maximize the corporate value of the Toshiba Group.

In addition, the new company will obtain special construction business licenses, essential for the energy business, which will realize a continuous and smooth business transition.

d. Date of company split

October 1, 2017 (planned)

e. Transaction outline, including legal format

An absorption-type company split in which Toshiba will be the absorption-based splitting company and Toshiba Energy Systems & Solutions Corporation will be the absorption-based succeeding company

2) Outline of accounting treatment performed

Accounting treatment will be performed for the transactions between entities under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013).

(Assets pledged as collateral)

The Company agreed to pledge listed stocks (with carrying amount of 88.7 billion yen) and real estate (with carrying amount of 2.8 billion yen) which had been held by the Company as collateral, for certain borrowings of 487.1 billion yen from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total of 95), in accordance with the collateral pledge agreement which was signed on April 28, 2017. On the same date, the Company completed arrangement to pledge these assets as collateral.

The Company also agreed to pledge the shares in Toshiba Memory Corporation as collateral related to the commitment line contracts agreed with Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total borrowing limit of 680.0 billion yen), in accordance with the revolving pledge agreement which was agreed on June 28, 2017. The Company completed the arrangement to pledge the shares as collateral on June 30, 2017.

Notes to Non-Consolidated Financial Statements (23)

(Capital increase in consolidated subsidiary)

Effective June 30, 2017, payment was executed upon having resolved to undertake the capital increase in Toshiba Lighting & Technology Corporation ("TLT"), the Company's consolidated subsidiary, at the Corporate Management Meeting held on June 20, 2017.

1) Purpose of capital increase

With TLT having recorded negative net worth due to excessive investment in the discharge lamp business and unprofitable operations in the overseas lighting business, the Company has opted to underwrite the capital increase in TLT so that it can take steps to eliminate its negative net worth and achieve stable business operations going forward, particularly given certain prospects with respect to structural reforms being taken by TLT.

2) Overview of capital increase

Payment amount: 32.3 billion yen

Payment date: June 30, 2017

3) Overview of subsidiary

Name:	Toshiba Lighting & Technology Corporation	
Business:	a. Development, manufacturing and sales of light bulbs, discharge lamps, lighting equipment, wiring devices, power distribution and control equipment, and products related to those items; and also development, manufacturing and sales of applied systems and light sources equipment for industrial use	
	b. Design and contract service involving the items above with respect to electrical installation, telecommunications installation, firefighting facility construction, interior finishing work, construction work, steel structure construction, and machine tool installation, and other forms of installation, etc.	
Capital stock:	Before increase	10.0 billion yen
	After increase	26.2 billion yen
Capital legal reserve:	Before increase	0.2 billion yen
	After increase	16.3 billion yen
The Company's ownership:	Before increase	99.3%
	After increase	99.6%

(Acquisition of shares)

Under the Shareholder Agreement between the Toshiba Group and ENGIE S.A. (“ENGIE”), shares of NuGeneration Limited (“NuGen”), a consolidated subsidiary of the Company, were currently held 60% by the Group and 40% by ENGIE. WEC, WEC’s U.S. subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse group operating companies outside the U.S. have resolved and then filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court of New York on March 29, 2017 (local time in the U.S.). The action met the definition of an “Event of Default” under the terms of the Agreement, ENGIE accordingly exercised the right to sell its entire shareholding to the Group, requiring the Company to purchase all shares in NuGen on April 3, 2017 (local time in France). After consultation with ENGIE, the Company completed the procedures for the acquisition of all the shares in NuGen on July 25, 2017 (local time in the U.K.). The purchase price was 15.9 billion yen and its transaction will be accounted for during the fiscal year ending March 31, 2018.

(Sale of shares)

The Company was considering various capital measures including the sale of shares of Landis+Gyr AG via an IPO to enhance the financial structure of the Toshiba Group. On July 21, 2017, the Company decided in relation to Landis+Gyr Group AG, a subsidiary of the Company and the holding company for Landis+Gyr AG, to move forward with an IPO and list its shares on the Swiss Stock Exchange. In connection with this offering in Switzerland and sales to certain qualified institutional investors in various other jurisdictions, the Company sold its entire interest in Landis+Gyr Group AG. The settlement date for the sales of the shares was July 25, 2017, and Landis+Gyr Group AG was deconsolidated from the Group on the same date. The sale price was approximately 161.6 billion yen which was 60% of total sale price, approximately 269.4 billion yen, and its transaction will be accounted for during the fiscal year ending March 31, 2018.

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Independent Auditor's Report

(English Translation)

August 10, 2017

Toshiba Corporation
Representative Executive Officer
President
Satoshi Tsunakawa

PricewaterhouseCoopers Aarata LLC

Designated Limited Liability Partner, Engagement Partner
Kentaro Iwao, CPA
Designated Limited Liability Partner, Engagement Partner
Shinichi Kishi, CPA
Designated Limited Liability Partner, Engagement Partner
Takeshi Tadokoro, CPA
Designated Limited Liability Partner, Engagement Partner
Masahide Kato, CPA

We have audited the consolidated financial statements of Toshiba Corporation (the "Company") for the consolidation fiscal year from April 1, 2016 to March 31, 2017 included in "Financial Condition", which comprise the consolidated balance sheet, the consolidated statements of operations and equity and notes to the consolidated financial statements and consolidated supplementary schedules, to express our audit opinion in accordance with Article 444, Paragraph 4 of the Companies Act.

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 the provision of the second sentence of Article 120, Paragraph 1 that applies mutatis mutandis to Article 120-3, Paragraph 3 of the Ordinance on Accounting of Companies, which permits the omission of some disclosure items required under the accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 as an independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and performed 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 qualified opinion.

Basis for Qualified Opinion

During the current consolidation fiscal year, the Company recorded 652,267 million yen related to losses on certain construction contracts included in “Loss from discontinued operations, before non-controlling interests” in the consolidated statements of operations.

The recording of these losses in the current consolidation fiscal year is not in conformity with accounting principles generally accepted in the United States of America. The failure to record these losses in the appropriate fiscal period has a material impact on the consolidated financial statements.

As described in Note 9 “Acquisition by a subsidiary of shares in CB&I Stone & Webster Inc.”, Westinghouse Electric Company LLC in the US ("WEC"), which was the consolidated subsidiary of the Company, acquired CB& I Stone & Webster ("S&W") on December 31, 2015 (US time). As a result, in preparing its consolidated financial statements as of March 31, 2016, the Company was required to evaluate and allocate the acquisition amounts by measuring the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805").

If the reporting period ends before fair value measurement is completed, at the end of such reporting period, ASC 805 requires recognizing the identifiable assets and liabilities using provisional estimates. ASC 805 allows for up to one year from the acquisition date to finalize the measurement with the fair value and the allocation of the purchase price.

The provisional estimates made by the Company when preparing the provision for contract losses as of March 31, 2016, did not use the totality of information available or reasonable assumptions. If the Company timely or accurately recognized the provisional estimate of the provision for contract losses using the totality of information available and reasonable assumptions, a substantial portion or all of such losses of 652,267 million yen should have been recorded in prior consolidation fiscal year. These losses have a material quantitative and qualitative impact on the reported results of operations for both prior and current consolidation fiscal years.

Specific examples of available information which was not utilized in the provisional estimates, when the consolidated financial statements were prepared at March 31, 2016, include the following:

Actual construction costs incurred had significantly exceeded original estimates and this actual experience was not reflected in future cost projections; the risks of additional losses arising from failure to achieve anticipated productivity rates and from schedule slippage, which were identified by a specialist engaged to perform a due diligence review of construction cost estimates, were not reflected in the provisional estimate; and the assumptions for productivity used by WEC in preparing its contractually required submission of the closing date balance sheet analysis of S&W were not consistent with the assumptions used in the provisional estimate.

If the Company had estimated the provision for contract loss using reasonable assumptions based on the all of the information available as at the prior-period closing, it would have been necessary to record all or a substantial portion of 652,267 million yen that is described in the summary of fair value of provision for contract losses in Note 9 “Acquisition by a subsidiary of shares in CB&I Stone & Webster Inc.” in “Current liabilities of discontinued operations” in the consolidated balance sheet as of March 31, 2016 as a comparative information. As a result, in the consolidated statements of operations of the current consolidation fiscal year, the “Loss from discontinued operations before non-controlling interest”, the “Net loss before noncontrolling interest”, and the “Net loss attributable to shareholders” are overstated respectively.

These would also have impacted the related disclosures Note 6. “Discontinued Operations – 3) Westinghouse's Nuclear Power business“ and Note 9. “Acquisition by a subsidiary of shares in CB&I Stone & Webster Inc.”.

Qualified Opinion

In our opinion, except for the adjustment that is required to be made on the consolidated financial statements (including the related footnote disclosures) due to the matters described in the “Basis for Qualified Opinion” above, the consolidated financial statements present fairly, in all material respects, the financial position of Toshiba Corporation and its consolidated subsidiaries as of March 31, 2017 and the results of its operations for the year then ended under U.S. GAAP in accordance with the provision of the second sentence of Article 120, Paragraph 1 that applies mutatis mutandis to Article 123-3, Paragraph 3 of the Ordinance on Accounting of Companies

Emphasis of Matters –

1. As stated in Note 1. “Notes Relating to Assumptions for the Going Concern”, the Company recorded a net loss attributable to shareholders of the Company of 965,663 million yen due to loss of 1,242,789 million yen generated in Westinghouse Electric Company (WEC), WEC’s U.S. subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse Group operating companies outside the U.S. (collectively, the “Filing Companies”). As a result, consolidated equity attributable to shareholders of the Company decreased to -552,947 million yen, with consolidated net assets of -275,704 million yen as of March 31, 2017. Also, due to the downgrading of the Company’s credit rating by rating agencies on December 28, 2016, there is a breach of financial covenants in outstanding syndicated loans of 257,661 million yen. These loans are callable at any dates by the financial institutions. Furthermore, also taking into consideration the parent guarantee payments and expenditures the Company will pay related to the nuclear power construction projects of WEC, WEC’s U.S. subsidiaries and affiliates, the Company’s liquidity going forward will be significantly impacted. In addition to the foregoing, if the Company is unable to renew the special construction business

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license, there will be extremely negative impacts on business execution.

Accordingly, these events and conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements have been prepared based on assumptions for a going concern, and do not reflect the impact of such substantial uncertainty.

2. As stated in Note 6. "Discontinued Operations", the Filing Companies filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code on March 29, 2017. With the commencement of the filing, WEC Group is no longer under the substantial control of the Company, WEC Group is deconsolidated from the Group. In addition, WEC Group's financial condition and operating results are classified and disclosed as discontinued operations in the consolidated balance sheets and consolidated statements of income.

3. As stated in Note 10. "Subsequent Events", the Company agreed to the pledge listed stocks and real estate which had been held by the Company as collateral, for certain borrowings of 487.1 billion yen from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total of 95), in accordance with the collateral pledge agreement which was signed on April 28th, 2017. On the same date, the Company completed arrangement to pledge these assets as collateral. The Company also agreed to the pledge Toshiba Memory Corporation stocks as collateral related to the commitment line contracts agreed with Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total borrowing limit of 680.0 billion yen), in accordance with the revolving pledge agreement which was agreed on June 28, 2017. The Company completed the arrangement to pledge Toshiba Memory Corporation stocks as collateral on June 30, 2017.

4. As stated in Note 10. "Subsequent Events", the Company sold its entire interest in Landis+Gyr Group AG via an IPO on the Swiss Stock Exchange.

Our opinion is not modified in respect of these matters.

Conflict of interests

We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Independent Auditor's Report

(English Translation)

August 10, 2017

Toshiba Corporation
Representative Executive Officer
President
Satoshi Tsunakawa

PricewaterhouseCoopers Aarata LLC

Designated Limited Liability Partner, Engagement Partner
Kentaro Iwao, CPA
Designated Limited Liability Partner, Engagement Partner
Shinichi Kishi, CPA
Designated Limited Liability Partner, Engagement Partner
Takeshi Tadokoro, CPA
Designated Limited Liability Partner, Engagement Partner
Masahide Kato, CPA

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Non-Consolidated Financial Statements, which comprise the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Net Assets, the Notes to Non-Consolidated Financial Statements and these related supplementary schedules of Toshiba Corporation (the "Company") applicable to the 178th fiscal period from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Non-Consolidated Financial Statements and these Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the Non-Consolidated Financial Statements and these related supplementary schedules in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the Non-Consolidated Financial Statements and these related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express an opinion on the Non-Consolidated Financial Statements and these related supplementary schedules based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the Non-Consolidated Financial Statements and these related supplementary schedules are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Non-Consolidated Financial Statements and the related supplementary schedules. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the Non-Consolidated Financial Statements and these related supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the Non-Consolidated Financial Statements and these related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Non-Consolidated Financial Statements and these related supplementary schedules.

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

Basis for Qualified Opinion

The Company recorded a total of ¥338,704 million in shares of Toshiba Nuclear Energy Holdings (UK) Limited ("TNEH (UK)") and Toshiba Nuclear Energy Holdings (US) Inc. ("TNEH (US)"), holding companies for Westinghouse Electric Company LLC ("WEC"), in shares of subsidiaries and associates on its Non-Consolidated Balance Sheet at the beginning of the fiscal period ended March 31, 2017, and in the fiscal period ended March 31, 2017, the Company recorded a valuation loss on the said shares and included ¥338,704 million in loss on withdrawal from overseas nuclear power business under extraordinary loss on its Non-Consolidated Statement of Income.

However, the accounting treatment for the said loss in the fiscal period ended March 31, 2017 was not in conformity with the accounting principles generally accepted in Japan. As the said loss was not recorded in the appropriate period, there is a material impact on the Non-Consolidated Financial Statements and these related supplementary schedules.

As TNEH (UK) and TNEH (US) are holding companies for WEC, it is necessary to calculate the net asset value of WEC in order to calculate the net asset value of TNEH (UK) and TNEH (US). As WEC acquired CB&I Stone & Webster ("S&W") on December 31, 2015 (U.S. time), the calculation of the net asset value of WEC as of March 31, 2016 had to take into account a provisional estimate for the identifiable assets acquired and liabilities assumed.

The Company did not use reasonable assumptions based on all the information available in its provisional estimate of the allowance for losses on construction contracts at WEC as of March 31, 2016. If the Company had carried out timely and appropriate estimates using reasonable assumptions based on all the available information, it should have recorded a substantial portion or all of the ¥338,704 million in loss on valuation of shares of TNEH (UK) and TNEH (US), which was included in loss on withdrawal from overseas nuclear power business under extraordinary loss on its Statement of Income for the fiscal period ended March 31, 2017, in the fiscal period ended March 31, 2016. Further, if the provisional estimate of WEC's allowance for losses on construction contracts surpassed the net asset value of WEC, the relevant amount should have been recorded as provision of allowance for losses on business of subsidiaries and affiliates in the fiscal period ended March 31, 2016. These losses have a qualitative and quantitative impact on the operating results for the fiscal periods ended March 31, 2016 and March 31, 2017.

At the time when the Company prepared the Non-Consolidated Financial Statements and these related supplementary schedules as of March 31, 2016 ("the time of the previous fiscal period end"), the following information was available but was not used in the provisional estimate of WEC's allowance for losses on construction contracts.

Actual construction costs had far surpassed the original estimate, but the actual costs were not reflected in cost estimates for future construction. Further, when the experts hired to make decisions on the acquisition of S&W analyzed the cost estimate, they identified possible cost increases if and when S&W failed to reach the planned level of productivity or if it could not keep to the envisaged construction schedule, and those factors were not reflected in the provisional cost estimate. Moreover, assumptions on productivity used in the final analysis of S&W's balance sheet, which WEC was required to submit under the contract, did not match with those used in the provisional estimate.

In calculating WEC's allowance for losses on construction contracts using reasonable assumptions based on all the available information at the time of the previous fiscal period, it would have been necessary to record a valuation loss for a substantial portion or all of the ¥338,704 million in shares of TNEH (UK) and TNEH (US) recorded in shares of subsidiaries and associates on the Non-Consolidated Balance Sheet at the beginning of the fiscal period ended March 31, 2017. It would also have been necessary to record the amount expected to be borne by the Company in excess of the estimated losses on investment as allowance for losses on business of affiliates. As a result, net loss before income taxes and net loss for the fiscal period ended March 31, 2017 are both overstated. Further, the opening balance of total shareholders' equity on the Non-Consolidated Statement of Changes in Net Assets as of March 31, 2016 was overstated.

These factors have an impact on (4) Loss related to withdrawal from overseas nuclear power business in the Notes to Non-Consolidated Statement of Income.

Qualified Opinion

In our opinion, the Non-Consolidated Financial Statements and these related supplementary schedules referred to above conform with the accounting principles generally accepted in Japan with the exception of the impact on the Non-Consolidated Financial Statements and these related supplementary schedules (including the relevant Notes) of the matter described in Basis for Qualified Opinion, and present fairly, in all material respects, the financial position and results of operations during the period covered by the Non-Consolidated Financial Statements and these related supplementary schedules.

Emphasis-of-matter

1.As stated in Notes to Assumptions for Going Concern, the Company recorded a ¥1,092,006 million net loss for FY2016 (¥330,017 million net loss in FY2015) mainly due to the ¥1,298,233 million loss on withdrawal from the overseas nuclear power business. As a result, as of March 31, 2017, shareholders’ equity was negative ¥735,262 million and net assets were negative ¥730,337 million. Moreover, due to the downgrading of credit ratings by rating agencies on December 28, 2016, ¥257,661 million in borrowings based on syndicated loan agreements breaches the financial covenants, and these loans are callable at any date by the financial institutions. In addition, taking into considering expenditures which the Company may pay as parent guarantee related to nuclear power plant construction in the U.S. by WEC and WEC’s U.S. subsidiaries and affiliates, the Company’s liquidity will be significantly impacted, and there will be a seriously adverse impact possibility on the Company’s execution of business due to the inability to renew its Special Construction Business License. For the reasons stated above, there are material events and conditions that raise substantial doubt about the Company’s ability to continue as a going concern. The countermeasures to the said conditions and the reasons for the existence of deemed material uncertainty are stated in the relevant notes. The Non-Consolidated Financial Statements and these related supplementary schedules have been prepared based on the assumptions for going concern, and the impact of the material uncertainties was not reflected in the Non-Consolidated Financial Statements and these related supplementary schedules.

2.As stated in Significant Subsequent Events, the Company spun off the memory business of its in-house Storage & Devices Solutions Company through a company split on April 1, 2017.

3.As stated in Significant Subsequent Events, the Company had its consolidated subsidiary Toshiba Electric Service Corporation succeed to its in-house Infrastructure Systems & Solutions Company through a company split on July 1, 2017.

4.As stated in Significant Subsequent Events, the Company spun off its in-house Storage & Devices Solutions Company through a company split on July 1, 2017.

5.As stated in Significant Subsequent Events, the Company had its consolidated subsidiary Toshiba Solution Corporation succeed to the Industrial ICT Solutions Company, the Company’s in-house company, through a company split on July 1, 2017.

6.As stated in Significant Subsequent Events, the Company plans to spin off its in-house Energy Systems and Solutions Company, and its Nuclear Energy Systems & Solutions Division though a company split on October 1, 2017 based on the resolution of the Ordinary General Meeting of Shareholders on June 28, 2017.

7.As stated in Significant Subsequent Events, based on the collateral pledge agreement that the Company entered into on April 28, 2017 with a total of 95 financial institutions, including Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, and others, the Company agreed to pledge listed securities and real estate that it owns as collateral for some of its borrowings (¥487.1 billion as of March 31, 2017) from the aforementioned financial institutions and completed the pledge on the same day. Further, based on a stock pledge agreement entered into on June 28, 2017, the Company agreed to pledge the shares of Toshiba Memory

Corporation as collateral for the commitment line agreement (total line of credit: ¥680.0 billion) that the Company entered into with Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, and other financial institutions, and completed the pledge on June 30, 2017.

8.As stated in Significant Subsequent Events, the Company resolved on June 20, 2017 to undertake the capital increase of its consolidated subsidiary Toshiba Lighting & Technology Corporation, and executed the payment on June 30, 2017.

9.As stated in Significant Subsequent Events, the Company sold all of the shares that had been held by the Company in Landis+Gyr Group AG upon the listing of that company's shares on the Swiss stock exchange on July 21, 2017.

The said matter has no impact on our opinion.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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(Translation)

Audit Report on the Financial Statements and the Independent Auditor’s Report

We, the Audit Committee of the Company, have audited the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Net Assets, and the Notes to Non-Consolidated Financial Statements) and these related supplementary schedules (collectively the “Non-Consolidated Financial Statements”) and the Consolidated Financial Statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Equity and the Notes to Consolidated Financial Statements) (collectively the “Consolidated Financial Statements”) during the 178th fiscal period from April 1, 2016 to March 31, 2017 (“the 178th fiscal period”). We report the method and the results as follows:

1. Method and contents of audit

Pursuant to the audit policy, assigned duties and other rules that the Audit Committee decided, we have received reports on the Consolidated Financial Statements from Executive Officers and other personnel and requested them explanation. In addition, we have overseen and inspected whether the accounting auditor keeps their independency and conducts appropriate audit. We have received reports on execution of its duties from the accounting auditor and requested it explanation. Also, we have received notice from the accounting auditor that it maintains systems to ensure appropriateness of execution of duties (matters described in each item of Article 131 of the Ordinance on Accounting of Companies) in accordance with “Quality Control Standards for Audits” (Business Accounting Council, October 28, 2005) and requested it explanation.

In addition to the aforementioned, with regard to the recording of the loss accompanying the acquisition by Westinghouse Electric Company LLC. (“WEC”) of CB&I Stone & Webster, Inc. (“S&W”) from Chicago Bridge & Iron Company N.V. (“CB&I”) (“the loss”), the Audit Committee hired independent third-party experts, including an external legal firm, to conduct four investigations, including the timing of recognition of the loss by WEC, and received reports from the said experts.

In view of said investigations, we requested reports on the implementation status of auditing from the Independent Auditor and requested it explanation as to whether the Independent Auditor audited the Non-Consolidated Financial Statements and the Consolidated Financial Statements for the 178th fiscal period appropriately in accordance with generally accepted auditing standards.

Based on the method above, we have examined the Non-Consolidated Financial Statements and the Consolidated Financial Statements for the 178th fiscal period.

2. Results of audit

The Audit Committee concludes that methods and results of the audit conducted by PricewaterhouseCoopers Aarata LLC (“PwC Aarata”) are fair and reasonable with the exception of the following points.

- PwC Aarata stated that the Company did not conform with the accounting principles generally accepted in the United States of America (“U.S. GAAP”) in preparing its consolidated financial statements for the fiscal period ended March 31, 2016 in that it did not record an allowance for losses on construction contracts using reasonable assumptions based on all the available information in spite of the existence of information indicating an increase in construction costs at the time of and after the acquisition of S&W. Further, and on the same grounds, PwC Aarata states that the Company did not conform with the accounting principles generally accepted in Japan in preparing its non-consolidated financial statements for the fiscal period ended March 31, 2016 regarding valuation loss on the shares of the two holding companies of WEC. The Audit Committee has the following opinion regarding these two points.

✧ PwC Aarata states that when experts hired to make decisions on the acquisition of S&W analyzed the cost estimate, they identified possible cost increases if and when S&W failed to reach the planned level of productivity or if it could not keep to the envisaged construction schedule, and that those factors were not reflected in the provisional cost estimate. Moreover, assumptions on productivity used in the final analysis of S&W’s balance sheet, which WEC submitted under the contract, did not match those used in the provisional estimate. However, the information and assumptions considered not to have been reflected in the provisional cost estimate and considered not to match those used in the provisional estimate both related to productivity prior to the acquisition of S&W, and were premised on CB&I undertaking the construction. With regards to the information on productivity, etc. premised on CB&I undertaking the construction, judging from the fact that the Company considered countermeasures such as having Fluor Enterprises, Inc. (“Fluor”), which has knowledge and experience in nuclear power plant construction projects, take part in construction instead of CB&I to improve productivity after the acquisition of S&W and that such consideration was based on investigations by external experts, the premise was significantly different. Therefore, it is not reasonable to use the premise as a basis for estimating the allowance for losses on construction contracts, and is not thought to constitute a reason for considering that the allowance for losses on construction contracts was not recorded appropriately.

  ✧ PwC Aarata also states actual costs for construction of the nuclear power plants far surpassed the original estimate, but the actual costs were not reflected in cost estimates for future construction. However, firstly, as mentioned above, with regard to the information on actual productivity before the purchase of S&W, it was not appropriate to use this in itself as the basis of the estimate for the allowance for losses on construction contracts as of March 31, 2016 when there was a significantly different premise. Secondly, with regard to the information on actual productivity after the purchase of S&W, judging from the fact that it was originally assumed productivity would not improve for a while after Fluor succeeded to the construction work from CB&I and that the completion of the construction was planned to take several more years, it was not appropriate to use information on productivity for a few months after the acquisition as the basis for the estimate of the allowances for losses on construction contracts, and it is not thought to constitute a reason for considering that the allowance for losses on construction contracts was not recorded appropriately.

- ✧ We add that besides the expectation of improvements in productivity as mentioned above, factors such as an increase in contract amount with customers of approximately USD3.0 billion and the expectation of synergies from overall project management by WEC due to the acquisition of S&W were also taken into account.
- ✧ On the same grounds as those mentioned above, it is not thought to constitute a reason for accruing the valuation loss on the shares of the two holding companies of WEC in the previous fiscal period.

- As in 1. above the Audit Committee hired experts, including an external law firm, to conduct thorough investigations, and, based on the results of the investigations, reported to the Company's Board of Directors on April 11, 2017 that it is difficult to conclude whether Toshiba and WEC recognized or could have recognized the loss with the degree of certainty allowing it to be included in the financial statements before December 2016, and we judge that no evidence sufficient to change this conclusion has been found up to this date.
- The Company received an unqualified opinion for the Non-Consolidated Financial Statements and Consolidated Financial Statements as of March 31, 2016 from Ernst & Young ShinNihon LLC, its former accounting auditor. In connection with this audit, Ernst & Young ShinNihon LLC has confirmed that, on the basis of the scope of briefings by Toshiba and PwC Aarata, no reasons requiring correction to their opinion on the FY2015 financial results have been recognized.

August 10, 2017

Audit Committee Toshiba Corporation

Audit Committee Member (full-time)
Ryoji Sato

Audit Committee Member
Teruko Noda

Audit Committee Member
Yuki Furuta

Note: Mr. Ryoji Sato, Ms. Teruko Noda and Mr. Yuki Furuta are outside directors prescribed by Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.