TOSHIBA

Leading Innovation

2017 Annual Report

Year ended March 31, 2017

Financial Review

FIVE-YEAR SUMMARY

Toshiba Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen, except per share amounts and ratio				
	2017	2016	2015	2014	2013
Net sales (Note 4)	**¥ 4,870,773**	¥ 5,154,838	¥ 5,699,055	¥ 5,527,449	¥ 4,786,059
Operating income (loss) (Note 5)	**270,788**	(483,010)	166,207	261,362	60,022
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**225,531**	(399,361)	140,354	191,712	43,528
Net income (loss) attributable to shareholders of the Company	**(965,663)**	(460,013)	(37,825)	60,240	13,425
Comprehensive income (loss) attributable to shareholders of the Company	**(844,585)**	(752,518)	90,638	236,392	179,852
Equity attributable to shareholders of the Company	**(552,947)**	328,874	1,083,996	1,027,189	824,584
Total equity (Note 6)	**(275,704)**	672,258	1,565,357	1,445,994	1,205,823
Total assets	**4,269,513**	5,433,341	6,334,778	6,172,519	6,021,603
Per share of common stock: (Yen) (Note 7)	**(130.60)**	77.67	256.01	242.58	194.72
Earnings (loss) per share attributable to shareholders of the Company (Yen) (Notes 8 and 9)					
–Basic	**(228.08)**	(108.64)	(8.93)	14.23	3.17
–Diluted	**–**	–	–	–	–
Shareholders' equity ratio (%) (Note 7)	**(13.0)**	6.1	17.1	16.6	13.7
Return on equity ratio (%) (Notes 7 and 10)	**–**	(65.1)	(3.6)	6.5	1.7
Price-to-earnings ratio (PER) (Note 11)	**–**	–	–	30.72	148.89
Net cash provided by (used in) operating activities	**134,163**	(1,230)	330,442	284,132	132,316
Net cash provided by (used in) investing activities	**(178,929)**	653,442	(190,130)	(244,101)	(196,347)
Net cash provided by (used in) financing activities	**(219,758)**	135,747	(125,795)	(89,309)	41,772
Cash and cash equivalents at end of year	**707,693**	975,529	185,721	155,793	191,161
Number of employees (Note 12)	**153,492**	187,809	198,741	200,260	206,087

Notes: 1) Toshiba Group's Consolidated Financial Statements are based on US Generally Accepted Accounting Principles.
2) The Westinghouse's Nuclear Power business is classified as discontinued operations in accordance with ASC 205-20 "Presentation of Financial Statements - Discontinued Operations" in the fiscal year ended March 31, 2017. Results of the prior year have been revised to reflect these changes.
3) The Healthcare Systems & Services segment and Home Appliances business are classified as discontinued operations in accordance with ASC 205-20 in the fiscal year ended March 31, 2016. Results of the prior year have been revised to reflect these changes.
4) Consumption tax is not included in the Net sales.
5) Operating income (loss) is derived by deducting the cost of sales, selling, general and administrative expenses and impairment loss on goodwill from net sales. This result is regularly reviewed to support decision-making in allocation of resources and to assess performance. Certain operating expenses such as restructuring charges and legal settlement costs are not charged to operating income (loss).
6) Total equity is the sum of Equity attributable to shareholders of the Company and Equity attributable to noncontrolling interests.
7) The calculation of "Per share of common stock", "Shareholders' equity ratio" and "Return on equity ratio" is based on Equity attributable to shareholders of the Company in the consolidated balance sheets.
8) Basic 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.
Diluted EPS assumes the dilution that could occur if convertible bonds were converted or stock acquisition rights were exercised to issue common stock, unless their inclusion would have an antidilutive effect.
9) Diluted net earnings per share attributable to shareholders of the Company have been omitted because the Company did not have potential common stock that were outstanding.
10) Return on equity ratio for the years ended on March 31, 2017 have been omitted because it is over 1000%.
11) Price-to-earnings ratio ("PER") for the years ended on March 31, 2017, 2016 and 2015 have been omitted because of Net loss attributable to shareholders of the Company.
12) The number of employees are the sum of the workers who are expected to work or have worked over a year between the regular employees and fixed-term employees.

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SCOPE OF CONSOLIDATION

As of the fiscal year ended March 31, 2017, Toshiba Group ("the Group") comprised of Toshiba Corporation ("the Company") and 446 consolidated subsidiaries and operated businesses primarily related to six segments, which are Energy Systems & Solutions, Infrastructure Systems & Solutions, Retail & Printing Solutions, Storage & Electronic Devices Solutions, Industrial ICT Solutions and Others, and its products extend a wide variety of products. 119 affiliates were accounted for by the equity method as of the fiscal year ended March 31, 2017.

RESULTS OF OPERATIONS

(1) Overview of Consolidated Results

Year Ended March 31

	Billions of yen	
	2017	Change*
Net sales	**4,870.8**	(284.0)
Operating income (loss)	**270.8**	+753.8
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**225.5**	+624.9
Net income (loss) attributable to shareholders of the Company	**(965.7)**	(505.7)

(* Change from the previous fiscal year)

During FY2016 (April 2016-March 2017), 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.

Consolidated Results by Segment are as follows:

	Billions of yen				
	Net Sales			Operating Income (Loss)	
		Change*			Change*
Energy Systems & Solutions	974.9	(86.4)	(8%)	(41.7)	+79.1
Infrastructure Systems & Solutions	1,262.4	(90.5)	(7%)	58.4	+65.8
Retail & Printing Solutions	507.7	(37.2)	(7%)	16.3	+101.0
Storage & Electronic Devices Solutions	1,700.2	+124.3	+8%	247.0	+347.0
Industrial ICT Solutions	238.4	(18.4)	(7%)	11.6	+2.9
Others	530.1	(265.9)	(33%)	(21.7)	+160.3
Eliminations	(342.9)	+90.1	–	0.9	(2.3)
Total	4,870.8	(284.0)	(6%)	270.8	+753.8

(* Change from the previous fiscal year ended March 31, 2016)

1) Energy Systems & Solutions:
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.

2) Infrastructure Systems & Solutions:
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.

3) Retail & Printing Solutions:
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.

4) Storage & Electronic Devices Solutions:
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.

5) Industrial ICT Solutions:
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.

6) Others:
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.

(2) Cash Flows

In the fiscal year under review, net cash used in operating activities amounted to 134.2 billion yen, an increase of 135.4 billion yen from -1.2 billion yen in the previous fiscal year.

Net cash provided by investing activities amounted to -179.0 billion yen, a decrease of 832.4 billion yen from 653.4 billion yen in the previous fiscal year due to the sale of Toshiba Medical Systems Corporation.

As a result of the foregoing, free cash flow decreased by 697.0 billion yen to -44.8 billion yen from 652.2 billion yen in the previous fiscal year.

Net cash provided by financing activities amounted to -219.8 billion yen, a decrease of 355.5 billion yen from 135.7 billion yen in the previous fiscal year.

The effect of exchange rate changes was to decrease cash by 3.2 billion yen. Cash and cash equivalents at the end of the fiscal year decreased by 267.8 billion yen, from 975.5 billion yen at the end of the previous fiscal year to 707.7 billion yen.

Note:

Toshiba's consolidated financial statements are based on U.S. Generally Accepted Accounting Principles ("GAAP"). Operating income (loss) is derived by deducting the cost of sales and selling, general and administrative expenses 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 charged to operating income (loss).

The Healthcare Systems & Services segment, the Home Appliances business and Westinghouse's Nuclear Power business are classified as discontinued operations in accordance with ASC 205-20 "Presentation of Financial Statements - Discontinued Operations". The results of these businesses have been excluded from net sales, operating income (loss), and income (loss) from continuing operations, before income taxes and noncontrolling interests. Net income (loss) of the Group is calculated by reflecting the 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 on the Group's consolidated balance sheets and are indicated separately. Results of the previous fiscal year have been revised to reflect these changes.

DIVIDEND

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, in line with a payout ratio in the region of 30 percent, on a consolidated basis.

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

RESEARCH AND DEVELOPMENT

Focusing on the areas of Energy Systems & Solutions, Infrastructure Systems & Solutions, Retail & Printing Solutions, Storage & Electronic Devices Solutions, and Industrial ICT Solutions, Toshiba Group will promote technological development to grow and develop together with society. The Group aims to solve social issues not only with "substantial products" with outstanding performance, functions, and quality, but also with "substantial solutions" that make the most of relationships with customers developed through such products.

In the Energy Systems & Solutions area, safer and more stable supply and efficient use of conventional energy are promoted. In addition, the Company will contribute to realizing a low-carbon society by providing the technology and services that create, transmit, and store clean energy including hydrogen. In the Infrastructure Systems & Solutions area, the Company provides highly reliable technologies and services to a broad range of customers whom support the society and the industry in the field of public infrastructure, buildings & facilities, railroad and industrial systems, aiming to realize a secure, safe and reliable society. In the Retail & Printing Solutions area, the Company will provide timely products and services with reliable quality and functions as well as high user-friendliness through our superior proprietary technology and collaboration with the world's best partners, creating value with our customers in mind. In the Storage & Electronic Devices Solutions area, with a view to building infrastructure for a big data society, the Company will develop cutting-edge technologies including new semiconductor and storage products for various fields such as memory storage, industrial and automotive applications, and wireless communications. In the Industrial ICT Solutions area, the Company will work together with customers to co-create digital services by making the most of our industrial know-how and IoT(Internet of Things)/AI technologies.

The Group's overall R&D expenditure was 295.5 billion yen in the fiscal year ended March 31, 2017. Expenditures for each business segment were as follows:

	Billions of yen
Energy Systems & Solutions	38.3
Infrastructure Systems & Solutions	38.2
Retail & Printing Solutions	28.2
Storage & Electronic Devices Solutions	151.5
Industrial ICT Solutions	7.4
Others	31.9

CAPITAL EXPENDITURES

CAPITAL EXPENDITURE OVERVIEW

(1) Overview

In FY2016, the Group concentrated on making investments for the Memory business, which was a priority area, and made investments for other businesses upon rigorously selecting individual projects by investment category. Consequently, the total amount of investment including loans stood at 430.1 billion yen, of which capital expenditure, calculated based on order, amounted to 424.5 billion yen.

The largest investment was made in Storage & Electronic Devices Solutions, where the 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 expenditure includes the Group's portion in investments made by Flash Forward, Ltd. and other affiliates, which are accounted for by the equity method.

Business Segment	Capital expenditure (billion yen) (Note 1)	Investments & loans (billion yen) (Note 2)	Total investments (billion yen)
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

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

(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)

PLANS FOR CONSTRUCTING NEW FACILITIES AND RETIRING EXISTING FACILITIES

The Group plans to make capital investments, focusing on growth field and rigorously selecting projects for investment, in view of business environment and demand trends.

At the end of this fiscal year ended March 31, 2017, the amount of planned capital investments for newly-established facilities and upgrades of equipment is 425.0 billion yen (calculated based on order and including intangible assets; hereinafter the same) and the amount of investments and loans is 80.0 billion yen (calculated based on payments; hereinafter the same), and planned total amount is 505.0 billion yen, in the fiscal year ending March 31, 2018. This figure includes the Group's portion of the investments made by Flash Alliance, Ltd. and Flash Forward, Ltd. and others, which are accounted for by the equity method. The funds for capital expenditures will be financed by internal funds.

Billions of yen

As of March 31, 2017

Business Segment	Planned Capital Investments for the year ending March 31, 2018	Major Contents and Purposes
Energy Systems & Solutions	20.0	–
Infrastructure Systems & Solutions	45.0	–
Retail & Printing Solutions	14.0	–
Storage & Electronic Devices Solutions	330.0	Manufacturing facilities for NAND flash memories.
Industrial ICT Solutions	3.0	–
Others	13.0	–
Total	425.0	–

Investments & loans	80.0

Total investments	505.0

Notes: 1) Consumption taxes are not included in these capital investment plans.
2) Sales and retirement of material facilities are not planned except for routine renewal of facilities.
3) The major planned new facilities and equipment upgrades in the fiscal year ending March 31, 2018 are as follows:

As of March 31, 2017

Name of Company and Office	Place	Business Segment	Type of Facility	Capacity Improvement after Completion of Construction
Flash Forward Ltd. and others	Yokkaichi, Mie	Storage & Electronic Devices Solutions	Manufacturing facilities, Manufacturing building constructions for semiconductors, etc.	Production capacity of 3D stacked cell structure flash memory, etc.

TREASURY STOCK

Shares held as of the closing date of last period:			3,584,162 (common stock)
Shares acquired during the period:	Demand for purchase of shares less than one unit from shareholders		209,224 (common stock)
		Aggregate amount of acquisition costs:	58,090 (thousand yen)
Shares disposed during the period:	Demand for sale of shares less than one unit from shareholders		45 (common stock)
		Aggregate amount of sales value:	10 (thousand yen)
Shares held as of the closing date of this period:			3,793,341 (common stock)

MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2017

Consolidated Subsidiaries

Japan Semiconductor Corporation
Kaga Toshiba Electronics Corporation
Kokusai Chart Corporation
Nishishiba Electric Co., Ltd.
NuFlare Technology Inc.
Toshiba Carrier Corporation
Toshiba Client Solution Co., Ltd.
Toshiba Device Corporation
Toshiba Elevator and Building Systems Corporation
Toshiba Fuel Cell Power Systems
Toshiba Global Commerce Solutions Holdings Corporation
Toshiba Industrial Products and Systems Corporation
Toshiba Lighting & Technology Corporation
Toshiba Logistics Corporation
Toshiba Memory Corporation
Toshiba Plant Systems & Services Corporation
Toshiba Shomei Precision Corporation
Toshiba Solution Corporation
Toshiba TEC Corporation
Toshiba TEC Solution Service Corporation
Toshiba Trading Inc.
Toshiba Visual Solutions Corporation
Advance Energy UK Ltd.
Advance Uranium Asset Management Ltd.
Changzhou Toshiba Shudian Transformer Co., Ltd.
Concert LLC.
GNFT Corporation
Landis+Gyr A.G.
Landis+Gyr Holding A.G.
LC Collateral Spv LLC.
Mangiarotti S.p.A.
NuGeneration Ltd.
TCFG Compressor (Thailand) Co., Ltd.
Toshiba America Business Solutions, Inc.
Toshiba America Electronic Components, Inc.
Toshiba America Energy Systems Corporation
Toshiba America Information Systems, Inc.
Toshiba America Nuclear Energy Corporation
Toshiba America, Inc.
Toshiba Asia Pacific Pte., Ltd.
Toshiba (Australia) Pty., Ltd.
Toshiba Carrier Air Conditioning (China) Co., Ltd.
Toshiba Carrier (Thailand) Co., Ltd.
Toshiba (China) Co., Ltd.
Toshiba Dalian Co., Ltd.
Toshiba Electronics Asia, Ltd.
Toshiba Electronics Europe Gmbh
Toshiba Electronics Taiwan Corporation
Toshiba Elevator (China) Co., Ltd.
Toshiba Elevator (Shenyang) Co., Ltd.
Toshiba Europe Gmbh
Toshiba Gulf FZE
Toshiba Hydro Power (Hangzhou) Co., Ltd.
Toshiba Industrial Products Asia Co., Ltd.
Toshiba Information Equipment (Hangzhou) Co., Ltd.
Toshiba Information Equipment (Philippines), Inc.
Toshiba Information Systems (UK) Ltd.
Toshiba International Corporation
Toshiba International Procurement Hong Kong, Ltd.
Toshiba JSW Power Systems Private Ltd.
Toshiba Lighting & Technology (Kunshan) Co., Ltd.
Toshiba of Europe Ltd.
Toshiba Semiconductor (Thailand) Co., Ltd.
Toshiba South America Ltda.
Toshiba TEC Europe Imaging Systems S.A.
Toshiba TEC France Imaging Systems S.A.
Toshiba TEC Information Systems (Shenzhen) Co., Ltd.
Toshiba TEC Singapore Pte., Ltd.
Toshiba TEC U.K. Imaging Systems Ltd.
Toshiba Transmission & Distribution India Private Ltd.
Toshiba Nuclear Energy Holdings (US) Inc.
TPSC (Thailand) Co., Ltd.
TSB Nuclear Energy USA Group Inc.
Ukrainian Power Services Company
WEC Insurance Ltd.

Affiliated companies

Erex New Energy Saiki Co., Ltd.
Flash Alliance Ltd.
Flash Forward
Flash Partners, Ltd.
Shibaura Mechatronics Corporation
Toshiba IHI Power Systems Corporation
Toshiba Mitsubishi-Electric Industrial Systems Corporation
Changzhou Toshiba Transformer Co., Ltd.
Energy Asia Holdings, Ltd.
Ge Toshiba Turbine Components De Mexico S.R.L. De C.V.
Guangdong Meizhi Compressor Ltd.
GD Midea Air-conditioning Equipment Co., Ltd.
GD Midea Commercial Air-Conditioning Equipment Co., Ltd.
GD Midea Group Wuhan Air-Conditioning Equipment Co., Ltd.
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.
Henan Pinggao Toshiba High-Voltage Switchgear Co., Ltd.
Nuclear Innovation North America LLC
PM&T Holding B.V.
Schneider Toshiba Inverter sas
TMEIC Corporation
TMEIC Industrial Systems India Private Ltd.
TMEIC Power Electronics Products Corporation
Toshiba Carrier UK Ltd.
Toshiba Mitsubishi-Electric Industrial Systems (China) Corporation
Unison Co., Ltd.

The Company has 371 consolidated subsidiaries in addition to the 75 above and 94 affiliated companies in addition to the 25 above.

RISK FACTORS RELATING THE GROUP AND ITS BUSINESS

The business areas of energy, infrastructure and electronic devices, on which the Group focuses, require highly advanced technology for their operation. At the same time, the Group faces fierce global competition. Under such circumstances, major risk factors related to the Group recognized by the Company are described below. However, they should not be regarded as a complete and comprehensive statement of risk factors relating to the Group, and there are unforeseeable risk factors other than those described below. The actual occurrence of any of those risk factors may adversely affect the Group's operating results and financial condition.

The risks described below are identified by the Group based on information available to the Group as of August 10, 2017 and involve inherent uncertainties, and, therefore, the actual results may differ.

1. Risks related to management policy

(1) Strategic concentrated investment

The Group now focuses its capital expenditure and its investments and loans in the Memory area. However, this area may not grow as anticipated, the Group may not maintain or strengthen its competitive power in such area, or the relevant investments may not fully generate the anticipated level of profit.

(2) Success of strategic business alliances and acquisitions

The Group has actively promoted business alliances with other companies, including the formation of joint ventures, and acquisitions, in order to grow new businesses in research and development, production, marketing and various other areas. If the Group has any disagreement with its partner in a business alliance or an acquisition in respect of financing, technological management, product development, management strategies or otherwise, such business alliance may be terminated or such business alliance or acquisition may not have the expected effects. In addition, additional capital expenditures and provision of guarantees may be needed to meet the obligations for such partnership business that may be incurred due to the deterioration of the financial condition of the partner, as well as for other reasons, and as a result, the Group's operating results and financial condition may be adversely affected.

(3) Business structural reform

The Group as a whole implemented a large scale business structural reform in the fiscal year ended March 31, 2016 ("FY2015") with respect to the System LSIs and Discrete Semiconductor businesses in the Electronic Devices & Components segment, the PC, Visual Products and Home Appliances businesses in the Lifestyle Products & Services segment and the corporate staff divisions, etc. (at that time), and the Group has incurred a large amount of expenses for such business structural reform. The Group now have some good prospects for improving our unprofitable businesses. However, if any other business becomes unprofitable due to further change in the business environment or any other problem occurs with respect to the business of which structural reform has completed, the Group may incur further expenses for business structural reform due to the necessity of new or additional measures, and in such case the Group's operating results or financial condition may be adversely affected.

2. Risks related to financial condition, results of operations and cash flow

(1) Business environment of the Energy Systems & Solutions business

A significant portion of the net sales in the Energy Systems & Solutions business is attributable to sales related to capital expenditures by the private sector centering on operators of electricity utilities in Japan and overseas. Accordingly, this business could be affected by trends in such capital expenditures, and low levels of private capital expenditures due to the economic recession, trends in tax reduction measures related to infrastructure investments, higher construction costs arising from factors such as appreciation of personnel expenses, and other changes in the business environment of private business operators, and exchange rate fluctuations may have a negative impact on this business.

Furthermore, this business promotes and involves the supply of products and services for large-scale projects on a worldwide basis. Post order changes in the specifications or other terms, delays, appreciation of material costs, changes to and suspension or stoppage of plans for various reasons, including policy changes, natural and other disasters and other factors, may adversely and substantially affect the progress of such projects. In addition, in the projects where the percentage-of-completion method is used for revenue recognition, the Group may retroactively reassess profits that had been recorded as accrued and record them as losses if, among other things, the original estimate is underestimated, the expected profits from such projects do not meet original expectations, or the projects are delayed or cancelled for some reason. In the past, the Group recorded losses on certain projects.

With respect to projects regarding plants of operators of electricity utilities, the Company accepts some orders that involve businesses with functions that do not exist in the Group by forming consortiums to share the responsibilities with its partners. The orders are accepted as blanket orders at fixed prices, which include design, engineering, procurement and construction. In such cases, the Company generally assumes the obligations owed to the ordering party jointly and severally with the partner companies, and, therefore, (i) if there are deficiencies in the partner companies' business operation abilities, (ii) the partner companies fail to perform their share of business, (iii) the financial condition of the

partner companies deteriorates, or (iv) the partner companies file for in-court rehabilitation, then the Company will assume the obligations of the partner companies and expenses, and cash expenditures may increase unexpectedly by a large amount. In the case of a fixed-price contract, losses accrued from increase in construction cost and delay in delivery are to be borne by the company that accepted the order, in principle, except for the case where a structure to share the expense with the customer has been introduced. In particular, in certain projects in the Nuclear Power Systems business, which is one of the main businesses of the Energy Systems & Solutions business, the cost unexpectedly increased from the initial estimates and the work process was unexpectedly prolonged, due to such reasons as (i) safety standards of many countries were changed one after another due to raising of the required level of safety measures against terrorism and large-scale natural disasters and (ii) there was no precedent that could be used as a benchmark with respect to a certain project in an area where there had been no opportunity for construction of a nuclear power plant for a long period of time and another project for construction of a state-of-the-art facility.

For the reasons stated above, it may not be possible to pass on to the customer, the partner company or others any additional costs incurred due to the stoppage of the project, changes in regulations or other business circumstances, delays in the work process, or unexpected events specific to first models and such costs may not be collected, or a dispute may arise over such costs. In fact, there are certain projects regarding which the Group is taking legal action. With respect to the investments in an operator that promotes a certain project in which investment is made in order to secure the order from such operator, the Group may incur liability for damages to a customer or any third party, additional expenses, impairments in investments, increases in the financial burden or delays in payouts, depending upon the trends in projects. Difficulties may also arise for the continuance of certain currently ongoing projects due to a change in the policies of fund providers and other factors.

With respect to projects regarding plants of operators of electricity utilities, submission of documents such as a bank guarantee for the guarantee of performance or expenditure is usually required when bidding, accepting the order, and commencing the construction. However, due to recent lowering of investment grade and aggregation of financial conditions of the Company, submission of a bank guarantee may be difficult, cost for submission of a bank guarantee may increase, or submission of cash collateral or cash deposit in a bank in lieu of submission of a bank guarantee may be required, and, as a result, opportunities to accept the orders may be lost and cash expenses may increase unexpectedly. Furthermore, as stated in "5. Risks related to trade practices (1) Parent company's guarantees" below, when a subsidiary of the Company accepts an order for a project, such as a plant, the Company may provide guarantees as a parent company with respect to the subsidiary's payment and performance of its obligation under the contract. Since the Company has actually provided the parent company's guarantee with respect to the large amount of payment obligation and performance obligation with respect to projects regarding plants for which orders were accepted by subsidiaries, if the subsidiaries fail to perform their obligations due to deterioration of the subsidiary's financial condition or other reasons, the Company will be required to fulfill the parent company's guarantee and bear a large amount of additional cash expenses, and, consequently, the Group's operating results and financial condition may be adversely affected.

(2) Business environment of the Infrastructure Systems & Solutions business

The Infrastructure Systems & Solutions business provides diversified solutions for the areas of public infrastructure, buildings and facilities, and industrial systems.

Since a significant portion of the net sales in this business is attributable to sales related to expenditures on public works and capital expenditures by the private sector, reductions or delays in spending on public works, low levels of private capital expenditures due to the economic recession, trends in tax reduction measures related to infrastructure investments, higher construction costs arising from factors such as appreciation of personnel expenses, and other changes in the business environment of private business operators, trends in building and housing construction on a worldwide basis and other factors may have a negative impact on this business.

This business is promoting its business development on a worldwide basis. Post order changes in the specifications or other terms, changes to and stoppages of plans for various reasons including policy changes, changes in regulations, appreciation of material costs and personnel expenses, natural and other disasters and other factors, may adversely and substantially affect the progress of this business. In addition, exchange rate fluctuations and other factors may also have a negative impact on this business.

In addition, in projects where the percentage-of-completion method is used for revenue recognition, the Group may retroactively reassess profits that had been recorded as accrued and record them as losses if, among other things, the original estimate is underestimated, the expected profits from such projects do not meet original expectations, or the projects are delayed or cancelled for some reason. In the past, the Group recorded losses on certain projects.

(3) Business environment of the Retail & Printing Solutions business

The Retail & Printing Solutions business provides retail solutions for the retail distribution industry and service industry, offices, manufacturing and logistics industries and particular customers, as well as printing solutions for offices, and manufacturing and logistics industries. The results of this business may be adversely affected by any changes in political and economic conditions, taxation, environmental regulations and foreign exchange; and postponement or suspension

of capital expenditure by reason of customers' earnings deterioration, acceleration of industrial realignment due to compounding and systemization, more intensified market competition with competitors, new entries into such industry, and similar events.

(4) Business environment of the Storage & Electronic Devices Solutions business

While the substantial portion of operating income/loss of the Group relies on the Storage & Electronic Devices Solutions business, the market for this business is highly cyclical and depends on demand and supply, and the results of this business tend to change with economic fluctuations and, in particular, to be heavily affected by exchange rate fluctuations. The market for this business is subject to intense competition with many companies, mainly overseas, manufacturing and selling products similar to those offered by the Group. Furthermore, demand for the products is somewhat difficult to accurately predict because it depends on such factors as technical innovation, trends in the consumer market, and the actions of ordering parties. Even if significant levels of capital expenditures are made, unforeseen market changes may cause changes in demand at the time of sale, and it may result in a mismatch between the production of particular products based on the sales volume initially expected and the actual demand for such products, or cause the business to be adversely affected by a decrease in product unit prices due to oversupply. In particular, the price for NAND flash memory, the Group's major product in this business, may undergo rapid change. Fluctuations in the results of this business may materially and adversely affect the Group's overall business performance. In addition, the market may face a downturn, the Group may fail to market new products in a timely manner, production may not go as planned, or competitiveness of the Group's current products may be lost or decrease due to a rapid introduction of new technology. Economies of scale with respect to the manufacture of NAND flash memory are significant and there is intense competition to develop and market new products. Therefore, significant levels of capital expenditures are required to maintain and improve competitiveness in both the price and quality of products. However, there is a possibility that the necessary amount of capital expenditure cannot be secured at appropriate timing depending on the financing environment of the Group and other factors.

(5) Business environment of the Industrial ICT Solutions business

A significant portion of the net sales in the Industrial ICT Solutions business is attributable to sales related to private IT investments by, among others, the financial sector and major manufacturers, as well as national and local government expenditures on public IT investments. Accordingly, this business could be affected by changes in such investments. Low levels of private IT investments due to economic recession, and reductions and delays in spending on public IT investments may have a negative impact on this business. Since the solution services field of this business accepts most orders by executing service contracts and the term from order to delivery is relatively long, additional costs over original expectations may be incurred, if, among others, the original estimate is underestimated or a problem occurs in project management. Furthermore, in the case of delay of delivery or defects of delivered systems, the Group may be required to pay ordering parties damages, in addition to bearing additional costs.

(6) Business environment of Others

The market for personal computers and televisions is intensely competitive, with many companies manufacturing and selling products similar to those offered by the Group and under the circumstances where earnings are structurally difficult to be recorded. Additionally, such businesses may be significantly affected by exchange rate fluctuations, wide availability of alternative products or lower priced products, economic fluctuations and consumer spending trends which may be affected by the scheduled increase in consumption tax, among other things. Moreover, any rapid fluctuation in demand may result in price erosion or increases in prices of parts and components, which may adversely affect the Group's financial results with respect to this business. Large scale business structural reform was implemented in such businesses, but in the event where the reform programs fail to produce the expected results, or in case of similar events, additional measures may be needed.

(7) Financial risk

Apart from being affected by the business operations of the Company or the Group, the Company's consolidated and nonconsolidated results and financial condition may be affected by the following major financial factors:

(i) Deferred tax assets

The Group accounted for deferred tax assets. The Group reduces deferred tax assets by a valuation allowance if, based on the weight of available evidence, some portion or all of the deferred tax assets are unlikely to be realized. Recording of valuation allowances includes estimates and therefore involves inherent uncertainty.

The Group may also be required hereafter to record further valuation allowances, and the Group's future results and financial condition may be adversely affected thereby.

In addition, the Group may be affected by future tax regulatory changes as the recordation of deferred tax assets and valuation allowances have been made based on the currently-effective tax regulations.

(ii) Exchange rate fluctuations

The Group conducts business in various regions worldwide using a variety of foreign currencies and is therefore exposed to exchange rate fluctuations.

Although the Group makes efforts to minimize the effect of fluctuation in exchange rates by balancing sales in foreign currencies and purchase in foreign currencies, there is a possibility that operating income/loss will be affected by exchange rate fluctuations due to a change in the balance in each business segments and other factors. Also, there is a possibility that such foreign exchange losses will occur, as resulting from a difference between the exchange rates at the time of recognizing and at the time of settlement of the credits and debts in foreign currencies, in case of steep exchange rate fluctuations.

Foreign currency denominated assets and liabilities held by the Group are translated into yen as the currency for reporting consolidated financial results. The effects of currency translation adjustments are included in "accumulated other comprehensive income (loss)" reported as a component of equity attributable to shareholders of the Company ("shareholders' equity"). As a result, the Group's shareholders' equity may be adversely affected by exchange rate fluctuations.

(iii) Accrued pension and severance costs

The most important assumption that affects the calculation of net periodic pension, and severance cost and benefit obligations, is discount rate and expected rate of return on plan assets. The discount rate is determined considering such factors as the yield of highly-rated fixed income corporate bonds currently available, and expected to continue to be available by the payment date of pension benefits, and the yield of fixed income government bonds. The expected rate of return has been determined considering such factors as composition of plan assets held, risk that can be assumed from investment method, actual returns, basic policy for investment of plan assets, and market trends.

The Group recognizes the funded status (i.e., the difference between the fair value of plan assets and the benefit obligations) of its pension plan in the consolidated balance sheets, with a corresponding adjustment, net of tax, included in "accumulated other comprehensive loss" reported as a component of shareholders' equity. Such adjustment to "accumulated other comprehensive loss" represents the result of adjustment for the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligations. These amounts will be subsequently recognized as net periodic pension and severance costs calculated pursuant to the applicable accounting standards. The funded status of the Group's pension plan may deteriorate due to declines in the fair value of plan assets caused by lower returns, increases of severance benefit obligations caused by changes in the discount rate, salary increase rates or other actuarial assumptions. As a result, the Group's shareholders' equity may be adversely affected, and the net periodic pension and severance costs to be recorded in "cost of sales" or "selling, general and administrative expenses" may increase.

(iv) Impairment of long-lived assets, goodwill and listed shares.

If there is an indication of impairment for a long-lived asset and the carrying amount of such asset will not be recovered by the future undiscounted cash flow, the carrying amount may be reduced to its fair value and a loss may be recognized as an impairment with respect to such difference. As of March 31, 2017, 227.4 billion yen of goodwill was recorded in the Company's consolidated balance sheets in accordance with U.S. Generally Accepted Accounting Principles. Out of the above, 160.1 billion yen was allocated to the Energy Systems & Solutions business, most of which was recorded due to the acquisition of Landis+Gyr conducted in July 2011. Goodwill is required to be tested for impairment annually. If an impairment test shows that the carrying amount of a reporting unit goodwill exceeds the implied fair value of that goodwill, the amount of such excess, up to the total amount of the goodwill assigned to the reporting unit, will be recognized as an impairment. In addition to the above annual impairment test, if any event indicating a decline in corporate value owing to changes in the business environment or other factors arises, and the total of the carrying amounts exceeds its fair value, an impairment will be recognized. Therefore, additional impairments may be recorded, depending on the valuation of long- lived assets, the estimate of future cash flow from business related to goodwill, and changes in the discount rate for the weighted average capital cost. The Group, which is accounted for under a going concern basis, recorded (i) impairment of long-lived assets in the amount of 53.4 billion yen in the fiscal year ended March 31, 2015 ("FY2014"), mainly attributable to the Discrete business, (ii) impairment of goodwill in the amount of 47.4 billion yen and impairment of long-lived assets in the amount of 166.0 billion yen in FY2015, mainly attributable to the POS business and Transmission & Distribution Systems business, and (iii) impairment of goodwill in the amount of 16.9 billion yen and impairment of long-lived assets in the amount of 34.5 billion yen in the fiscal year ended March 31, 2017 ("FY2016"), mainly attributable to the Electric power sales business, and may record similar impairment losses additionally or newly in the future.

Also, if the market price of listed shares held by the Group as the marketable securities declines, there is a possibility that an impairment loss on the relevant shares will be recorded or that the net unrealized losses on securities will be negatively recognized.

(v) Shareholders' equity and net assets

Westinghouse Electric Company LLC ("WEC") and 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., (collectively, the "Filing Companies") resolved and then filed for a voluntary petition for rehabilitation proceedings under Chapter 11 of the U.S. Bankruptcy Code (the "rehabilitation proceeding") on March 29, 2017 (U.S. time) with the U.S. Bankruptcy Court of New York. Upon the commencement of the rehabilitation proceedings, the Group recorded losses mainly related to the parent company's guarantee provided to power utility companies for the U.S. Nuclear Projects, and allowance for doubtful receivables for the Company's claims against Westinghouse Group ("WEC Group"), and mainly for this reason, the substantial consolidated net assets of the Group decreased. Therefore, when the Company executes an EPC (Engineering, Procurement and Construction) agreement (i.e., a construction agreement for a construction project that includes engineering, procurement and construction) in overseas markets, the Company may not be able to satisfy the financial standards required by the ordering party, and as a result, the Company's ability to accept orders may be adversely affected.

Some of the business operations of the Company require a special construction business license; however, the renewal of this license requires a certain financial standing. As the validity period of the Company's current license will expire in December 2017, the Company will split off the business requiring the license by October 2017.

As the Group's shareholders' equity shown on the consolidated balance sheet as of March 31, 2017 was negative, the Company's shares were transferred from the first to the second section of the Tokyo Stock Exchange and Nagoya Stock Exchange. If the Group cannot remedy such situation within one year thereof, the Company's stock will be delisted and as a result, the Group's business, operating results and financial condition may be materially and adversely affected and opportunities for shareholders of the Company to sell their shares may be substantially restricted.

(8) Changes in financing environment and others

The Group is obtaining financing through loans and the issuance of bonds that are highly susceptible to market environments, including the financial crisis, interest rate movements and fund supply and demand. Thus, changes in these factors may have an adverse effect on the Group's funding activities. The Group has also been raising funds by issuing bonds or taking loans from financial institutions. In the case the financial markets fall into unstable turmoil, the financial institutions' reduction in their lending in response to the change in capital adequacy requirements, or the downgrading of the credit rating of the Company given by rating agencies, there can be no assurance that the Group will obtain refinancing loans or new loans in the future on similar terms. If the Group is unable to obtain loans for the amount needed by the Group in a timely manner, the Group's financing may be adversely affected. Moreover, because of the amendments of the past Annual Securities Reports and other reports, which is described in "10. Past inappropriate accountings," below and the continuing deterioration in the operating results, the long-term credit rating assigned by Moody's Japan K.K. was downgraded by 1 notches, the long-term credit rating assigned by Standard & Poor's Ratings Japan K.K. was downgraded by 5 notches, and the long-term credit rating assigned by Rating and Investment Information, Inc. was downgraded by 5 notches for the period from the filing date of the Annual Securities Report for the 177th term of the previous fiscal year to August 10, 2017, and the credit ratings may be downgraded further in the future.

In addition, loan agreements entered into between the Company and several financial institutions (the "Loans with Financial Covenants"; the balance as of March 31, 2017 was approximately 260.0 billion yen) provide for financial covenants. Therefore, the Company's obligations with respect to the relevant loan repayments may be accelerated upon demand by the relevant lending financial institutions. Furthermore, in such case, repayment of the Company's bonds or other borrowings of the Company, other than such loan repayment, may be automatically accelerated in accordance with the so-called cross-default clause.

The Company breached the financial covenants based on the downgrading of its credit rating assigned by rating agencies on December 28, 2016. The lending financial institutions have agreed not to accelerate the repayment of loans until March 31, 2017. However, as of August 10, 2017, the repayment of these loans may be accelerated if requested by such financial institutions. If the repayment of these loans is accelerated, the repayment of other bonds and certain borrowings may be accelerated as well. The total balance of the Company's bonds and borrowings (including the Loans with Financial Covenants) as of March 31, 2017 is 1,203.8 billion yen.

The Company will continue to make all possible efforts to obtain the understanding of the lending financial institutions with respect to this, in order to avoid breaching financial covenants and acceleration of repayments. However, if any acceleration of the repayment of the Loans with Financial Covenants occurs, it may materially and adversely affect the Company's business operations and continued existence.

3. Risks related to business partners and others

(1) Procurement of components and materials

It is important for the Group's business activities to procure materials, components and other goods in a timely and appropriate manner. However, such materials, components and goods may only be obtainable from a limited number of suppliers due to the particularity of such materials, components and goods, and, therefore, such suppliers may not be

easily replaced if the need to do so arises. In cases of delay or other problems in receiving supply of such materials, components and other goods, shortages may occur or procurement costs may rise. It is necessary to procure materials, components and other goods at competitive costs and to optimize the entire supply chain, including suppliers, in order for the Group to bring competitive products to market. In addition, a shortage in the electric power supply resulted from the suspension of the operation of nuclear power plants in Japan and a further rise in electricity costs due to the rise of fuel costs affected by exchange rate fluctuations may affect business activities, including manufacturing operations, of the Group, since a stable supply of electricity is essential to the Group's business activities.

Any failure by the Group to procure such materials, components and other goods from key suppliers or any shortage in the power supply or further rise in electricity costs may adversely impact the Group's competitiveness. Furthermore, any case of defective materials, components or other goods, or any failure to meet required specifications with respect to such materials, components or other goods, may also have an adverse effect on the reliability and reputation of the Group and Toshiba brand products.

Suppliers may request the Group, as a condition to continue transactions, to provide a credit guarantee, pay in cash or take other measures on the basis of the Group's delay in announcing its business results, non-inclusion of an unqualified audit opinion or an unqualified review conclusion in the auditor's report or quarterly review report or lowered credit standing of the Group caused by the deterioration of its financial condition, and in such case, procurement from major suppliers may be obstructed or an unprecedented financial burden may occur.

(2) Securing human resources

A large part of the success of the Group's businesses depends on securing excellent human resources in every business area and process, including product development, production, marketing and business management. In particular, securing the necessary human resources is essential in respect of achieving globalization of the Group's businesses and promoting advanced product development and research. However, competition to secure human resources is intensifying, as the number of qualified personnel in each area and process is limited, while demand for such personnel is increasing. As a result, the Group may fail to retain existing employees or to obtain new human resources or require costs more than in the past in order to obtain such human resources.

In order to reduce fixed costs, the Group is implementing personnel measures, including bonus reduction, reduction of remuneration of the management, and revision of various allowances and daily wages. However, the implementation of such personnel measures may adversely affect the Group's employee morale, production efficiency or the ability to secure capable human resources.

Furthermore, with deterioration of business and financial conditions, experienced personnel may leave the Group despite the Group's intention, and it may adversely affect the Group's business operations.

4. Risks related to products and technologies

(1) Investments in new businesses

The Group invests in companies involved in new businesses, enters into alliances with other companies with respect to new businesses, and actively develops its own new businesses.

Cultivation of new businesses entails substantial uncertainty, and if any new business in which the Group invests or which the Group attempts to develop does not progress as planned, the Group may be adversely affected by incurring investment expenses that do not lead to the anticipated results.

5. Risks related to trade practices

(1) Parent company's guarantees

When a subsidiary of the Company accepts an order for a large project, such as a plant, the Company, as the parent company, may, at the request of the customer, provide guarantees with respect to the subsidiary's performance under the contract. Such parent guarantees are made pursuant to standard business practices and in the ordinary course of business. If the subsidiary subsequently fails to fulfill its obligations, the Company may be obligated to bear losses as a result.

In addition, with respect to some contracts, since the Company's consolidated net assets, consolidated operating income or credit ratings fall below the respective levels provided for in the contracts with such customers, the relevant guarantees could be required to be replaced by letters of credit, bonds or submission of cash collateral, and in such cases the Group may incur additional expenses.

6. Risks related to new products and new technology

(1) Development of new products

It is critically important for the Group to offer innovative and attractive new products and services. However, due to the rapid pace of technological innovation, the emergence of alternative technologies and products and changes in technological standards, the optimum introduction of new products to the market may not be accomplished, or new products may be accepted by the market for a shorter period than anticipated. In addition, any failure on the part of the Group to continuously obtain sufficient funding and resources for development of technologies may affect the Group's

ability to develop new products and services and to introduce them to market.

From the viewpoint of enhancing concentration and selection of managerial resources, the Group now selects research and development themes more rigorously, with a primary focus on developing original and advanced technologies, with close consideration for the timing of market introduction. In certain products and technological fields, the research and development may not proceed due to more focus on research and development in other products and technological fields, and as a result, the Group's technological superiority may be impaired.

7. Risks related to laws and regulations

(1) Information security

The Group maintains and manages personal information obtained through business operations. Even though the Group makes every effort to manage this information appropriately, the Group's brand image, reputation and business performance may be subject to negative influences, or the Group may be found to be liable for damages in the event of an unanticipated leak of such information which results in illegal retention or usage of such information by a third party.

The Group also maintains and manages trade secrets regarding the Group's technology, marketing and other business operations. The Group is implementing measures to prevent leakage of such trade secrets outside the Group through maintaining and tightening control of its information management system, training its employees, and other measures.

However, in the past, situations have occurred in which leakage of trade secrets was suspected. The Group's competitive power may be weakened and the Group's business, operating results and financial condition may be subject to negative influences, in the event of an unanticipated leak of such information which results in illegal retention or usage of such information by a third party.

Additionally, the role of information systems and information/communication networks in the Group is critical to carrying out business activities. While the Group makes every effort to ensure the stable operation of, and to improve safety measures for, its information systems and information/communication networks, there is no assurance that the functionality of the information systems and information/communication networks would not be impaired or destroyed by cyberattacks such as computer viruses and unauthorized access, software or hardware failures, discontinuance of information/communication services provided by outside operators, disaster, or other causes, and in such cases the Group's business performance may be adversely affected.

(2) Compliance and internal control

The Group is active in various businesses in regions worldwide, and its business activities are subject to the laws and regulations of each region. The Group has implemented and operates the internal control systems for a number of purposes, including compliance with laws and regulations and strict reporting of business and financial matters. However, in FY2015, it was recognized that inappropriate accountings such as the priority of benefit and advance of expenses were repeatedly conducted in the Company for the past several years, and there was weakness in the internal control over financial reporting. Under the management revitalization structure established on September 30, 2015, the Company carried out the implementation of the appropriate internal control design and operations, and as a result, the Company has already established and steadily implemented most of the measures of its improvement plan for rectifying the material weakness in company-level internal controls over financial reporting in FY2015. However, taking into account the fact that (i) not all the implementation status of the improvement measures have been sufficiently verified due to constraints in the implementation period and (ii) certain items for restatement and deficiencies relating to accounting and the financial reporting process were discovered in the course of the audit of financial statements dated as of March 31, 2016, the Company has judged that there is material weakness in internal controls requiring disclosure with respect to FY2015. Thereafter, in FY2016, measures to rectify such material weakness requiring disclosure that had existed at the end of the previous fiscal year was completed, and the Company judged that internal control over financial reporting for FY2016 was effective, taking into account the status of the assessment of the control design and operation effectiveness of other relevant items.

However, as of August 10, 2017, as a result of an internal control audit conducted by the Company's auditor, the Group was given an adverse opinion due to the existence of material weakness in internal control of the Group requiring disclosure. Therefore, the review process for cancellation of the designation of the Company's shares as "Securities on Alert" stated below may be affected; shares of the Company may be delisted, or, if they will not be delisted, lowered social reputation of the Company may adversely affect the Group's business, operating results and/or the financial condition of the Group; or the opportunity for shareholders of the Company to sell the shares may be substantially restricted.

Moreover, such internal control systems may themselves, by their nature, have limitations, and it is not possible to guarantee that they will fully achieve their objectives. Therefore, there is no assurance that the Group will not unknowingly and unintentionally violate laws and regulations in future. Changes in laws and regulations or changes in interpretations of laws and regulations by the relevant authorities may also cause difficulty in achieving compliance with laws and regulations, or in continuing business in certain regions or business categories, and may result in increased compliance costs. Furthermore, if the Group is in violation of these laws and regulations, the Group may be subject to

administrative sanctions, such as fines, or criminal penalties, and legal actions claiming damages may be filed against the Group. In such cases, the Group's reputation may be adversely affected, and the Group's business, operating results and financial condition may be adversely affected. In the past, the Company was imposed fines as administrative sanctions.

(3) The environment

The Group is subject to various environmental laws, including laws on air pollution, water pollution, toxic substances, waste disposal, product recycling, prevention of global warming and energy policies, in its global business activities.

It is possible that the Group may encounter legal or social liability for environmental matters, such as liability for the cleanup of land at manufacturing bases throughout the world, regardless of whether the Group is at fault or not, with respect to its business activities, including its past activities.

It is also possible that, in future, the Group will face more stringent requirements on the removal of environmental hazards, including toxic substances, or on further reducing emissions of greenhouse gases, as a result of the introduction of more demanding environmental regulations or in accordance with societal requirements.

The Group's operations require the use of various chemical compounds, radioactive materials, nuclear materials and other toxic materials.

However, the Group may incur damage, or the Group's reputation may be adversely affected, as a result of a natural disaster, the threat or occurrence of a terrorist incident, or of an accident or other contingency (including those beyond the Group's control) that leads to environmental pollution or the potential for such pollution.

(4) Product quality claims

While the Group makes every effort to implement quality control measures and to manufacture its products in accordance with appropriate quality-control standards, in the past, the Group recalled certain products, and lawsuits and other claims relating to product quality were filed against the Group, and there is no assurance that all products are free of defects that may result in such product quality claims due to unforeseen reasons or circumstances. Furthermore, if material product quality claims occur in large projects, and there are long delays in deliveries to customers or reworking is needed, the Group may be liable for a large amount in expenses or damages.

8. Risks related to material legal proceedings

(1) Legal proceedings

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. It is possible that such cases may arise in the future.

Due to the 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 also have a material adverse effect on the Group's business, operating results or financial condition. In addition, due to various circumstances, there can be no assurance that lawsuits involving claims for large sums will not be brought, even if the possibility of receiving orders for such payment is quite low.

The Group is under investigation by the European Commission, and other competition regulatory authorities, for alleged violations of competition laws with respect to products that include semiconductors, cathode ray tubes ("CRT"), heavy electrical equipment, and optical disc devices. In addition, class action lawsuits and other claims with respect to alleged anti-competitive behavior regarding certain products brought against the Group are currently pending.

9. Risks related to directors, employees, major shareholders and affiliates

(1) Alliance in NAND flash memory

The Group has a strategic alliance with a U.S. company, SanDisk Corporation (after being acquired by Western Digital Corporation ("Western Digital"), the company name was changed to SanDisk Limited Liability Company "SanDisk")), for the production of NAND flash memory, which includes production joint ventures (equity method affiliates). If any termination event under the joint venture agreement, such as breach of the agreement by SanDisk, occurs, the Group may purchase SanDisk's ownership interests in the production joint ventures at the price reflecting remaining carrying amount of production facilities held by the production joint ventures. In addition, the Company and Western Digital each provide a 50% guarantee in respect of the lease agreements of production facilities held by the production joint ventures. In the event that Western Digital's operating results or financial condition deteriorate and Western Digital fails to perform its guaranteed obligations, the Company may succeed to Western Digital's guarantee obligations, or the joint venture agreement may terminate due to Western Digital's breach of such guarantee obligations and the Company may purchase SanDisk's ownership interests at the price reflecting the remaining carrying amount of production facilities held by the relevant production joint ventures. If the Company purchases SanDisk's ownership interests, the production joint ventures may be treated as consolidated subsidiaries of the Company.

(2) Alliance in nuclear power systems business

(i) WEC Group

The Group acquired WEC Group in October 2006. The Company's ownership interest in WEC Group (including the holding companies) is 90% as of August 10, 2017. The remainder is held by National Atomic Company Kazatomprom Joint

Stock Company ("KAP"). As the Filing Companies filed a voluntary petition for the rehabilitation proceedings under Chapter 11 of the U.S. Bankruptcy Code on March 29, 2017 and the rehabilitation proceedings commenced, WEC Group was deconsolidated from the Company.

KAP, based on a separate agreement with the Company, have been given an option to sell all or part of its ownership interests to the Company at the price equivalent to its initial investment amount ("Put Option"), and KAP will be able to exercise the Put Option in and after October 2017. In the event that KAP exercises the Put Option for all of its ownership interests, the purchase price to be paid by the Company will be approximately 522 million U.S. dollars, and since the Group has to bear the loss that was borne by KAP as a minority shareholder, the Group will incur a certain financial burden and the Group's shareholders' equity will be adversely affected.

(ii) NuGeneration Limited

The Group holds 60% of the shares of NuGeneration Limited ("NuGen"), the Company's consolidated subsidiary, while group companies of ENGIE S.A. ("ENGIE"), a French company, hold the other 40% of the shares of NuGen, and the Company and NuGen have executed a shareholders agreement. As the Filing Companies filed a voluntary petition for the rehabilitation proceedings under Chapter 11 of the U.S. Bankruptcy Code, ENGIE requested the Company to purchase NuGen shares pursuant to the shareholders agreement, and in July 2017, the Company completed share acquisition procedures for all shares of NuGen held by ENGIE at the price of approximately 15.9 billion yen. The financial impact of the transaction that is expected to be reported in the Company's consolidated balance sheets for the first quarter of the fiscal year ending March 31, 2018 ("FY2017") is (i) a 20.5 billion yen decrease in shareholders' equity that includes the impact on the Company of a decrease in additional paid-in capital resulting from the acquisition on ENGIE's non-controlling interest, which reflects the loss previously borne by ENGIE as a minority shareholder, and (ii) a 19.5 billion yen decrease in net assets.

The Company will continue to look for other operators of electricity utilities to be prospective investors in NuGen, and to consider the sale of shares of NuGen held by the Group; however, if the Group cannot find prospective investors or purchasers for the shares, or negotiation for the sale of shares faces difficulty, the Group may be required to make additional investment in NuGen, and it may affect the financial condition of the Group.

(3) Agreements regarding natural gas

The Company executed (i) the service agreements for processing liquefied natural gas (the "Service Agreements") with the companies providing services for liquefying natural gas in the U.S., and (ii) the pipeline agreements with the pipeline companies in U.S., for the purpose to sell natural gas to the users in other countries including Japan. Pursuant to these agreements, the Company will be provided the series of services. In these agreements, it is assumed that the Company will use certain amount of the liquefying ability of the companies providing services for liquefying natural gas and the pipelines of the pipeline companies for the period of twenty (20) years from 2019, and the Company has fixed service fee payment obligations to the companies providing services for liquefying natural gas and the pipeline companies, regardless of whether the Company can sell liquefied natural gas ("LNG") to the users. The Company generally expects to execute long-term transaction agreements with users with respect to the total amount of LNG the Company will obtain. The Company has already concluded basic agreements (with conditions precedent) (on volume, price and delivery terms) that cover more than 80% of the Company's liquefaction and pipeline service capacity of 2.2 million tons per year with multiple customers for certain periods of the 20-year liquefaction and pipeline contract. However, if the conditions precedent for conclusion of formal agreements are not met, the Company may not be able to sell LNG under the presently assumed conditions. The Company generally aims to execute long-term transaction agreements also with respect to the remaining portion of LNG; however, there is a possibility that the Company cannot sell LNG to the users or in the market under the conditions (including the price) the Company expects, and as a result, the Company may be forced to bear losses.

10. Past inappropriate accountings

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 made inappropriate accountings and, therefore, the Company filed amendments of the past Annual Securities Reports and other reports. The Tokyo Stock Exchange ("TSE") and the Nagoya Stock Exchange ("NSE") deemed that the Company had a serious problem in its internal control systems and that improvement of such internal control systems was essential, due to the fact that the Company made misstatements in such Annual Securities Reports and other reports. Therefore, in September 2015, TSE and NSE designated shares of the Company as "Securities on Alert". In September 2016, the Company submitted to stock exchanges on which the Company is listed a "Written Confirmation of Internal Management Systems" for their review. In the process of this review, TSE and NSE confirmed that measures have been implemented on a company-wide basis toward securing improvement, 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 and the audit

committee operated; and reorganization and enhancement of the functionality of divisions that are supposed to exercise monitoring functions. However, they also found that some problems related to accounting processes, etc. remained after the designation as "Securities on Alert", and that these indicate that the Company needs to implement further measures in such areas as ensuring compliance and affiliate company management. Accordingly, TSE and NSE deemed that they still need to verify the implementation and progress of such measures. As a result, the Company received in December 2016 notices from TSE and NSE to the effect that they will continue to designate the Company's shares 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 Internal Management Systems. If, after confirmation by TSE and NSE of the resubmitted Written Confirmation of Internal Management Systems, TSE and/or NSE find that the internal control system has not been improved, the shares of the Company may be delisted, and such delisting may materially and adversely affect the Group's business, operating results and financial condition and may substantially restrict opportunities for the Company's shareholders to sell their shares.

In a class action brought against the Company as defendant in the State of California in the U.S. with respect to the Group's inappropriate accountings, an order granting a motion to dismiss was issued. However, the plaintiffs appealed such order. Several lawsuits have been initiated also in Japan, and claims for damages in a considerable amount have been made against the Company (refer to Notes to Consolidated Financial Statements, Note 24.LEGAL PROCEEDINGS). Going forward, the Company may also be sued by its shareholders and others and depending on the progress of such procedures, the Group's business, operating results and financial condition may be adversely affected. In relation to the inappropriate accountings issues, the Group was requested by the U.S. Securities and Exchange Commission ("SEC") and other parties to provide information, and the Group may be subject to other investigations by relevant authorities, including overseas authorities. If, as a result, any sanction is given to the Group, the Group's operating results and financial condition may be adversely affected. The Company was ordered to pay an administrative monetary penalty of 7,373.5 million yen by the Financial Services Agency of Japan in December 2015 with respect to the relevant inappropriate accountings issues, and completed the payment of such penalty.

11. Westinghouse Electric Company LLC

WEC entered into a share transfer agreement with Chicago Bridge & Iron Company ("CB&I"), on October 27, 2015, to acquire all the shares of CB&I's subsidiary, CB&I Stone & Webster Inc. ("S&W"), which engaged in construction and integrated services related to nuclear power plants, and acquired S&W on December 31, 2015. Up until then, WEC and S&W had created a consortium to promote construction of a total of four nuclear power plants at two project sites in the U.S. The acquisition was conducted with the intention of (i) resolving disputes and potential disputes concerns related to (a) the apportionment of cost overruns and construction delays incurred at the projects, and (b) the determination of who, the Group, the ordering parties or S&W, should bear the responsibility, and (ii) strengthening the process of obtaining increases in contract amounts and approvals for extension of time from the ordering parties, and (iii) enhancing the efficiency of construction by centrally managing the projects, thereby advancing the projects and stabilizing revenues therefrom. However, a close examination of the construction status that was conducted after the acquisition revealed that an increase in construction costs substantially more than that estimated at the time of the acquisition was necessary to complete the projects due to (i) a significant difference from the assessment assumptions at the time of the completion of the acquisition, (ii) the improvement plan for operational efficiency not having been achieved, and (iii) other factors; therefore, goodwill was recorded. Subsequently, in FY2016, the Company conducted impairment testing for the goodwill of the nuclear power systems business, and an impairment loss of goodwill of 731.6 billion yen was recorded on a consolidated basis.

On March 29, 2017, the Filing Companies filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. The rehabilitation proceedings was commenced on the same day, and subsequently, under the guidance of the Bankruptcy Court, discussions among the concerned parties, including WEC, Toshiba Nuclear Energy Holdings (UK) Limited ("TNEH (UK)"), the creditors, are taking place.

Currently, WEC Group companies, including the Filing Companies, are continuing ordinary business operations, in anticipation of reorganizing their business lines under Chapter 11. The Company will continue to cooperate with the parties with all sincerity, in order to ensure smooth proceedings.

With the commencement of the rehabilitation proceedings, WEC Group has been deconsolidated from the Company's FY2016 full year business results, and the impact on the Company's FY2016 business results is a net loss of approximately 1,240.0 billion yen. In addition to the above, there are impacts as follows to the FY2016 business results as a result of commencement of the WEC Group's rehabilitation proceedings:

i. Impact from deconsolidation of WEC Group

With WEC Group being deconsolidated, causes of financial deterioration, such as goodwill impairment, were excluded; however, the Company has recorded the negative impact stemming from impairment of the total investment in WEC and TNEH (UK).

ii. Impact from provisions for the parent company guarantee and losses from loan to WEC Group
With the commencement of WEC Group's rehabilitation proceedings, the Company has recorded losses related to the parent company guarantee provided to the power utility companies for the two U.S. Nuclear Projects, and provisions for losses for credits related to WEC group. The Company has entered into an agreement with Georgia Power and other(s) for the payment of the parent company guarantee obligations that sets the maximum limit of the Company's parent company guarantee obligations at US$3.68 billion to be made in installments by January 2021, and an agreement with South Carolina Gas and Electric Company and other(s) for the payment of the parent company guarantee obligations that sets the maximum limit at US$ 2.186 billion to be made in installments by September 2022.

12. Separation of the memory business and other measures
The Company, on April 1, 2017, split off the Memory business (including its SSD business, but excluding its image sensor business) of the Storage & Electronic Devices Solutions Company, one of its in-house companies, from the Company, into Toshiba Memory Corporation ("TMC"), to provide greater flexibility in rapid decision-making and enhance financing options, which will lead to further growth of the Memory business. When separating the Memory business, the Company, bearing in mind the losses stated in "11. Westinghouse Electric Company LLC" above, considered a restructuring with third-party capital, including the potential sale of a majority stake in TMC, as part of an effort to enhance the financial structure of the Group; however, if such capital participation is not available in a timely manner, under desired terms and conditions, it is possible that the Company may not be able to enhance the financial structure of the Group in the manner anticipated. Further, depending on the identity of the party making the capital investment and the terms and conditions of the capital alliance, it is possible that the degree of freedom of TMC's business might be restricted, such as restrictions on an alliance/collaboration with the party's competitors, which might negatively affect the Group's performance and financial status. SanDisk LLC ("SanDisk"), a business partner in the memory business (a subsidiary of Western Digital Corporation, which purchased SanDisk) filed a petition with the International Court of Arbitration to obtain an injunction against the bidding processes, asserting that the Company's transfer of its stake in the joint venture to TMC without SanDisk's consent is a breach of the contractual terms of the joint venture agreement entered into between the Company and SanDisk. Furthermore, in the interim, SanDisk filed a motion for preliminary injunctive relief with the Superior Court of California to prohibit the Company from transferring its stake in the joint venture to a third party without SanDisk's agreement prior to the issuance of the arbitral award. In order to eliminate the grounds for the arbitration claim asserted by SanDisk, the Company bought back the joint venture stake held by TMC. However, depending on the decision(s) of the California Superior Court and/or the International Court of Arbitration, there is a possibility that such capital participation may not take place in a timely manner under the terms and conditions desired by the Company.

Additionally, the Company has conducted company splits, other than TMC, for purposes such as to enhance the financial structure of the Group, or to maintain the special construction business license under the Construction Business Act; however, it is possible that some of such company splits may not be implemented as scheduled, and/or that they may not bear the anticipated effects.

13. Important factors as a going concern
Although, since FY2015, the Group decided to force through a structural reform in unprofitable businesses and has implemented asset sales and other measures, the Group recorded a net loss attributable to shareholders of the Company of 965.7 billion yen, due to a loss (net loss attributable to shareholders of the Company from discontinued business) of 1,242.8 billion yen generated in WEC Group. A net loss attributable to shareholders of the Company of 460.0 billion yen was recorded in FY2015. As a result, consolidated equity attributable to shareholders of the Company decreased to -552.9 billion yen, with consolidated net assets of -275.7 billion 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 257.7 billion yen arranged by the Company's main financial institutions (included in "the Short-term borrowings and current portion of long-term debt" in the consolidated balance sheet). The syndicated loan is recorded as a part of the Group's total short-term and long-term borrowings of 1,203.8 billion yen in the consolidated balance sheet as of March 31, 2017. As of August 10, 2017, the repayment of these loans can be accelerated if requested by the financial institutions. If the repayment of these loans is accelerated, the repayment of other bonds and certain borrowings may be accelerated as well.

Taking into consideration of the expenditures which the Company may pay related to nuclear power construction by WEC, its U.S. subsidiaries and affiliates, it is anticipated that the Company's liquidity will be significantly impacted.

In addition to the foregoing, as stated in "(v) Shareholders' equity and net assets," under "(7) Financial risk," under "2.Risks related to financial condition, results of operations and cash flow" above, if the Company is unable to renew the special construction business license, there will be negative impacts 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. The Company will take every measure toward resolving this situation, as stated in "3 Proposed measures for eliminating major risk factors stated under Risk Factors Relating to the Group and its Business," under "VII Analysis of Financial Condition, Results of Operations and Cash Flow" above.

14. Others

(1) Measures against counterfeit products

While the Group protects and seeks to enhance the value of the Toshiba brand, counterfeit products created by third parties are found worldwide. While the Group makes every effort to prevent counterfeit products, the heavy circulation of counterfeit products may dilute the value of the Toshiba brand, and the Group's net sales may be adversely affected.

(2) Protection of intellectual property rights

The Group makes every effort to secure intellectual property rights. However, in some regions, it may not be possible to secure sufficient protection.

The Group uses the intellectual property of third parties pursuant to licenses. It is possible that the Group may fail to receive the necessary third-party licenses for new technology or is unable to obtain the renewal of existing licenses or receives them on unfavorable terms.

In the past, law suits or similar actions or proceedings have been brought against the Group in respect of intellectual property rights, and the Group has filed lawsuits in order to protect its intellectual property rights. Such lawsuits and actions may be brought against the Group or the Group may file lawsuits against infringing third parties in the future.

Such lawsuits may require time, costs and other management resources, and depending on the outcome of these lawsuits, the Group may not be able to use important technology, or the Group may be found to be liable for damages.

In addition, there are products for which the Company has granted use of the Toshiba trademark, etc. to companies outside the Group. Under the license agreement, the licensee is liable for any loss attributable to the products. However, there is a possibility that the Company may incur liability from claims made by third parties, who suffered losses attributable to the products, or suffer reputational harm with regard to the quality of the Group's products.

(3) Political, economic and social conditions

The Group undertakes global business operations. Any changes in political, economic, and social conditions and policies, legal or regulatory changes, including rules and regulations concerning investment, repatriation of profits, export and import controls, foreign exchange, and taxation, and exchange rate fluctuations, in Japan or overseas, may adversely impact market demand and the Group's business operations.

(4) Natural disasters

Most of the Group's Japanese production facilities are located in the Keihin region of Japan, which includes Tokyo, Kawasaki City, Yokohama City and the surrounding area, while key semiconductor production facilities are located in Kyushu, Tokai, Hanshin, Hokuriku and Tohoku. The Group is currently expanding its production facilities in Asia. As a result, any occurrence of a wide-scale disaster, strike, terrorism or epidemic illness, such as a new type of flu, particularly in any of these areas could have a significant adverse effect on the Group's results.

Additionally, large-scale disasters, such as earthquakes, floods or typhoons, in regions where production or distribution sites are located may damage or destroy production capabilities, suspend procurement of raw materials or components, and cause transportation and sales interruptions or other similar disruptions, which could adversely affect asset value and production capabilities significantly. In the past, the businesses of the Group were affected to a certain extent by the Great East Japan Earthquake and the floods in Thailand and India.

Following is an English translation of "Part I. Information of the Company - V. Financial Information - 1. Consolidated Financial Statements" excerpted from the Annual Securities Report ("Yukasyoken Hokokusho") filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") on August 10, 2017, pursuant to the Financial Instruments and Exchange Act of Japan, except for U.S. dollar amounts presentation which is included in this document solely for the convenience of readers.

The translation of Independent Auditor's Report and Report on Internal Control attached to the original Annual Securities Report is included at the end of this document.

Consolidated Balance Sheets

Toshiba Corporation and Consolidated Subsidiaries
As at March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2017**	2016	**2017**
Current assets:			
Cash and cash equivalents	**¥ 707,693**	¥ 945,109	**$ 6,318,688**
Notes and accounts receivable, trade:			
Notes receivable (Note 7)	**41,431**	33,226	**369,919**
Accounts receivable (Note 7)	**1,106,449**	1,079,356	**9,879,009**
Allowance for doubtful notes and accounts receivable	**(25,644)**	(32,117)	**(228,964)**
Inventories (Note 8)	**624,321**	662,913	**5,574,295**
Deferred tax assets (Note 17)	**21,156**	42,366	**188,893**
Other receivables (Note 7)	**89,895**	107,669	**802,634**
Prepaid expenses and other current assets (Note 20)	**170,992**	175,528	**1,526,714**
Current assets of discontinued operations (Note 4)	**–**	814,508	**–**
Total current assets	**2,736,293**	3,828,558	**24,431,188**
Long-term receivables and investments:			
Long-term receivables (Note 7)	**15,272**	10,039	**136,357**
Investments in and advances to affiliates (Notes 5 and 9)	**293,705**	266,554	**2,622,366**
Marketable securities and other investments (Notes 5 and 6)	**92,696**	147,016	**827,643**
Total long-term receivables and investments	**401,673**	423,609	**3,586,366**
Property, plant and equipment (Notes 5, 16 and 21):			
Land	**73,947**	87,624	**660,241**
Buildings	**889,495**	847,923	**7,941,920**
Machinery and equipment	**1,726,471**	1,739,679	**15,414,920**
Construction in progress	**21,796**	44,963	**194,607**
	2,711,709	2,720,189	**24,211,688**
Accumulated depreciation	**(2,053,833)**	(2,039,693)	**(18,337,795)**
Total property, plant and equipment	**657,876**	680,496	**5,873,893**
Other assets:			
Goodwill and other intangible assets (Notes 5,10 and 16)	**361,569**	391,553	**3,228,295**
Deferred tax assets (Note 17)	**32,591**	28,132	**290,991**
Other assets	**79,511**	80,993	**709,919**
Total other assets	**473,671**	500,678	**4,229,205**
Total assets	**¥ 4,269,513**	¥ 5,433,341	**$ 38,120,652**

The accompanying notes are an integral part of these statements.

Liabilities and equity	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 1) 2017
Current liabilities:			
Short-term borrowings (Notes 1, 11 and 20)	**¥ 357,551**	¥ 410,983	**$ 3,192,420**
Current portion of long-term debt (Notes 1, 11 and 20)	**328,074**	208,431	**2,929,232**
Notes and accounts payable, trade	**730,900**	808,940	**6,525,893**
Accounts payable, other and accrued expenses (Notes 24, 25 and 26)	**416,916**	520,507	**3,722,464**
Accrued income and other taxes	**84,072**	108,303	**750,643**
Advance payments received	**320,762**	243,027	**2,863,946**
Deferred tax liabilities (Note 17)	**6,805**	5,990	**60,759**
Provision for loss on guarantees (Note 4)	**143,761**	–	**1,283,580**
Other current liabilities (Notes 5, 17, 20, 23 and 24)	**329,562**	329,127	**2,942,518**
Current liabilities of discontinued operations (Note 4)	**–**	589,704	**–**
Total current liabilities	**2,718,403**	3,225,012	**24,271,455**
Long-term liabilities:			
Long-term debt (Notes 11 and 20)	**518,171**	822,120	**4,626,527**
Accrued pension and severance costs (Note 12)	**531,164**	559,256	**4,742,536**
Deferred tax liabilities (Note 17)	**73,293**	59,643	**654,402**
Provision for loss on guarantees (Note 4)	**543,897**	–	**4,856,223**
Other liabilities (Notes 5, 17, 20, 23, 24, 26 and 27)	**160,289**	95,052	**1,431,152**
Total long-term liabilities	**1,826,814**	1,536,071	**16,310,840**
Total liabilities	**¥ 4,545,217**	¥ 4,761,083	**$ 40,582,295**
Equity attributable to shareholders of the Company (Note 18)**:**			
Common stock:			
Authorized–10,000,000,000 shares issued:			
2017 and 2016–4,237,602,026 shares	**¥ 200,000**	¥ 439,901	**$ 1,785,714**
Additional paid-in capital	**140,144**	399,470	**1,251,286**
Retained earnings (accumulated deficit)	**(580,396)**	(76,782)	**(5,182,107)**
Accumulated other comprehensive loss	**(310,750)**	(431,828)	**(2,774,554)**
Treasury stock, at cost:			
2017–3,793,341 shares	**(1,945)**	–	**(17,366)**
2016–3,584,162 shares	**–**	(1,887)	**–**
Total equity attributable to shareholders of the Company	**(552,947)**	328,874	**(4,937,027)**
Equity attributable to noncontrolling interests	**277,243**	343,384	**2,475,384**
Total equity	**¥ (275,704)**	¥ 672,258	**$ (2,461,643)**
Commitments and contingent liabilities (Notes 22, 23 and 24)			
Total liabilities and equity	**¥ 4,269,513**	¥ 5,433,341	**$ 38,120,652**

Consolidated Statements of Operations

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Sales and other income:			
Net sales	**¥ 4,870,773**	¥ 5,154,838	**$ 43,489,045**
Interest and dividends	**7,143**	8,692	**63,777**
Equity in earnings of affiliates (Notes 5 and 9)	**7,854**	–	**70,125**
Other income (Notes 5, 6, 15 and 20)	**73,307**	227,448	**654,527**
	4,959,077	5,390,978	**44,277,474**
Costs and expenses:			
Cost of sales (Notes 5, 10, 13, 16, 21, 25 and 26)	**3,576,520**	4,403,323	**31,933,214**
Selling, general and administrative (Notes 10, 13, 14, 25 and 26)	**1,006,551**	1,187,153	**8,987,063**
Impairment loss on goodwill (Notes 5 and 10)	**16,914**	47,372	**151,018**
Interest	**16,378**	17,874	**146,232**
Equity in losses of affiliates (Notes 5 and 9)	**–**	23,223	**–**
Other expense (Notes 5, 6, 7, 15, 20, 24 and 25)	**117,183**	111,394	**1,046,277**
	4,733,546	5,790,339	**42,263,804**
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**225,531**	(399,361)	**2,013,670**
Income taxes (Note 17)**:**			
Current	**72,224**	70,632	**644,857**
Deferred	**33,408**	175,779	**298,286**
	105,632	246,411	**943,143**
Income (loss) from continuing operations, before noncontrolling interests	**119,899**	(645,772)	**1,070,527**
Income (loss) from discontinued operations, before noncontrolling interests (Notes 4, 16 and 20)	**(1,280,100)**	129,737	**(11,429,465)**
Net loss before noncontrolling interests	**(1,160,201)**	(516,035)	**(10,358,938)**
Less: Net income (loss) attributable to noncontrolling interests	**(194,538)**	(56,022)	**(1,736,947)**
Net loss attributable to shareholders of the Company	**¥ (965,663)**	¥ (460,013)	**$ (8,621,991)**

Per Share Data

	Yen		U.S. dollars (Note 1)
Basic net loss per share attributable to shareholders of the Company (Note 19)			
Earnings (loss) from continuing operations	**¥ 43.44**	¥ (146.88)	**$ 0.39**
Earnings (loss) from discontinued operations	**¥ (271.52)**	¥ 38.24	**$ (2.43)**
Net loss	**¥ (228.08)**	¥ (108.64)	**$ (2.04)**
Cash dividends per share (Note 18)	**¥ –**	¥ –	**$ –**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net loss before noncontrolling interests	**¥ (1,160,201)**	¥ (516,035)	**$(10,358,938)**
Other comprehensive income (loss), net of tax (Note 18)			
Net unrealized gains and losses on securities (Note 6)	**974**	(106,947)	**8,696**
Foreign currency translation adjustments	**43,010**	(101,585)	**384,018**
Pension liability adjustments (Note 12)	**84,116**	(118,908)	**751,036**
Net unrealized gains and losses on derivative instruments (Note 20)	**2,727**	(7,973)	**24,348**
Total other comprehensive income (loss)	**130,827**	(335,413)	**1,168,098**
Comprehensive loss before noncontrolling interests	**(1,029,374)**	(851,448)	**(9,190,840)**
Less:Comprehensive loss attributable to noncontrolling interests	**(184,789)**	(98,930)	**(1,649,902)**
Comprehensive loss attributable to shareholders of the Company	**¥ (844,585)**	¥ (752,518)	**$ (7,540,938)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Equity

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	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 non controlling interests	Total equity
Balance at March 31, 2015	¥ 439,901	¥ 402,008	¥ 383,231	¥ (139,323)	¥ (1,821)	¥ 1,083,996	¥ 481,361	¥ 1,565,357
Change in ownership for noncontrolling interests and others		(2,538)				(2,538)	(9,381)	(11,919)
Dividends attributable to noncontrolling interests							(29,666)	(29,666)
Comprehensive loss:								
Net loss			(460,013)			(460,013)	(56,022)	(516,035)
Other comprehensive loss, net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 6)				(89,912)		(89,912)	(17,035)	(106,947)
Foreign currency translation adjustments				(77,149)		(77,149)	(24,436)	(101,585)
Pension liability adjustments (Note 12)				(117,790)		(117,790)	(1,118)	(118,908)
Net unrealized gains and losses on derivative instruments (Note 20)				(7,654)		(7,654)	(319)	(7,973)
Total comprehensive loss						(752,518)	(98,930)	(851,448)
Purchase of treasury stock, net, at cost					(66)	(66)		(66)
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 (Note 18):								
Net unrealized gains and losses on securities (Note 6)				**882**		**882**	**92**	**974**
Foreign currency translation adjustments				**36,438**		**36,438**	**6,572**	**43,010**
Pension liability adjustments (Note 12)				**80,960**		**80,960**	**3,156**	**84,116**
Net unrealized gains and losses on derivative instruments (Note 20)				**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)**

	Thousands of U.S. dollars (Note 1)							
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehen-sive income (loss)	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to non controlling interests	Total equity
Balance at March 31, 2016	$ 3,927,687	$ 3,566,697	$ (685,554)	$ (3,855,607)	$ (16,848)	$ 2,936,375	$ 3,065,929	$ 6,002,304
Transfer to additional paid-in capital from common stock	**(2,141,973)**	**2,141,973**						
Transfer to retained earnings (accumulated deficit) from additional paid-in capital		**(4,125,438)**	**4,125,438**					
Change in ownership for noncontrolling interests and others		**(331,946)**				**(331,946)**	**1,158,652**	**826,706**
Dividends attributable to noncontrolling interests							**(99,295)**	**(99,295)**
Comprehensive loss:								
Net loss			**(8,621,991)**			**(8,621,991)**	**(1,736,947)**	**(10,358,938)**
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 6)				**7,875**		**7,875**	**821**	**8,696**
Foreign currency translation adjustments				**325,339**		**325,339**	**58,679**	**384,018**
Pension liability adjustments (Note 12)				**722,857**		**722,857**	**28,179**	**751,036**
Net unrealized gains and losses on derivative instruments (Note 20)				**24,982**		**24,982**	**(634)**	**24,348**
Total comprehensive loss						**(7,540,938)**	**(1,649,902)**	**(9,190,840)**
Purchase of treasury stock, net, at cost					**(518)**	**(518)**		**(518)**
Balance at March 31, 2017	**$ 1,785,714**	**$ 1,251,286**	**$(5,182,107)**	**$(2,774,554)**	**$ (17,366)**	**$(4,937,027)**	**$ 2,475,384**	**$(2,461,643)**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Cash flows from operating activities			
Net loss before noncontrolling interests	**¥ (1,160,201)**	¥ (516,035)	**$(10,358,938)**
Adjustments to reconcile net loss before noncontrolling interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	**162,975**	213,869	**1,455,134**
Provisions for pension and severance costs, less payments	**19,237**	(44,413)	**171,759**
Deferred income taxes	**13,537**	345,770	**120,866**
Equity in losses of affiliates, net of dividends	**2,963**	33,778	**26,455**
Loss from sales, disposal and impairment of property, plant and equipment and intangible assets, net	**139,117**	181,279	**1,242,116**
Impairment of goodwill	**748,554**	294,972	**6,683,518**
Gain from sales and impairment of securities, net	**(96,262)**	(781,807)	**(859,482)**
Decrease in notes and accounts receivable, trade	**17,419**	157,576	**155,527**
Decrease in inventories	**31,563**	167,432	**281,812**
Decrease in notes and accounts payable, trade	**(26,594)**	(271,785)	**(237,446)**
Increase (decrease) in accrued income and other taxes	**(23,197)**	48,573	**(207,116)**
Increase (decrease) in advance payments received	**(61,292)**	130,335	**(547,250)**
Others	**366,344**	39,226	**3,270,929**
Net cash provided by (used in) operating activities	**134,163**	(1,230)	**1,197,884**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	**40,502**	49,409	**361,625**
Proceeds from sale of securities	**11,587**	157,197	**103,455**
Acquisition of property, plant and equipment	**(158,756)**	(242,019)	**(1,417,464)**
Acquisition of intangible assets	**(21,979)**	(49,446)	**(196,241)**
Purchase of securities	**(1,265)**	(1,410)	**(11,295)**
(Increase) decrease in investments in affiliates	**(27,753)**	104,493	**(247,794)**
Proceeds from sale of Toshiba Medical Systems Corporation stock	**–**	638,442	**–**
Others	**(21,265)**	(3,224)	**(189,866)**
Net cash provided by (used in) investing activities	**(178,929)**	653,442	**(1,597,580)**
Cash flows from financing activities			
Proceeds from long-term debt	**45,870**	3,106	**409,554**
Repayment of long-term debt	**(218,366)**	(215,076)	**(1,949,697)**
Increase (decrease) in short-term borrowings, net	**(37,421)**	391,363	**(334,116)**
Dividends paid	**(12,754)**	(31,848)	**(113,875)**
Purchase of treasury stock, net	**(58)**	(66)	**(518)**
Others	**2,971**	(11,732)	**26,527**
Net cash provided by (used in) financing activities	**(219,758)**	135,747	**(1,962,125)**
Effect of exchange rate changes on cash and cash equivalents	**(3,312)**	(11,796)	**(29,571)**
Net increase (decrease) in cash and cash equivalents	**(267,836)**	776,163	**(2,391,392)**
Cash and cash equivalents at beginning of year	**975,529**	199,366	**8,710,080**
Cash and cash equivalents at end of year	**707,693**	975,529	**6,318,688**
Less: Cash and cash equivalents of discontinued operations at end of year	**–**	30,420	**–**
Cash and cash equivalents of continuing operations at end of year	**¥ 707,693**	¥ 945,109	**$ 6,318,688**
Supplemental disclosure of cash flow information			
Cash paid during the year:			
Interest	**¥ 21,248**	¥ 22,779	**$ 189,714**
Income taxes	**103,914**	77,466	**927,804**
Sale of Toshiba Medical Systems Corporation stock:			
Assets transferred (net of cash and cash equivalents)	**–**	245,887	**–**
Liabilities relinquished	**–**	198,303	**–**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2017

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

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

The Company issued American Depository Receipts in February 1962, and European Depository Receipts in February 1970. By doing so, the Company prepared and disclosed consolidated financial statements based on the terminology, forms and preparation methods required in connection with offering and placement of American Depository Receipts ("U.S.-style Consolidated Financial Statements"). For this reason, the Company submitted an "Application for approval pursuant to handling guideline No. 86 for the Regulations of Consolidated Financial Statements" to the Minister of Finance on March 22, 1978, and obtained approval under the Ministry of Finance Certificate No. 494 on March 31 of the same year. Since then, the Company has prepared and disclosed U.S.-style Consolidated Financial Statements.
The Company had been registered with the US Securities and Exchange Commission since the issuance of American Depositary Receipts in February 1962; however, is no longer registered after the expiration of deposit contract in November 1978.

Significant differences between the accounting principles and the presentation methods adopted by the Company on consolidated financial statements compared to the ones in Japan, are described as follows:
As used in the notes accompanying the consolidated financial statements, "the Company" represents Toshiba Corporation and "the Group" represents Toshiba Corporation and its consolidated subsidiaries, unless the context otherwise requires.

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

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

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

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

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

6) Discontinued operations
In accordance with ASC No.205-20 "Presentation of Financial Statements - Discontinued Operations", the financial position and the results of operations relating to discontinued operations are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations. Refer to Note 4 for the presentation of discontinued operations. In addition, the related balances in the notes to financial statements of the previous fiscal year are reclassified to reflect these changes.

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

U.S. DOLLAR AMOUNTS

U.S. dollar amounts are included solely for convenience of readers. These translations should not be construed as a representation that the yen could be converted into U.S. dollars at this rate or any other rates. The amounts shown in U.S. dollars are not intended to be computed in accordance with generally accepted accounting principles in the United States for the translation of foreign currency amounts. The rate of ¥112=U.S. $1, the approximate current rate of exchange at March 31, 2017, has been used throughout for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts have not been audited by independent auditors.

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 the filing date. 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 the filing date.

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.

Investigation by Toshiba Corporation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES

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

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

2) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the

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

3) CASH EQUIVALENTS

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

4) FOREIGN CURRENCY TRANSLATION

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

5) ALLOWANCE FOR DOUBTFUL NOTES AND 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.

6) 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.

7) INVENTORIES

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

In accordance with general industry practice, items with long manufacturing periods over one year are included in inventories even when they are not realizable within one year.

8) PROPERTY, PLANT AND EQUIPMENT

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

The estimated useful lives of buildings are 3 to 60 years, and those of machinery and equipment are 3 to 17 years. Maintenance and repairs, including minor renewals and betterments, are expensed as incurred.

9) IMPAIRMENT OF LONG-LIVED ASSETS

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

10) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Goodwill is assigned to reporting units. If the carrying amount of a reporting unit exceeds its fair value, the implied fair value of goodwill is calculated. If the carrying amount of reporting units' goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized to the amount equal to that excess on the condition that it should not exceed the total amount of goodwill allocated to that reporting unit. The annual goodwill measurement date

is basically January 1 for each reporting unit. In addition to the annual impairment test, an impairment test is performed if any situation that indicates a decline in enterprise fair value (for example, an adverse change in the business climate, etc.) arises.

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

11) ENVIRONMENTAL LIABILITIES

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

12) INCOME TAXES

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

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

13) 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.

14) NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Basic net earnings (loss) per share attributable to shareholders of the Company ("EPS") are computed based on the weighted-average number of shares of common stock outstanding during each period.

15) REVENUE RECOGNITION

Revenue of mass-produced standard products, such as for Storage & Electronic Solutions and Others is recognized when there is persuasive evidence of an arrangement, the product has been delivered, the sales price is fixed or determinable, and collectability is reasonably assured. Mass-produced standard products are considered delivered to customers once they have been shipped, and the title and risk of loss have transferred.

Revenue related to equipment that requires installation, such as for Energy System & Solutions and Infrastructure System Solutions, is recognized when the installation of the equipment is completed, the equipment is accepted by the customer and other specific criteria of the equipment are demonstrated by the Group.

Revenue from services, such as maintenance service for plant and other systems, that are priced and sold separately from the equipment is recognized ratably over the contract term or as the services are provided.

Revenue on long-term contracts is recorded under the percentage of completion method. To measure the extent of progress toward completion, the Group compares the costs incurred to date to the estimated total costs to complete based upon the most recent available information. When estimates of the extent of progress toward completion and contract costs are reasonably dependable, revenue from the contract is recognized based on the percentage of completion. A provision for contract losses is recorded in its entirety when the loss first becomes evident.

The Company has recognized revenue from several claims and unapproved change orders where the amounts can be estimated reliably, realization is probable and there is a legal basis for recognition. Revenue is recorded only to the extent that costs associated with claims or unapproved change orders have been incurred.

Revenue from arrangements with multiple elements, which may include any combination of products, equipment, installment and maintenance, is allocated to each element based on its relative selling price if such element meets the criteria for treatment as a separate unit of accounting as prescribed in ASC No. 605 "Revenue Recognition." Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting.

Revenue from the development of custom software products is recognized when there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collectability is probable, and the software product has been delivered and accepted by the customer.

16) SHIPPING AND HANDLING COSTS

The Group includes shipping and handling costs, which totaled ¥48,323 million ($431,455 thousand) and ¥70,552 million for the fiscal years ended March 31, 2017 and 2016 respectively, in selling, general and administrative expenses.

17) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses a variety of derivative financial instruments, which include forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options for the purpose of currency exchange rate and interest rate risk management. Refer to Note 20 for descriptions of these financial instruments.

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

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

18) SALES OF RECEIVABLES

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

19) ASSET RETIREMENT OBLIGATIONS

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

20) ADOPTION OF NEW ACCOUNTING STANDARDS

The Company early adopted the Accounting Standards Update ("ASU") No.2015-16 "Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments" from the third quarter of the fiscal year ended March 31, 2016, which began on October 1, 2015. To simplify the accounting for adjustments made to provisional amounts during a measurement period recognized in a business combination, ASU No.2015-16 eliminates the requirement to retrospectively account for those adjustments. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the amounts of the adjustments are determined.

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.

21) RECENT PRONOUNCEMENTS

In May 2014, the FASB issued ASU No.2014-09 "Revenue from Contracts with Customers." ASU No.2014-09 supersedes the revenue recognition requirements, and affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. To achieve the core principle, an entity should apply the five steps. ASU No.2014-09 requires an entity to disclose the qualitative and quantitative information, contracts with customers, significant judgments and

changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No.2014-09 is effective for fiscal years beginning after December 15, 2017, and the Company will adopt ASU No.2014-09 effective April 1, 2018. The Company is currently evaluating the impact of adoption of ASU No.2014-09 on the Company's financial position and operating results.

In January 2016, the FASB issued ASU No.2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." ASU No. 2016-01 has made revisions concerning recognition, measurement, presentation and disclosure of financial instruments. The amendments in this update require equity investments to be measured at fair value with changes in fair value recognized in net income or loss. ASU No.2016-01 is effective for fiscal years beginning after December 15, 2017, and the Company will adopt ASU No.2016-01 effective April 1, 2018. The Company is currently evaluating the impact of adoption of ASU No.2016-01 on the Company's financial position and operating results.

In February 2016, the FASB issued ASU No.2016-02 "Leases." ASU No. 2016-02 requires lessees to recognize lease assets and lease liabilities in the consolidated balance sheets, with some exceptions, in the lessee's lease agreements that are classified as operating leases. ASU No.2016-02 is effective for fiscal years beginning after December 15, 2018, and the Company will adopt ASU No.2016-02 effective April 1, 2019. The Company is currently evaluating the impact of adoption of ASU No.2016-02 on the Company's financial position and operating results.

22) SUBSEQUENT EVENTS

The Group has evaluated subsequent events up to August 10, 2017 in accordance with ASC No.855 "Subsequent Events."

23) RECLASSIFICATIONS

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

3. DESCRIPTION OF BUSINESS

The Group is engaged in research and development, manufacturing and sales of high-technology electronic and energy products. Products range from (1) Energy Systems & Solutions, (2) Infrastructure Systems & Solutions, (3) Retail & Printing Solutions, (4) Storage & Electronic Devices Solutions, (5) Industrial ICT Solutions, and (6) Others. For the fiscal year ended March 31, 2017, sales of Storage & Electronic Devices Solutions represented the most significant portion of the Group's total sales of approximately 33 percent. Infrastructure Systems & Solutions, second to Storage & Electronic Devices Solutions, represented approximately 24 percent, Energy Systems & Solutions was approximately 19 percent, Retail & Printing Solutions was approximately 10 percent, and Industrial ICT Solutions was approximately 5 percent of the Group's total sales. For the fiscal year ended March 31, 2016, sales for Storage & Electronic Devices Solutions represented the most significant portion of the Group's total sales of approximately 28 percent. Infrastructure Systems & Solutions represented approximately 24 percent, Energy Systems & Solutions was approximately 19 percent, Retail & Printing Solutions was approximately 10 percent, and Industrial ICT Solutions was approximately 5 percent of the Group's total sales. The Group's products are manufactured and marketed throughout the world with approximately 46 percent and 44 percent of its sales in Japan for the fiscal years ended March 31, 2017 and 2016, respectively, and the remainder sold in Asia, North America, Europe and other parts of the world.

4. DISCONTINUED OPERATIONS

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:

Financial position

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Assets:			
Cash and cash equivalents	¥ –	¥ 1,302	$ –
Notes and accounts receivable, trade	–	6,303	–
Inventories	–	3,637	–
Property, plant and equipment	–	274	–
Goodwill and other intangible assets	–	560	–
Deferred tax assets	–	283	–
Other assets	–	851	–
Total assets of discontinued operations	¥ –	¥ 13,210	$ –
Liabilities:			
Notes and accounts payable, trade	¥ –	¥ 4,903	$ –
Accounts payable, other and accrued expenses	–	443	–
Accrued pension and severance costs	–	429	–
Other liabilities	–	2,873	–
Total liabilities of discontinued operations	¥ –	¥ 8,648	$ –

Results of operations

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Sales and other income	¥ **11,810**	¥ 432,736	$ **105,446**
Net sales	**6,528**	419,961	**58,286**
Other income	**5,282**	12,775	**47,160**
Costs and expenses	**5,627**	413,946	**50,241**
Cost of sales	**3,308**	247,779	**29,536**
Selling, general and administrative	**2,265**	161,776	**20,223**
Other expense	**54**	4,391	**482**
Income from discontinued operations, before income taxes and noncontrolling interests	**6,183**	18,790	**55,205**
Gain from sale of shares of discontinued operations, before income taxes and noncontrolling interests	**13,638**	591,351	**121,768**
Income taxes	**2,171**	223,020	**19,384**
Income from discontinued operations, before noncontrolling interests	**17,650**	387,121	**157,589**
Less: Net income from discontinued operations attributable to noncontrolling interests	**–**	47	**–**
Net income from discontinued operations attributable to shareholders of the Company	¥ **17,650**	¥ 387,074	$ **157,589**

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:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Depreciation and amortization	**¥ 53**	¥ 9,949	**$ 473**
Capital expenditures	**32**	13,188	**286**

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:

Financial position

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Assets:			
Cash and cash equivalents	**¥ –**	¥ 4,512	**$ –**
Notes and accounts receivable, trade	**–**	33,241	**–**
Inventories	**–**	18,112	**–**
Other assets	**–**	21,073	**–**
Total assets of discontinued operations	**¥ –**	¥ 76,938	**$ –**
Liabilities:			
Short-term borrowings	**¥ –**	¥ 9,118	**$ –**
Notes and accounts payable, trade	**–**	29,665	**–**
Accrued pension and severance costs	**–**	28,558	**–**
Other liabilities	**–**	41,095	**–**
Total liabilities of discontinued operations	**¥ –**	¥ 108,436	**$ –**

Results of operations

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Sales and other income	**¥ 75,860**	¥ 370,743	**$ 677,321**
Net sales	**75,138**	366,871	**670,875**
Other income	**722**	3,872	**6,446**
Costs and expenses	**79,639**	387,304	**711,062**
Cost of sales	**62,139**	308,528	**554,812**
Selling, general and administrative	**17,068**	77,021	**152,393**
Other expense	**432**	1,755	**3,857**
Loss from discontinued operations, before income taxes and noncontrolling interests	**(3,779)**	(16,561)	**(33,741)**
Gain from sale of shares of discontinued operations, before income taxes and noncontrolling interests	**83,923**	–	**749,312**
Income taxes	**4,546**	(298)	**40,589**
Income (loss) from discontinued operations, before noncontrolling interests	**75,598**	(16,263)	**674,982**
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	**26**	(1,075)	**232**
Net income (loss) from discontinued operations attributable to shareholders of the Company	**¥ 75,572**	¥ (15,188)	**$ 674,750**

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		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Depreciation and amortization	**¥ 224**	¥ 195	**$ 2,000**
Capital expenditures	**2,461**	5,781	**21,973**

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:

March 31	Millions of yen 2017	2016	Thousands of U.S. dollars 2017
Assets:			
Cash and cash equivalents	¥ –	¥ 24,606	$ –
Notes and accounts receivable, trade	–	78,604	–
Inventories	–	66,210	–
Property, plant and equipment	–	113,808	–
Goodwill and other intangible assets	–	248,336	–
Deferred tax assets	–	20,726	–
Other assets	–	279,366	–
Total assets of discontinued operations	¥ –	¥ 831,656	$ –
Liabilities:			
Short-term borrowings	¥ –	¥ 20,286	$ –
Notes and accounts payable, trade	–	68,533	–
Advance payments received	–	243,731	–
Accrued pension and severance costs	–	70,146	–
Other liabilities	–	177,220	–
Total liabilities of discontinued operations	¥ –	¥ 579,916	$ –

Results of operations

Year ended March 31	Millions of yen 2017	2016	Thousands of U.S. dollars 2017
Sales and other income	¥ 644,231	¥ 528,047	$ 5,752,063
Net sales	643,066	528,444	5,741,661
Other income	1,165	(397)	10,402
Costs and expenses	2,038,388	761,831	18,199,893
Cost of sales	623,094	425,124	5,563,339
Impairment loss on goodwill	731,640	247,600	6,532,500
Impairment loss on fixed assets	114,220	–	1,019,822
Selling, general and administrative	80,624	81,448	719,857
Other expense	488,810	7,659	4,364,375
Loss from discontinued operations, before income taxes and noncontrolling interests	(1,394,157)	(233,784)	(12,447,830)
Income taxes	(20,809)	7,337	(185,794)
Loss from discontinued operations, before noncontrolling interests	(1,373,348)	(241,121)	(12,262,036)
Less: Net loss from discontinued operations attributable to noncontrolling interests	(130,559)	(31,144)	(1,165,706)
Net loss from discontinued operations attributable to shareholders of the Company	¥ (1,242,789)	¥ (209,977)	$(11,096,330)

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		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Depreciation and amortization	**¥ 28,647**	¥ 25,015	**$ 255,777**
Capital expenditures	**7,804**	16,728	**69,679**

5. FAIR VALUE MEASUREMENTS

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

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

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities that are measured at fair value on a recurring basis at March 31, 2017 and 2016 are as follows:

	Millions of yen			
March 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	**¥ 52,018**	**¥ 437**	**¥ –**	**¥ 52,455**
Debt securities	**–**	**–**	**200**	**200**
Derivative assets:				
Forward exchange contracts	**–**	**1,503**	**–**	**1,503**
Total assets	**¥ 52,018**	**¥ 1,940**	**¥ 200**	**¥ 54,158**
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	**¥ –**	**¥ 1,261**	**¥ –**	**¥ 1,261**
Interest rate swap agreements	**–**	**2,926**	**–**	**2,926**
Total liabilities	**¥ –**	**¥ 4,187**	**¥ –**	**¥ 4,187**

	Millions of yen			
March 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	¥ 58,997	¥ 232	¥ –	¥ 59,229
Debt securities	–	–	203	203
Derivative assets:				
Forward exchange contracts	–	2,132	–	2,132
Total assets	¥ 58,997	¥ 2,364	¥ 203	¥ 61,564
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	¥ –	¥ 3,193	¥ –	¥ 3,193
Interest rate swap agreements	–	6,594	–	6,594
Total liabilities	¥ –	¥ 9,787	¥ –	¥ 9,787

March 31, 2017	Thousands of U.S. dollars Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	$ 464,447	$ 3,901	$ –	$ 468,348
Debt securities	–	–	1,786	1,786
Derivative assets:				
Forward exchange contracts	–	13,420	–	13,420
Total assets	$ 464,447	$ 17,321	$ 1,786	$ 483,554
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	$ –	$ 11,259	$ –	$ 11,259
Interest rate swap agreements	–	26,125	–	26,125
Total liabilities	$ –	$ 37,384	$ –	$ 37,384

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

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

Analyses of the changes in Level 3 assets measured at fair value on a recurring basis for the years ended March 31, 2017 and 2016 are as follows:

Year ended March 31, 2017	Millions of yen Marketable securities
Balance at beginning of year	¥ 203
Total gains or losses (realized or unrealized):	
Included in gains (losses):	
Other expense	(3)
Purchases	–
Sales	–
Issuances	–
Settlements	–
Balance at end of year	¥ 200

Year ended March 31, 2016	Millions of yen Marketable securities
Balance at beginning of year	¥ 320
Total gains or losses (realized or unrealized):	
Included in gains (losses):	
Other expense	(91)
Included in other comprehensive income (loss):	
Net unrealized gains and losses on securities	(29)
Purchases	3
Sales	–
Issuances	–
Settlements	–
Balance at end of year	¥ 203

Year ended March 31, 2017	Thousands of U.S. dollars Marketable securities
Balance at beginning of year	**$ 1,813**
Total gains or losses (realized or unrealized):	
Included in gains (losses):	
Other expense	**(27)**
Purchases	**–**
Sales	**–**
Issuances	**–**
Settlements	**–**
Balance at end of year	**$ 1,786**

At March 31, 2017 and 2016, Level 3 assets measured at fair value on a recurring basis consisted of corporate debt securities.

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

Assets that are measured at fair value on a non-recurring basis and the recognized losses at March 31, 2017 and 2016 are as follows:

	Millions of yen									
	Fair value								Impairment losses	
Year ended March 31, 2017	Level 1		Level 2		Level 3		Total			
Assets:										
Equity securities	**¥**	**–**	**¥**	**–**	**¥**	**62**	**¥**	**62**	**¥**	**1,691**
Investments in affiliates		**10,343**		**–**		**1,124**		**11,467**		**2,912**
Goodwill		**–**		**–**		**0**		**0**		**16,914**
Long-lived assets held for use		**–**		**–**		**265**		**265**		**34,529**
Total assets	**¥**	**10,343**	**¥**	**–**	**¥**	**1,451**	**¥**	**11,794**	**¥**	**56,046**

	Millions of yen									
	Fair value								Impairment losses	
Year ended March 31, 2016	Level 1		Level 2		Level 3		Total			
Assets:										
Equity securities	¥	–	¥	–	¥	831	¥	831	¥	4,769
Investments in affiliates		13,835		–		1,398		15,233		32,478
Goodwill		–		–		0		0		47,372
Long-lived assets held for use		–		–		75,885		75,885		163,066
Long-lived assets held for sale		–		–		2,324		2,324		2,962
Total assets	¥	13,835	¥	–	¥	80,438	¥	94,273	¥	250,647

	Thousands of U.S. dollars									
	Fair value								Impairment losses	
Year ended March 31, 2017	Level 1		Level 2		Level 3		Total			
Assets:										
Equity securities	**$**	**–**	**$**	**–**	**$**	**554**	**$**	**554**	**$**	**15,098**
Investments in affiliates		**92,348**		**–**		**10,036**		**102,384**		**26,000**
Goodwill		**–**		**–**		**0**		**0**		**151,018**
Long-lived assets held for use		**–**		**–**		**2,366**		**2,366**		**308,295**
Total assets	**$**	**92,348**	**$**	**–**	**$**	**12,956**	**$**	**105,304**	**$**	**500,411**

Certain non-marketable equity securities accounted for under the cost method were written down to their fair value, resulting in other-than-temporary impairment for the fiscal years ended March 31, 2017 and 2016. The impaired securities were classified within Level 3 as their fair values were valued based on the specific valuation assumptions and techniques of the Group derived from unobservable inputs.

Certain equity method investments in affiliates were written down to their fair value, resulting in other-than-temporary impairment for the fiscal years ended March 31, 2017 and 2016. Some of them were classified within Level 1 as they were valued based on quoted market prices in active markets. Others were classified within Level 3 as they were valued based on the specific valuation techniques and assumptions of the Group or the transfer price of stocks with unobservable inputs.

Previous equity interests of newly controlled subsidiaries in step acquisitions and retained investment in the former subsidiary were classified within Level 3 as they were valued based on the specific valuation techniques and assumptions of the Group with unobservable inputs for the fiscal year ended March 31, 2016.

The impaired Goodwill was classified within Level 3 as it was valued based on the discounted cash flow method and comparable peer company analysis with unobservable inputs for the fiscal years ended March 31, 2017 and 2016.

The impaired long-lived assets held for use were classified within Level 3 as they were valued based on future assumptions such as discounted cash flows expected to be generated by the related assets with unobservable inputs for the fiscal years ended March 31, 2017 and 2016. The discount rate used for the weighted average cost was 6.8% to 10.9%.

Long-lived assets held for sale were classified within Level 3 as they were valued based on transfer price with unobservable inputs for the fiscal year ended March 31, 2016.

As a result, the recognized impairment losses for the fiscal years ended March 31, 2017 and 2016 are mainly included in cost of sales, impairment loss on goodwill, equity in gains and losses of affiliates, and other expense in the consolidated statements of operations.

6. MARKETABLE SECURITIES AND OTHER INVESTMENTS

The aggregate cost, gross unrealized holding gains and losses, and aggregate fair value for marketable equity securities and debt securities classified as available-for-sale securities by security type at March 31, 2017 and 2016 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2017:				
Equity securities	**¥ 18,229**	**¥ 34,665**	**¥ 439**	**¥ 52,455**
Debt securities	**200**	**–**	**–**	**200**
	¥ 18,429	**¥ 34,665**	**¥ 439**	**¥ 52,655**
March 31, 2016:				
Equity securities	¥ 25,090	¥ 35,988	¥ 1,849	¥ 59,229
Debt securities	203	–	–	203
	¥ 25,293	¥ 35,988	¥ 1,849	¥ 59,432

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2017:				
Equity securities	**$ 162,759**	**$ 309,509**	**$ 3,920**	**$ 468,348**
Debt securities	**1,786**	**–**	**–**	**1,786**
	$ 164,545	**$ 309,509**	**$ 3,920**	**$ 470,134**

At March 31, 2017 and 2016, debt securities mainly consist of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale at March 31, 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2017:	Cost	Fair value	Cost	Fair value
Due within one year	**¥ 200**	**¥ 200**	**$ 1,786**	**$ 1,786**
Due after one year within five years	**–**	**–**	**–**	**–**
Due after five years within ten years	**–**	**–**	**–**	**–**
Due after ten years	**0**	**0**	**0**	**0**
	¥ 200	**¥ 200**	**$ 1,786**	**$ 1,786**

The proceeds from sales of available-for-sale securities for the fiscal year ended March 31, 2017 were ¥11,828 million ($105,607 thousand). The gross realized gains on those sales for the fiscal year ended March 31, 2017 were ¥6,676 million ($59,607 thousand) and the gross realized losses on those sales were immaterial. The proceeds from sales of available-for-sale securities for the year ended March 31, 2016 were ¥145,180 million. The gross realized gains on those sales for the fiscal year ended March 31, 2016 were ¥129,429 million and the gross realized losses on those sales were ¥607 million.

At March 31, 2017, the cost and fair value of available-for-sale securities in an unrealized loss position over 12 consecutive months were immaterial.

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥38,919 million ($347,491 thousand) and ¥27,013 million at March 31, 2017 and 2016, respectively. At March 31, 2017 and 2016, investments with an aggregate cost of ¥38,857 million ($346,938 thousand) and ¥26,182 million were not evaluated for impairment because (a) the Group did not estimate the fair value of those investments as it was not practicable to estimate the fair value of those investments and (b) the Group did not identify any events or changes in circumstances that might have had significant adverse effects on the fair value of those investments.

Included in other expense are charges of ¥4,646 million ($41,482 thousand) and ¥8,697 million related to other-than-temporary impairments in the marketable and non-marketable equity securities for the fiscal years ended March 31, 2017 and 2016, respectively.

7. SECURITIZATIONS

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

The Group recognized losses of ¥265 million ($2,366 thousand) and ¥817 million on the transfers of receivables for the fiscal years ended March 31, 2017 and 2016, respectively.

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

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Proceeds from new securitizations	**¥ 192,676**	¥ 726,761	**$ 1,720,321**
Servicing fees for the collection of the receivables	**–**	453	**–**
Repurchase of delinquent or unqualified receivables	**32**	246	**286**

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the fiscal years ended March 31, 2017 and 2016 are as follows. Of these receivables, deferred proceeds for the receivables transferred as of March 31, 2017 and 2016 were ¥6,361 million ($56,795 thousand) and ¥7,195 million, respectively and were recorded as other receivables.

	Millions of yen					
	Total principal amount of receivables		Amount 90 days or more past due		Net credit losses	
	March 31				Year ended March 31	
	2017	2016	**2017**	2016	**2017**	2016
Accounts receivable	**¥ 1,154,772**	¥ 1,210,091	**¥ 33,067**	¥ 33,866	**¥ 2,039**	¥ 1,531
Notes receivable	**72,545**	70,362	**5**	0	**0**	0
Total managed portfolio	**1,227,317**	1,280,453	**¥ 33,072**	¥ 33,866	**¥ 2,039**	¥ 1,531
Securitized receivables	**(64,165)**	(81,382)				
Total receivables	**¥ 1,163,152**	¥ 1,199,071				

	Thousands of U.S. dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2017		Year ended March 31, 2017
Accounts receivable	**$ 10,310,465**	**$ 295,241**	**$ 18,205**
Notes receivable	**647,723**	**45**	**0**
Total managed portfolio	**10,958,188**	**$ 295,286**	**$ 18,205**
Securitized receivables	**(572,902)**		
Total receivables	**$ 10,385,286**		

8. INVENTORIES

Inventories at March 31, 2017 and 2016 consist of the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Finished products	**¥ 215,454**	¥ 250,717	**$ 1,923,696**
Work in process:			
Long-term contracts	**88,781**	71,064	**792,688**
Other	**221,818**	236,738	**1,980,518**
Raw materials	**98,268**	104,394	**877,393**
	¥ 624,321	¥ 662,913	**$ 5,574,295**

9. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The Group's significant investments in affiliated companies accounted for under the equity method along with the percentage of the Group's ownership of voting shares at March 31, 2017 were: Shibaura Mechatronics Corporation (39.1%); Guangdong Meizhi Compressor Ltd. (40.0%); Toshiba Mitsubishi-Electric Industrial Systems Corporation (50.0%); Guangdong Midea Air-Conditioning Equipment Co., Ltd. (20.0%); and Dalian Toshiba Locomotive Electric Equipment Co., Ltd. (50.0%).

Of the affiliates which were accounted for by the equity method, the investments in common stock of the listed companies were carried at ¥6,014 million ($53,696 thousand) and ¥19,709 million at March 31, 2017 (2 companies) and 2016 (3 companies), respectively. The Group's investments in these companies had market values of ¥7,822 million ($69,839 thousand) and ¥18,335 million at March 31, 2017 and 2016, respectively, based on quoted market prices at those dates.

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

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Current assets	**¥ 1,256,934**	¥ 1,582,287	**$ 11,222,625**
Other assets including property, plant and equipment	**711,275**	789,050	**6,350,670**
Total assets	**¥ 1,968,209**	¥ 2,371,337	**$ 17,573,295**
Current liabilities	**¥ 1,207,456**	¥ 1,443,923	**$ 10,780,857**
Long-term liabilities	**232,338**	226,483	**2,074,447**
Equity	**528,415**	700,931	**4,717,991**
Total liabilities and equity	**¥ 1,968,209**	¥ 2,371,337	**$ 17,573,295**

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Sales	**¥ 1,690,813**	¥ 1,879,085	**$ 15,096,545**
Net income	**32,608**	38,771	**291,143**

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Sales	**¥ 134,088**	¥ 139,786	**$ 1,197,214**
Purchases	**185,150**	184,447	**1,653,125**
Dividends	**10,503**	11,685	**93,777**

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Notes and accounts receivable, trade	**¥ 33,899**	¥ 36,653	**$ 302,670**
Other receivables	**19,980**	25,109	**178,393**
Advance payments	**778**	6,449	**6,946**
Long-term loans receivable	**79,500**	38,750	**709,821**
Notes and accounts payable, trade	**24,977**	32,982	**223,009**
Other payables	**14,203**	12,998	**126,813**
Advance payments received	**6,102**	8,770	**54,482**

10. GOODWILL AND OTHER INTANGIBLE ASSETS

The Group recorded impairment losses of ¥16,859 million ($150,527 thousand) on goodwill attributable to the Energy Systems & Solutions segment in the fiscal year ended March 31, 2017. The impairment losses primarily resulted from revision of the mid-term business plan in the reporting units, Oil and Gas business and Electric power sales business, resulting from the uncertain business environment conditions triggered by the fact that WEC, its Group entities, and TNEH(UK) resolved and then filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy code on March 29, 2017. The fair value was measured using the discounted cash flow method and adjusted net value method. The measurement date was at March 31, 2017.

The Group recorded impairment losses of ¥28,096 million on goodwill attributable to the Retail & Printing Solutions segment in the fiscal year ended March 31, 2016. This was due to a decrease in fair value of the reporting unit as a result of revising the mid-term business plan based on a tendency toward restricted investment by major customers and a growing sense of uncertainty regarding future demand in the Retail Store Solutions business acquired. The fair value was measured using the discounted cash flow method and comparable peer company analysis. The measurement date was at September 30, 2015.

The Group recorded impairment losses of ¥16,560 million on goodwill attributable to the Energy Systems & Solutions segment in the fiscal year ended March 31, 2016. This was due to a decrease in fair value of the reporting unit as a result of revising the mid-term business plan considering a downturn of overseas operations in some emerging countries and other countries and a growing sense of uncertainty regarding future demand in the Transmission & Distribution Systems business. The fair value was measured using the discounted cash flow method. The measurement date was at December 31, 2015.

The Group recorded impairment losses on intangible assets excluding goodwill in the fiscal years ended March 31, 2017 and 2016. Impairment losses on intangible assets excluding goodwill have been disclosed in Note 16.

The components of acquired intangible assets excluding goodwill at March 31, 2017 and 2016 are as follows:

	Millions of yen		
March 31, 2017	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 155,837	¥ 116,628	¥ 39,209
Technical license fees	57,008	49,473	7,535
Core and current technology	47,737	25,846	21,891
Customer relationship	72,775	32,818	39,957
Other	49,265	28,411	20,854
Total	¥ 382,622	¥ 253,176	¥ 129,446
Other intangible assets not subject to amortization:			
Brand name			¥ 3,249
Other			1,452
Total			4,701
			¥ 134,147

March 31, 2016	Millions of yen		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 155,197	¥ 113,762	¥ 41,435
Technical license fees	52,670	51,394	1,276
Core and current technology	48,922	22,481	26,441
Customer relationship	73,745	29,430	44,315
Other	47,191	24,099	23,092
Total	¥ 377,725	¥ 241,166	¥ 136,559
Other intangible assets not subject to amortization:			
Brand name			¥ 3,623
Other			1,897
Total			5,520
			¥ 142,079

March 31, 2017	Thousands of U.S. dollars		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**$ 1,391,402**	**$ 1,041,321**	**$ 350,081**
Technical license fees	**509,000**	**441,723**	**67,277**
Core and current technology	**426,223**	**230,768**	**195,455**
Customer relationship	**649,777**	**293,018**	**356,759**
Other	**439,866**	**253,670**	**186,196**
Total	**$ 3,416,268**	**$ 2,260,500**	**$ 1,155,768**
Other intangible assets not subject to amortization:			
Brand name			**$ 29,009**
Other			**12,964**
Total			**41,973**
			$ 1,197,741

Other intangible assets acquired during the fiscal year ended March 31, 2017 primarily consisted of software of ¥13,727 million ($122,563 thousand). The weighted-average amortization period of software for the fiscal year ended March 31, 2017 was approximately 4.9 years.

The weighted-average amortization periods for other intangible assets were approximately 8.3 years and 8.4 years for the fiscal years ended March 31, 2017 and 2016, respectively.

Amortization expenses of other intangible assets subject to amortization for the fiscal years ended March 31, 2017 and 2016 are ¥27,316 million ($243,893 thousand) and ¥32,094 million, respectively. The future amortization expense for each of the next 5 years relating to other intangible assets currently recorded in the consolidated balance sheet at March 31, 2017 is estimated as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 25,001	$ 223,223
2019	21,538	192,304
2020	18,230	162,768
2021	15,526	138,625
2022	12,049	107,580

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2017 and 2016 are as follows:

Year ended March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Balance at beginning of year	¥ **249,474**	¥ 308,933	$ **2,227,446**
Goodwill acquired during the year	**–**	5,370	**–**
Impairment losses	**(16,914)**	(47,372)	**(151,018)**
Foreign currency translation adjustments	**(5,138)**	(17,457)	**(45,874)**
Balance at end of year	¥ **227,422**	¥ 249,474	$ **2,030,554**

As of March 31, 2017 and 2016, goodwill allocated to Energy Systems & Solutions is ¥160,135 million ($1,429,777 thousand) and ¥180,354 million, respectively. The rest was primarily allocated to Retail & Printing Solutions.

As of March 31, 2017 and 2016, accumulated impairment losses were ¥59,021 million ($526,973 thousand) and ¥42,874 million, respectively.

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2017 and 2016 consist of the following:

March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Loans and overdrafts, principally from banks, with weighted-average interest rate of 3.45% at March 31, 2017, and 1.68% at March 31, 2016:			
Secured	¥ **–**	¥ –	$ **–**
Unsecured	**357,551**	410,983	**3,192,420**
	¥ **357,551**	¥ 410,983	$ **3,192,420**

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

At March 31, 2017, the Group had unused committed lines of credit from short-term financing arrangements aggregating ¥400,000 million ($3,571,429 thousand). The lines of credit will expire in September 2017. Under the agreements, the Group is required to pay commitment fees at an annual rate of 0.18 percent on the unused portion of the lines of credit.

The Group also has ¥280,000 million ($2,500,000 thousand) related to committed lines of credit agreements other than those above.

Long-term debt at March 31, 2017 and 2016 consist of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Loans, principally from banks, due 2017 to 2030 with weighted-average interest rate of 0.77% at March 31, 2017, and due 2016 to 2030 with weighted-average interest rate of 0.70% at March 31, 2016:			
Secured	**¥ –**	¥ –	**$ –**
Unsecured	**620,462**	709,534	**5,539,839**
Unsecured yen bonds, due 2017 to 2020 with interest rates ranging from 0.40% to 1.68% at March 31, 2017, and due 2016 to 2020 with interest rates ranging from 0.40% to 2.20% at March 31, 2016	**209,816**	300,000	**1,873,357**
Capital lease obligations	**15,967**	21,017	**142,563**
	846,245	1,030,551	**7,555,759**
Less-Portion due within one year	**(328,074)**	(208,431)	**(2,929,232)**
	¥ 518,171	¥ 822,120	**$ 4,626,527**

Substantially all of the unsecured loan agreements permit the lenders to require collateral or guarantees for such loans.
Long-term debt from syndicated loan agreements is included in Less-Portion due within one year for the infringement of financial covenants.

The aggregate annual maturities of long-term debt, as of March 31, 2017 and 2016, excluding those of capital lease obligations, are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
2017	**¥ –**	¥ 201,202	**$ –**
2018	**241,871**	239,798	**2,159,563**
2019	**173,468**	162,465	**1,548,821**
2020	**344,869**	339,557	**3,079,187**
2021	**33,502**	33,503	**299,125**
Thereafter	**–**	33,009	**–**
2022	**–**	–	**–**
Thereafter	**36,752**	–	**328,143**
	¥ 830,462	¥ 1,009,534	**$ 7,414,839**

12. ACCRUED PENSION AND SEVERANCE COSTS

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

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

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

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

The following figures include the effects of discontinued operations relating to the Healthcare business, the Home Appliances business, and the Westinghouse's Nuclear Power business.

The changes in the benefit obligation and plan assets for the fiscal years ended March 31, 2017 and 2016 and the funded status at March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥ 1,793,707**	¥ 1,846,107	**$ 16,015,241**
Service cost	**58,944**	68,081	**526,286**
Interest cost	**17,624**	26,700	**157,357**
Plan participants' contributions	**1,897**	3,899	**16,938**
Plan amendments	**(364)**	46	**(3,250)**
Actuarial loss	**14,978**	77,423	**133,732**
Benefits paid	**(109,607)**	(119,435)	**(978,634)**
Acquisitions and divestitures	**(242,924)**	(90,293)	**(2,168,964)**
Curtailments and settlements	**(15,230)**	–	**(135,982)**
Foreign currency exchange impact	**(8,495)**	(18,821)	**(75,849)**
Benefit obligation at end of year	**¥ 1,510,530**	¥ 1,793,707	**$ 13,486,875**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 1,134,765**	¥ 1,262,289	**$ 10,131,830**
Actual return on plan assets	**71,091**	(65,092)	**634,741**
Employer contributions	**43,619**	62,538	**389,455**
Plan participants' contributions	**1,897**	3,899	**16,938**
Benefits paid	**(92,688)**	(60,573)	**(827,571)**
Acquisitions and divestitures	**(158,127)**	(53,815)	**(1,411,848)**
Curtailments and settlements	**(8,283)**	–	**(73,955)**
Foreign currency exchange impact	**(6,487)**	(14,481)	**(57,920)**
Fair value of plan assets at end of year	**¥ 985,787**	¥ 1,134,765	**$ 8,801,670**
Funded status	**¥ (524,743)**	¥ (658,942)	**$ (4,685,205)**

Notes: Major acquisitions and divestitures for the fiscal year ended March 31, 2017 represent the effects of deconsolidation of the Westinghouse's Nuclear Power business, and the sale of the Home Appliance business. Major acquisitions and divestitures for the fiscal year ended March 31, 2016 represent the effects of the sale of the Healthcare business.

Amounts recognized in the consolidated balance sheets at March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Other assets	**¥ 6,493**	¥ –	**$ 57,974**
Current assets of discontinued operations	**–**	621	**–**
Other current liabilities	**(72)**	(69)	**(643)**
Accrued pension and severance costs	**(531,164)**	(559,256)	**(4,742,536)**
Non-current liabilities of discontinued operations	**–**	(100,238)	**–**
	¥ (524,743)	¥ (658,942)	**$ (4,685,205)**

Amounts recognized in accumulated other comprehensive loss at March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Unrecognized actuarial loss	**¥ 481,088**	¥ 589,798	**$ 4,295,429**
Unrecognized prior service cost	**(18,188)**	(21,811)	**(162,393)**
	¥ 462,900	¥ 567,987	**$ 4,133,036**

The accumulated benefit obligation at March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Accumulated benefit obligation	**¥ 1,488,082**	¥ 1,742,656	**$ 13,286,446**

The components of the net periodic pension and severance cost for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Service cost	**¥ 58,944**	¥ 68,081	**$ 526,286**
Interest cost on projected benefit obligation	**17,624**	26,700	**157,357**
Expected return on plan assets	**(33,104)**	(37,108)	**(295,571)**
Amortization of prior service cost	**(3,393)**	(3,680)	**(30,295)**
Recognized actuarial loss	**29,126**	19,816	**260,054**
Curtailment and settlement loss recognized and others	**12,486**	27,851	**111,482**
Net periodic pension and severance cost	**¥ 81,683**	¥ 101,660	**$ 729,313**

Notes: 1) Net periodic pension and severance cost for the fiscal years ended March 31, 2017 and 2016 includes pension cost related to the income (loss) from discontinued operations of the Healthcare business and the Home Appliances business in the amounts of ¥16,025 million ($143,080 thousand) and ¥43,055 million, respectively.
2) Curtailment and settlement loss recognized and others for the fiscal year ended March 31, 2017 includes ¥8,813 million ($78,688 thousand) which constitutes a portion of gain from the sales of the Home Appliances business. Curtailment and settlement loss recognized and others for the fiscal year ended March 31, 2016 includes ¥26,458 million which constitutes a portion of gain from the sales of the Healthcare business.

Other changes in plan assets and benefit obligation recognized in the other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Current year actuarial (gain) loss	**¥ (23,009)**	¥ 179,623	**$ (205,437)**
Recognized actuarial loss	**(29,126)**	(19,816)	**(260,054)**
Prior service cost due to plan amendments	**(364)**	46	**(3,250)**
Amortization of prior service cost	**3,393**	3,680	**30,295**
	¥ (49,106)	¥ 163,533	**$ (438,446)**

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

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2018	2018
Prior service cost	¥ (3,323)	$ (29,670)
Actuarial loss	23,609	210,795

The Group expects to contribute ¥35,202 million ($314,304 thousand) to its defined benefit plans, which include the cash balance plan, in the fiscal year ending March 31, 2018.

The following benefit payments are expected to be paid:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 67,814	$ 605,482
2019	73,043	652,170
2020	75,726	676,125
2021	81,142	724,482
2022	84,762	756,804
2023 - 2027	460,093	4,107,973

Weighted-average assumptions used to determine benefit obligations as of March 31, 2017 and 2016 and net periodic pension and severance cost for the fiscal years then ended are as follows:

March 31	**2017**	2016
Discount rate	**0.7%**	1.1%
Rate of compensation increase	**3.1%**	3.5%

Year ended March 31	**2017**	2016
Discount rate	**1.1%**	1.5%
Expected long-term rate of return on plan assets	**2.9%**	2.9%
Rate of compensation increase	**3.5%**	3.0%

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

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

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

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

The three levels of input used to measure fair value are more fully described in Note 5. The plan assets that are measured at fair value at March 31, 2017 and 2016 by asset category are as follows:

	Millions of yen			
March 31, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 39,572	¥ –	¥ –	¥ 39,572
Equity securities:				
Japanese companies	143,126	–	–	143,126
Foreign companies	82,771	–	–	82,771
Pooled funds	–	60,560	–	60,560
Debt securities:				
Government bonds	132,415	–	–	132,415
Municipal bonds	–	286	–	286
Corporate bonds	–	6,706	–	6,706
Pooled funds	–	201,446	–	201,446
Other assets:				
Hedge funds	–	–	180,146	180,146
Real estate	–	–	55,272	55,272
Life insurance company general accounts	–	78,971	–	78,971
Other assets	–	4,516	–	4,516
Total	¥ 397,884	¥ 352,485	¥ 235,418	¥ 985,787

	Thousands of U.S. dollars			
March 31, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 353,321	$ –	$ –	$ 353,321
Equity securities:				
Japanese companies	1,277,911	–	–	1,277,911
Foreign companies	739,027	–	–	739,027
Pooled funds	–	540,714	–	540,714
Debt securities:				
Government bonds	1,182,277	–	–	1,182,277
Municipal bonds	–	2,554	–	2,554
Corporate bonds	–	59,875	–	59,875
Pooled funds	–	1,798,625	–	1,798,625
Other assets:				
Hedge funds	–	–	1,608,446	1,608,446
Real estate	–	–	493,500	493,500
Life insurance company general accounts	–	705,098	–	705,098
Other assets	–	40,322	–	40,322
Total	$ 3,552,536	$ 3,147,188	$ 2,101,946	$ 8,801,670

Notes: 1) Pooled funds in equity securities invest in listed equity securities of foreign companies.
2) Government bonds include approximately 80% for Japanese government bonds, and 20% for foreign government bonds.
3) Pooled funds in debt securities invest in approximately 29% for foreign government bonds, 23% for Japanese government bonds, and 48% for municipal bonds and corporate bonds.

March 31, 2016	Millions of yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 1,592	¥ –	¥ –	¥ 1,592
Equity securities:				
Japanese companies	154,480	–	–	154,480
Foreign companies	64,390	–	–	64,390
Pooled funds	50,097	120,800	–	170,897
Debt securities:				
Government bonds	218,399	–	–	218,399
Municipal bonds	–	765	–	765
Corporate bonds	–	16,062	–	16,062
Pooled funds	49,442	139,585	6,375	195,402
Other assets:				
Hedge funds	–	–	175,966	175,966
Real estate	–	–	50,338	50,338
Life insurance company general accounts	–	81,648	–	81,648
Other assets	–	4,826	–	4,826
Total	¥ 538,400	¥ 363,686	¥ 232,679	¥ 1,134,765

Notes: 1) Pooled funds in equity securities invest in listed equity securities consisting of approximately 5% Japanese companies and 95% foreign companies.
2) Government bonds include approximately 78% for Japanese government bonds and 22% for foreign government bonds.
3) Pooled funds in debt securities invest in approximately 36% for foreign government bonds, 64% for municipal bonds and corporate bonds.
4) The table above includes the effect related with discontinued operations of the Home Appliances business and Westinghouse's Nuclear Power business in the amounts of ¥8,774 million and ¥141,215 million, respectively.

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

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

An analysis of the changes in Level 3 plan assets measured at fair value for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen			
Year ended March 31, 2017	Pooled funds	Hedge funds	Real estate	Total
Balance at beginning of year	**¥ 6,375**	**¥ 175,966**	**¥ 50,338**	**¥ 232,679**
Actual return:				
Relating to assets sold	**–**	**231**	**113**	**344**
Relating to assets still held	**–**	**10,352**	**1,048**	**11,400**
Purchases, issuances and settlements	**(6,375)**	**(6,403)**	**3,773**	**(9,005)**
Balance at end of year	**¥ –**	**¥ 180,146**	**¥ 55,272**	**¥ 235,418**

	Millions of yen			
Year ended March 31, 2016	Pooled funds	Hedge funds	Real estate	Total
Balance at beginning of year	¥ 8,122	¥ 189,004	¥ 46,137	¥ 243,263
Actual return:				
Relating to assets sold	–	315	64	379
Relating to assets still held	(1,747)	(15,704)	2,430	(15,021)
Purchases, issuances and settlements	–	2,351	1,707	4,058
Balance at end of year	¥ 6,375	¥ 175,966	¥ 50,338	¥ 232,679

	Thousands of U.S. dollars			
Year ended March 31, 2017	Pooled funds	Hedge funds	Real estate	Total
Balance at beginning of year	**$ 56,920**	**$ 1,571,125**	**$ 449,446**	**$ 2,077,491**
Actual return:				
Relating to assets sold	**–**	**2,062**	**1,009**	**3,071**
Relating to assets still held	**–**	**92,429**	**9,357**	**101,786**
Purchases, issuances and settlements	**(56,920)**	**(57,170)**	**33,688**	**(80,402)**
Balance at end of year	**$ –**	**$ 1,608,446**	**$ 493,500**	**$ 2,101,946**

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

Defined contribution pension cost for the fiscal years ended March 31, 2017 and 2016 were ¥11,043 million ($98,598 thousand) and ¥7,836 million, respectively. These figures does not include effects of the discontinued operations relating to the Healthcare business, the Home Appliances business, and the Westinghouse's Nuclear Power business.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and amounted to ¥295,464 million ($2,638,071 thousand) and ¥351,433 million for the fiscal years ended March 31, 2017 and 2016, respectively.

14. ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to ¥12,346 million ($110,232 thousand) and ¥22,777 million for the fiscal years ended March 31, 2017 and 2016, respectively.

15. OTHER INCOME AND OTHER EXPENSE

FOREIGN EXCHANGE LOSSES

For the fiscal years ended March 31, 2017 and 2016, the net foreign exchange losses were ¥9,825 million ($87,723 thousand) loss and ¥17,493 million loss, respectively.

GAINS ON SALES OF SECURITIES

The gains on sales of securities for the fiscal year ended March 31, 2017, were ¥31,469 million ($280,973 thousand). These gains were mainly related to the sales of SIGMA POWER ARIAKE Corporation and Toshiba Machine Co., Ltd. The gains on sales of securities for the fiscal year ended March 31, 2016, were ¥184,949 million. They were primarily related to the sales of securities of KONE Corporation in Finland, Topcon Corporation and NREG Toshiba Building Co., Ltd.

16. IMPAIRMENT OF LONG-LIVED ASSETS

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

Impairment losses recorded in the fiscal year ended March 31, 2017 consisted of ¥30,257 million ($270,152 thousand) in the Electric Power Sales business, ¥1,720 million ($15,357 thousand) in the System LSI business, ¥1,539 million ($13,741 thousand) in the PC business, and ¥1,013 million ($9,045 thousand) in the Visual Products business. Impairment losses recorded in the fiscal year ended March 31, 2016 consisted of ¥60,083 million in the POS business, ¥31,324 million in the Transmission & Distribution Systems business, ¥20,278 million in the Lighting business, ¥19,060 million in the Storage Products business, ¥18,088 million in the Discrete business, ¥11,571 million in the Mixed Signal IC business, ¥2,186 million in the PC business, ¥1,795 million in the System LSI business, and ¥1,643 million in the Visual Products business. Impairment losses in the Lighting business and the Transmission & Distribution business in the fiscal year ended March 31, 2017 were immaterial.

These impairment losses are included in cost of sales in the consolidated statements of operations. Impairment losses recorded in the Nuclear Power Systems business were ¥114,220 million ($1,019,821 thousand) in the fiscal year ended March 31, 2017, and in the Home Appliances business were ¥4,200 million in the fiscal year ended March 31, 2016. These results have been reclassified as discontinued operations.

Impairment losses in the POS business are included in Retail & Printing Solutions, those in the Lighting business are included in Infrastructure Systems & Solutions, those in the Transmission & Distribution Systems business and the Electric Power Sales business are included in Energy Systems & Solutions, those in the Storage Products business, the Discrete business, the Mixed Signal IC business, and the System LSI business are included in Storage & Electronic Devices Solutions, and those in the PC business and the Visual Products business are related to Others.

17. INCOME TAXES

The Group is subject to a number of different income taxes which, in the aggregate, result in an effective statutory tax rate in Japan of approximately 30.9 percent and 33.1 percent for the fiscal years ended March 31, 2017 and 2016, respectively.

The components of income tax expense allocated to continuing operations and discontinued operations for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Continuing operations:			
Current	**¥ 72,224**	¥ 70,632	**$ 644,857**
Deferred	**33,408**	175,779	**298,286**
	¥ 105,632	¥ 246,411	**$ 943,143**
Discontinued operations:			
Current	**¥ 5,779**	¥ 58,118	**$ 51,598**
Deferred	**(19,871)**	171,941	**(177,420)**
	(14,092)	230,059	**(125,822)**
	¥ 91,540	¥ 476,470	**$ 817,321**

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Expected income tax expense	**¥ 69,600**	¥ (132,188)	**$ 621,428**
Increase (decrease) in taxes resulting from:			
Tax credits	**(18,287)**	(16,140)	**(163,277)**
Non-deductible expenses for tax purposes	**1,518**	19,601	**13,554**
Net changes in valuation allowance	**104,062**	533,154	**929,125**
Net decrease in deferred tax assets by enacted changes in tax laws and rates	**0**	1,720	**0**
Tax rate difference relating to foreign subsidiaries	**(53,366)**	(1,912)	**(476,482)**
Deferred tax liabilities on undistributed earnings of foreign subsidiaries and affiliates	**(4,857)**	8,861	**(43,366)**
Impairment of goodwill	**5,209**	15,754	**46,509**
Allocation of tax benefits to continuing operations	**–**	(171,272)	**–**
Other	**1,753**	(11,167)	**15,652**
Income tax expense	**¥ 105,632**	¥ 246,411	**$ 943,143**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2017 and 2016 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Inventories	**¥ 18,133**	¥ 22,250	**$ 161,902**
Accrued pension and severance costs	**65,840**	48,763	**587,857**
Tax loss carryforwards	**46,349**	64,533	**413,830**
Pension liability adjustment	**129,080**	134,341	**1,152,500**
Accrued expenses	**115,947**	97,776	**1,035,241**
Depreciation and amortization	**87,833**	97,508	**784,223**
Loss from valuation of securities	**115,686**	34,407	**1,032,911**
Loss on guarantees	**210,349**	–	**1,878,116**
Other	**199,389**	84,307	**1,780,259**
Gross deferred tax assets	**988,606**	583,885	**8,826,839**
Valuation allowance for deferred tax assets	**(903,744)**	(472,963)	**(8,069,143)**
Deferred tax assets	**¥ 84,862**	¥ 110,922	**$ 757,696**
Deferred tax liabilities:			
Property, plant and equipment	**¥ (14,128)**	¥ (8,411)	**$ (126,143)**
Unrealized gains on securities	**(10,812)**	(13,261)	**(96,536)**
Gain on securities contributed to employee retirement benefit trusts	**(4,529)**	(7,132)	**(40,437)**
Undistributed earnings of foreign subsidiaries and affiliates	**(23,400)**	(29,149)	**(208,928)**
Goodwill and other intangible assets	**(18,499)**	(24,237)	**(165,170)**
Other	**(39,845)**	(23,867)	**(355,759)**
Gross deferred tax liabilities	**(111,213)**	(106,057)	**(992,973)**
Net deferred tax assets	**¥ (26,351)**	¥ 4,865	**$ (235,277)**

The net changes in the total valuation allowance for the fiscal years ended March 31, 2017 and 2016 were an increase of ¥430,781 million ($3,846,259 thousand) and an increase of ¥266,717 million, respectively.

The Group changed in judgement about the realizability of the related deferred tax assets in the future because of conditions as stated within the Notes Relating to Assumptions for Going Concern at March 31, 2017. The Group evaluated the valuation allowance for deferred tax assets except for the part that judged these conditions will affect the profitability of each consolidated subsidiary's business and as a result judged not to affect the profitability of each business. The amount of adjustments of the beginning-of-the-year balance of the valuation allowance because of a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2017 was ¥34,658 million ($309,446 thousand). The amount of adjustments of the beginning-of-the-year balance of the valuation allowance because of a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2016 was ¥344,691 million.

The Group's tax loss carryforwards for the corporate and local taxes at March 31, 2017 amounted to ¥238,273 million ($2,127,438 thousand) and ¥294,036 million ($2,625,321 thousand), respectively, the majority of which will expire during the period from the year ending March 2018 through 2026. The Group utilized tax loss carryforwards of ¥12,838 million ($114,625 thousand) and ¥150,543 million to reduce current corporate taxes and ¥74,136 million ($661,929 thousand) and ¥201,271 million to reduce current local taxes during the fiscal years ended March 31, 2017 and 2016, respectively.

The amount of benefits due to use of tax loss carryforwards included in income tax expense for the fiscal years ended March 31, 2017 and 2016 were ¥6,954 million ($62,089 thousand) and ¥15,559 million, respectively.

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

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Balance at beginning of year	**¥ 5,552**	¥ 3,684	**$ 49,572**
Additions for tax positions of the current year	**908**	1,848	**8,107**
Additions for tax positions of prior years	**3,081**	1,081	**27,509**
Reductions for tax positions of the current year	**(17)**	–	**(152)**
Reductions for tax positions of prior years	**(1,269)**	(31)	**(11,330)**
Lapse of statute of limitations or closed audits	**(383)**	(668)	**(3,420)**
Foreign currency translation adjustments	**(347)**	(362)	**(3,098)**
Balance at end of year	**¥ 7,525**	¥ 5,552	**$ 67,188**

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥122 million ($1,089 thousand) and ¥1,117 million at March 31, 2017 and 2016, respectively.

The Group recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of operations. Both interest and penalties accrued in the consolidated balance sheets as of March 31, 2017 and 2016, and interest and penalties included in income taxes in the consolidated statements of operations for the fiscal years ended March 31, 2017 and 2016 were immaterial.

The Group believes its estimates and assumptions of unrecognized tax benefits are reasonable and based on each of the items of which the Group is aware at March 31, 2017, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Group files income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Group is no longer subject to regular income tax examinations by the tax authority for years before the fiscal year ended March 31, 2014 with few exceptions. In other major foreign subsidiaries, they are no longer subject to regular income tax examinations by tax authorities for years before the fiscal year ended March 31, 2009 with few exceptions.

18. EQUITY

COMMON STOCK

The total number of authorized shares of the Company is 10,000,000,000. The total number of shares issued for the fiscal years ended March 31, 2017 and 2016 are 4,237,602,026.

RETAINED EARNINGS (ACCUMULATED DEFICIT)

Retained earnings (accumulated deficit) at March 31, 2017 and 2016 included a legal reserve of ¥21,600 million ($192,857 thousand) and ¥36,459 million, respectively. The Corporation Law of Japan requires that an amount equal to 10% of the distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law of Japan also requires that additional paid-in capital and legal reserve are available for distributions by the resolution of the shareholders.

The amount of retained earnings available for distributions is based on the Company's retained earnings determined in accordance with generally accepted accounting principles in Japan and the Corporation Law of Japan.

Retained earnings (accumulated deficit) at March 31, 2017 included the Group's share in undistributed earnings of equity method investees in the amount of ¥52,064 million ($464,857 thousand).

ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss for the fiscal year ended March 31, 2017 are as follows:

	Millions of yen				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at beginning of year	**¥ 23,655**	**¥ (91,906)**	**¥ (357,962)**	**¥ (5,615)**	**¥ (431,828)**
Other comprehensive income (loss) arising during year	**2,879**	**(59,043)**	**54,885**	**1,604**	**325**
Amounts reclassified from accumulated other comprehensive loss	**(1,997)**	**95,481**	**26,075**	**1,194**	**120,753**
Net current year change	**882**	**36,438**	**80,960**	**2,798**	**121,078**
Balance at end of year	**¥ 24,537**	**¥ (55,468)**	**¥ (277,002)**	**¥ (2,817)**	**¥ (310,750)**

	Thousands of U.S. dollars				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at beginning of year	**$ 211,205**	**$ (820,589)**	**$ (3,196,089)**	**$ (50,134)**	**$ (3,855,607)**
Other comprehensive income (loss) arising during year	**25,705**	**(527,170)**	**490,045**	**14,321**	**2,901**
Amounts reclassified from accumulated other comprehensive loss	**(17,830)**	**852,509**	**232,812**	**10,661**	**1,078,152**
Net current year change	**7,875**	**325,339**	**722,857**	**24,982**	**1,081,053**
Balance at end of year	**$ 219,080**	**$ (495,250)**	**$ (2,473,232)**	**$ (25,152)**	**$ (2,774,554)**

The changes in accumulated other comprehensive loss for the fiscal year ended March 31, 2016 are as follows:

	Millions of yen				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at beginning of year	¥ 113,567	¥ (14,757)	¥ (240,172)	¥ 2,039	¥ (139,323)
Other comprehensive loss arising during year	(11,268)	(83,833)	(147,658)	(5,020)	(247,779)
Amounts reclassified from accumulated other comprehensive loss	(78,644)	6,684	29,868	(2,634)	(44,726)
Net current year change	(89,912)	(77,149)	(117,790)	(7,654)	(292,505)
Balance at end of year	¥ 23,655	¥ (91,906)	¥ (357,962)	¥ (5,615)	¥ (431,828)

Amounts reclassified from accumulated other comprehensive loss for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Amounts reclassified from accumulated other comprehensive loss			Affected line item in Consolidated Statements of Operations
	2017	2016	**2017**	
Net unrealized gains and losses on securities				
	¥ (2,860)	¥ (124,508)	**$ (25,536)**	Other income and other expense
	864	37,985	**7,715**	Income taxes
	–	(7,880)	**–**	Income (loss) from discontinued operations, before noncontrolling interests
	(1,996)	(94,403)	**(17,821)**	Net loss before noncontrolling interests
	1	(15,759)	**9**	Less: Net income (loss) attributable to noncontrolling interests
	(1,997)	(78,644)	**(17,830)**	Net loss attributable to shareholders of the Company
Foreign currency translation adjustments				
	(1,920)	(1,936)	**(17,143)**	Other income and other expense
	–	17,373	**–**	Equity in losses of affiliates
	–	–	**–**	Income taxes
	97,401	(8,753)	**869,652**	Income (loss) from discontinued operations, before noncontrolling interests
	95,481	6,684	**852,509**	Net loss before noncontrolling interests
	–	–	**–**	Less: Net income (loss) attributable to noncontrolling interests
	95,481	6,684	**852,509**	Net loss attributable to shareholders of the Company
Pension liability adjustments				
	28,857	14,179	**257,652**	Net periodic pension and severance cost (Note 1)
	(11,374)	(4,276)	**(101,554)**	Income taxes
	9,033	20,615	**80,652**	Income (loss) from discontinued operations, before noncontrolling interests
	26,516	30,518	**236,750**	Net loss before noncontrolling interests
	441	650	**3,938**	Less: Net income (loss) attributable to noncontrolling interests
	26,075	29,868	**232,812**	Net loss attributable to shareholders of the Company
Net unrealized gains and losses on derivative instruments				
	2,381	(3,869)	**21,259**	Other income and other expense
	(397)	1,313	**(3,545)**	Income taxes
	1,984	(2,556)	**17,714**	Net loss before noncontrolling interests
	790	78	**7,053**	Less: Net income (loss) attributable to noncontrolling interests
	1,194	(2,634)	**10,661**	Net loss attributable to shareholders of the Company
Total reclassifications -net of tax and noncontrolling interests	**¥ 120,753**	¥ (44,726)	**$ 1,078,152**	

Notes: 1) Details of the computation of net periodic pension and severance cost are disclosed in Note 12.
2) Increase (decrease) of amounts reclassified from accumulated other comprehensive loss indicates decrease (increase) of income in Consolidated Statements of Operations.

Tax effect allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2017 and 2016 are shown as follows:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2017:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	**¥ 3,742**	**¥ (863)**	**¥ 2,879**
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	**(2,861)**	**864**	**(1,997)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**(61,237)**	**2,194**	**(59,043)**
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	**95,428**	**53**	**95,481**
Pension liability adjustments:			
Pension liability adjustments arising during year	**64,022**	**(9,137)**	**54,885**
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	**37,618**	**(11,543)**	**26,075**
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	**1,832**	**(228)**	**1,604**
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	**1,402**	**(208)**	**1,194**
Other comprehensive loss	**¥ 139,946**	**¥ (18,868)**	**¥ 121,078**
For the year ended March 31, 2016:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	¥ (17,503)	¥ 6,235	¥ (11,268)
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	(113,170)	34,526	(78,644)
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(86,243)	2,410	(83,833)
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	6,864	(180)	6,684
Pension liability adjustments:			
Pension liability adjustments arising during year	(173,337)	25,679	(147,658)
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	43,100	(13,232)	29,868
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	(1,740)	(3,280)	(5,020)
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	(3,970)	1,336	(2,634)
Other comprehensive loss	¥ (345,999)	¥ 53,494	¥ (292,505)

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2017:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	$ 33,411	$ (7,706)	$ 25,705
Less: reclassification adjustment for gains included in net loss attributable to shareholders of the Company	(25,545)	7,715	(17,830)
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(546,759)	19,589	(527,170)
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	852,036	473	852,509
Pension liability adjustments:			
Pension liability adjustments arising during year	571,625	(81,580)	490,045
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	335,875	(103,063)	232,812
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	16,357	(2,036)	14,321
Less: reclassification adjustment for losses included in net loss attributable to shareholders of the Company	12,518	(1,857)	10,661
Other comprehensive income	$ 1,249,518	$ (168,465)	$ 1,081,053

TAKEOVER DEFENSE MEASURE

The Company introduced a plan for countermeasures to any large-scale acquisitions of the Company's shares (the "Plan"), and renewed the Plan in June 2009 and June 2012. However, the Company decided not to renew the Plan after careful consideration of the changes in business environment, compliance with the Financial Instruments and Exchange Act, and opinions of shareholders.

DEFICIT DISPOSITION

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.

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

The following reconciliation table of the numerators and denominators sets forth the computation of basic net loss per share attributable to shareholders of the Company for the fiscal years ended March 31, 2017 and 2016.

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Income (loss) from continuing operations attributable to shareholders of the Company	**¥ 183,904**	¥ (621,922)	**$ 1,642,000**
Income (loss) from discontinued operations attributable to shareholders of the Company	**(1,149,567)**	161,909	**(10,263,991)**
Net loss attributable to shareholders of the Company	**¥ (965,663)**	¥ (460,013)	**$ (8,621,991)**

	Thousands of shares	
Year ended March 31	**2017**	2016
Weighted-average number of shares of common stock outstanding for the year	**4,233,946**	4,234,104

	Yen		U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Earnings (loss) from continuing operations per share attributable to shareholders of the Company:			
–Basic	**¥ 43.44**	¥ (146.88)	**$ 0.39**
Earnings (loss) from discontinued operations per share attributable to shareholders of the Company:			
–Basic	**¥ (271.52)**	¥ 38.24	**$ (2.43)**
Net loss per share attributable to shareholders of the Company:			
–Basic	**¥ (228.08)**	¥ (108.64)	**$ (2.04)**

Diluted net loss per share attributable to shareholders of the Company for the fiscal years ended March 31, 2017 and 2016 has been omitted because the Company did not have the potential common stock outstanding with dilutive effects for the period.

20. FINANCIAL INSTRUMENTS

(1) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Interest rate swap agreements, currency swap agreements and currency options are used to limit the Group's exposure to losses in relation to underlying debt instruments and accounts receivable and payable denominated in foreign currencies resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature between 2017 to 2021.

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

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

Fair Value Hedge

The forward exchange contracts and currency swap agreements utilized by the Group effectively reduce fluctuation in fair value of accounts receivable and payable denominated in foreign currencies.

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

The gain or loss on the derivative financial instruments designated as fair value hedges is offset by the loss or gain on the hedged items in the same location of the consolidated statements of operations.

Cash Flow Hedge

The forward exchange contracts utilized by the Group effectively reduce fluctuation in cash flow from commitments on future trade transactions denominated in foreign currencies for the next 3 years.

The interest rate swap agreements utilized by the Group effectively convert a portion of its floating-rate debt to a fixed-rate basis for the next 4 years.

The Group expects to reclassify ¥560 million ($5,000 thousand) of net loss on derivative financial instruments from accumulated other comprehensive loss to net income (loss) attributable to shareholders of the Company during the next 12 months due to the collection of accounts receivable denominated in foreign currencies and the payments of accounts payable denominated in foreign currencies and variable interest associated with the floating-rate debts.

Net Investment Hedge

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

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

The amount of foreign-currency-denominated debt for hedging investments in foreign subsidiaries at March 31, 2017 is ¥199,749 million ($1,783,473 thousand).

Derivatives Not Designated as Hedging Instruments

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

The Group's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements, currency swap agreements, currency options and foreign-currency-denominated debt for net investment hedge outstanding at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Forward exchange contracts:			
To sell foreign currencies	**¥ 293,722**	¥ 210,059	**$ 2,622,518**
To buy foreign currencies	**275,382**	151,057	**2,458,768**
Interest rate swap agreements	**519,661**	581,374	**4,639,830**
Currency swap agreements	**405**	5,363	**3,616**
Currency options	**–**	3,944	**–**
Foreign-currency-denominated debt	**199,749**	–	**1,783,473**

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments and the location in the consolidated balance sheets at March 31, 2017 and 2016 are summarized as follows:

		Millions of yen		Thousands of U.S. dollars
March 31	Location at balance sheet	**2017**	2016	**2017**
Derivatives designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	**¥ 1,429**	¥ 734	**$ 12,759**
Liabilities:				
Forward exchange contracts	Other current liabilities	**(268)**	(1,572)	**(2,393)**
	Other Liabilities	**(159)**	–	**(1,420)**
Interest rate swap agreements	Other current liabilities	**(496)**	(201)	**(4,429)**
	Other liabilities	**(2,430)**	(6,393)	**(21,696)**
Nonderivative financial instruments:				
Liabilities:				
Foreign-currency-denominated debt	Short-term borrowings	**(199,749)**	–	**(1,783,473)**
Derivatives not designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	**74**	1,398	**661**
Liabilities:				
Forward exchange contracts	Other current liabilities	**(834)**	(1,621)	**(7,446)**

	Millions of yen			
	2017		2016	
March 31	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivative financial instruments:				
Liabilities:				
Long-term debt, including current portion	**¥ (830,278)**	**¥ (788,001)**	¥ (1,009,534)	¥ (987,556)

	Thousands of U.S. dollars	
	2017	
March 31	Carrying amount	Fair value
Nonderivative financial instruments:		
Liabilities:		
Long-term debt, including current portion	**$ (7,413,196)**	**$ (7,035,723)**

The above table excludes the financial instruments for which fair value approximate their carrying amounts and those related to leasing activities. The table also excludes marketable securities and other investments which are disclosed in Note 6.

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

The effect of derivative instruments on the consolidated statements of operations for the fiscal year ended March 31, 2017 is as follows:

Cash flow hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Location at statement of operations	Amount recognized	Location at statement of operations	Amount recognized
Forward exchange contracts	**¥ (1,369)**	Other expense	**¥ 1,224**	Other expense	**¥ (467)**
		Income(loss) from discontinued operations, before noncontrolling interests	**(2,418)**	Income(loss) from discontinued operations, before noncontrolling interests	**3,297**
Interest rate swap agreements	**2,973**	–	**–**	–	**–**
Currency options	**–**	–	**–**	–	**–**

Net investment hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)	
	Amount recognized	Location at statement of operations	Amount recognized	Location at statement of operations	Amount recognized
Forward exchange contracts	**¥ (20,355)**	Income(loss) from discontinued operations, before noncontrolling interests	**¥ (7,945)**	–	**–**
Foreign-currency-denominated debt	**402**	Income(loss) from discontinued operations, before noncontrolling interests	**119**	–	**–**

Derivatives not designated as hedging instruments:

	Millions of yen		
	Amount of gain (loss) recognized in income (loss)		
	Location at statement of operations	Amount recognized	
Forward exchange contracts	Other expense	¥	**(1,684)**
	Income(loss) from discontinued operations, before noncontrolling interests		**265**
Interest rate swap agreements	Other expense		**(42)**
Currency swap agreements	Other income		**0**

Cash flow hedge:

	Thousands of U.S. dollars							
	Amount of gain (loss) recognized in OCI		Amount of gain (loss) reclassified from OCI into income (loss)			Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)		
	Amount recognized		Location at statement of operations	Amount recognized		Location at statement of operations	Amount recognized	
Forward exchange contracts	$	**(12,223)**	Other expense	$	**10,929**	Other expense	$	**(4,170)**
			Income(loss) from discontinued operations, before noncontrolling interests		**(21,589)**	Income(loss) from discontinued operations, before noncontrolling interests		**29,438**
Interest rate swap agreements		**26,545**	–		**–**	–		**–**
Currency options		**–**	–		**–**	–		**–**

Net investment hedge:

	Thousands of U.S. dollars						
	Amount of gain (loss) recognized in OCI		Amount of gain (loss) reclassified from OCI into income (loss)			Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)	
	Amount recognized		Location at statement of operations	Amount recognized		Location at statement of operations	Amount recognized
Forward exchange contracts	$	**(181,741)**	Income(loss) from discontinued operations, before noncontrolling interests	$	**(70,938)**	–	**–**
Foreign-currency-denominated debt		**3,589**	Income(loss) from discontinued operations, before noncontrolling interests		**1,063**	–	**–**

Derivatives not designated as hedging instruments:

	Thousands of U.S. dollars	
	Amount of gain (loss) recognized in income (loss)	
	Location at statement of operations	Amount recognized
Forward exchange contracts	Other expense	**$ (15,036)**
	Income(loss) from discontinued operations, before noncontrolling interests	**2,366**
Interest rate swap agreements	Other expense	**(375)**
Currency options	Other income	**0**

The effect of derivative instruments on the consolidated statements of operations for the fiscal year ended March 31, 2016 is as follows:

Cash flow hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Location at statement of operations	Amount recognized	Location at statement of operations	Amount recognized
Forward exchange contracts	¥ (2,672)	Other income	¥ 2,128	Other expense	¥ (384)
		Income(loss) from discontinued operations, before noncontrolling interests	506	Income(loss) from discontinued operations, before noncontrolling interests	(995)
Interest rate swap agreements	(2,342)	–	–	–	–
Currency options	(6)	–	–	Income(loss) from discontinued operations, before noncontrolling interests	10

Net investment hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Location at statement of operations	Amount recognized	Location at statement of operations	Amount recognized
Forward exchange contracts	–	–	–	–	–
Foreign-currency-denominated debt	–	–	–	–	–

Derivatives not designated as hedging instruments:

	Millions of yen		
	Amount of gain (loss) recognized in income (loss)		
	Location at statement of operations	Amount recognized	
Forward exchange contracts	Other expense	¥	(2,858)
	Income(loss) from discontinued operations, before noncontrolling interests		(34)
Currency options	Income(loss) from discontinued operations, before noncontrolling interests		(5)

21. LEASES

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

Rent expenses under such leases for the fiscal years ended March 31, 2017 and 2016 were ¥79,366 million ($708,625 thousand) and ¥70,514 million, respectively.

The Group also leases certain machinery and equipment which are accounted for as capital leases. As of March 31, 2017 and 2016, the costs of machinery and equipment under capital leases were approximately ¥30,943 million ($276,277 thousand) and ¥38,381 million, and the related accumulated amortization were approximately ¥17,435 million ($155,670 thousand) and ¥20,755 million, respectively.

The costs of machinery and equipment under capital leases from affiliates of the Company and the related accumulated amortization as of March 31, 2017 and 2016 were immaterial.

Minimum lease payments for the Group's capital and non-cancelable operating leases as of March 31, 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31	Capital leases	Operating leases	Capital leases	Operating leases
2018	¥ 6,620	¥ 18,908	$ 59,107	$ 168,821
2019	4,865	18,511	43,437	165,277
2020	3,264	12,129	29,143	108,295
2021	1,456	7,937	13,000	70,866
2022	511	5,298	4,563	47,304
Thereafter	333	14,950	2,973	133,482
Total minimum lease payments	17,049	¥ 77,733	152,223	$ 694,045
Executory costs	(322)		(2,875)	
Amounts representing interest	(760)		(6,785)	
Present value of net minimum lease payments	15,967		142,563	
Less–current portion	6,211		55,456	
	¥ 9,756		$ 87,107	

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments for the purchase of property, plant and equipment and inventories, and long-term service at fixed and variable prices outstanding at March 31, 2017 and 2016, totaled approximately ¥1,044,177 million($9,323,009 thousand) and ¥1,108,627 million, respectively. The Group plans to achieve sales contracts to compensate majority of such commitments.

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 75,701	$ 675,902
2019	12,646	112,911
2020	30,907	275,955
2021	49,106	438,446
2022	45,110	402,768
Thereafter	830,707	7,417,027
Total of commitments	¥ 1,044,177	$ 9,323,009

23. GUARANTEES

GUARANTEES OF UNCONSOLIDATED AFFILIATES AND THIRD PARTY DEBT

The Group guarantees debt as well as certain financial obligations of unconsolidated affiliates and third parties to support the sale of the Group's products and services. Expiration dates vary from 2017 to 2023 and from 2016 to 2023 as of March 31, 2017 and 2016, respectively or the guarantees terminate on payment and/or cancellation of the obligation. A payment by the Group would be triggered by the failure of the guaranteed party to fulfill its obligation under the guarantee. The maximum potential payments under these guarantees were ¥126,393 million ($1,128,509 thousand) and ¥116,627 million as of March 31, 2017 and 2016, respectively.

GUARANTEES OF EMPLOYEES' HOUSING LOANS

The Group guarantees housing loans of its employees. Expiration dates vary from 2017 to 2032 and from 2016 to 2032 as of March 31, 2017 and 2016, respectively. A payment would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. The maximum potential payments under these guarantees were ¥1,113 million ($9,938 thousand) and ¥1,664 million as of March 31, 2017 and 2016, respectively. However, the Group expects that the majority of such payments would be reimbursed through the Group's insurance policy.

RESIDUAL VALUE GUARANTEES UNDER SALE AND LEASEBACK TRANSACTIONS

The Group has entered into several sale and leaseback transactions in which certain machinery and equipment was sold and leased back. The Group may be required to make payments for residual value guarantees in connection with these transactions. The operating lease contracts will expire on various dates through October 2025. The maximum potential payments by the Group for such residual value guarantees were ¥3,945 million ($35,223 thousand) and ¥5,094 million as of March 31, 2017 and 2016, respectively.

GUARANTEES FOR DEFAULT OF NOTES AND ACCOUNTS RECEIVABLE, TRADE

The Group has transferred trade notes and accounts receivable under several securitization programs. Upon certain sales of notes and accounts receivable, the Group holds a repurchase obligation, which the Group is required to perform upon default of the trade notes and accounts receivable. The trade notes and accounts receivable, trade generally mature within 3 months. The maximum potential payments for such repurchase obligation was ¥4,708 million ($42,036 thousand) and ¥6,171 million as of March 31, 2017 and 2016, respectively.

The carrying amounts of the liabilities for the Group's obligations under the guarantees described above as of March 31, 2017 and 2016 were immaterial.

WARRANTY

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

The following is a reconciliation table of the product warranty accrual for the fiscal years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Balance at beginning of year	**¥ 37,808**	¥ 27,663	**$ 337,571**
Warranties issued	**45,520**	47,553	**406,429**
Settlements made	**(33,182)**	(36,081)	**(296,268)**
Foreign currency translation adjustments	**(360)**	(1,327)	**(3,214)**
Balance at end of year	**¥ 49,786**	¥ 37,808	**$ 444,518**

24. LEGAL PROCEEDINGS

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.

25. BUSINESS STRUCTURAL REFORM

Fiscal Year ended March 31, 2017

Based on "Toshiba Revitalization Action Plan," which was issued on December 21, 2015, the Group has implemented various related measures. The liability balance related to exit and disposal activities for the fiscal year ended March 31, 2017 were immaterial. Expenses for exit and disposal activities by major segments for the fiscal year ended March 31, 2017 were immaterial.

Fiscal Year ended March 31, 2016

Based on "Toshiba Revitalization Action Plan," which was issued on December 21, 2015, the Group has implemented various related measures. Under "Toshiba Revitalization Action Plan," which focuses on "Decisive Action on Business Structural Reform," "Strengthen Internal Controls and Reform the Corporate Culture," "Review the Business Portfolio and Operational Structure," and "Reforming the Financial Base," the Company hopes to regain the trust of all stakeholders, and achieve a strong corporate constitution. The main components of the business structural reforms are as follows:

Storage & Electronic Devices Solutions

The Company has decided to terminate the white LED business in the Discrete business and to exit from the CMOS image sensor business in the System LSI business. At the same time, promoting personnel rationalization, the Company has implemented an early retirement incentive program in which provided the special retirement benefits in addition to regular retirement benefits (hereinafter referred to as the "early retirement incentive program").

Others

As part of the structural reform of the PC business, the Group concentrates on the BtoB business, and the BtoC business limits its scope and mainly focuses on the domestic market.

The Visual Products business, primarily televisions, terminates internal development, manufacture and sales in operations outside Japan and shifts to licensing business of Toshiba brand.

Among these businesses, the early retirement incentive program has also been implemented.

For the headquarters, the Company has implemented personnel repositioning and the early retirement incentive program to slim down the corporate staff functions and shift to an organizational structure that supports the mission of concentrating on strategic planning for the future.

Changes in the liability balance related to exit and disposal activities for the fiscal year ended March 31, 2016 are as follows.

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

The exit and disposal activities were mostly completed as of March 31, 2016, and there is no significant amount of expenses expected to be incurred in the following years.

	Millions of yen			
	Retirement- related expenses	Contract termination costs	Others	Total
Liability balance as of March 31, 2015	¥ 3,542	¥ 131	¥ 3,379	¥ 7,052
Restructuring charge incurred during the year	61,647	6,093	1,681	69,421
Non-cash expenditures	–	(38)	(756)	(794)
Payments and settlements with cash payout	(35,089)	(2,318)	(2,638)	(40,045)
Foreign currency translation adjustments	(380)	(157)	(34)	(571)
Liability balance as of March 31, 2016	¥ 29,720	¥ 3,711	¥ 1,632	¥ 35,063

Expenses for exit and disposal activities by major segments for the fiscal year ended March 31, 2016 are as follows. These expenses were recorded at ¥16,316 million in cost of sales, at ¥50,787 million in selling, general and administrative expenses, and at ¥2,318 million in other expense in the consolidated statements of operations.

	Millions of yen			
	Retirement-related expenses	Contract termination costs	Others	Total
Segments				
Storage & Electronic Devices Solutions	¥ 32,822	¥ 2,368	¥ 182	¥ 35,372
Others (Note)	28,825	3,725	1,499	34,049
Total	¥ 61,647	¥ 6,093	¥ 1,681	¥ 69,421

Notes: 1) Others include Energy Systems & Solutions, Infrastructure Systems & Solutions and Retail & Printing Solutions.
2) Expenses for exit and disposal activities by segments are presented on the basis of the current organizational structure.
3) The table represents the amount excluding the discontinued operation for the fiscal year ended March 31, 2016.

26. ENVIRONMENTAL LIABILITIES

The Japanese environmental regulation, "Law Concerning Special Measure against poly chlorinated biphenyl ("PCB") waste" requires PCB waste holders to dispose of all PCB waste by March 2027. The Group accrued ¥16,216 million ($144,786 thousand) and ¥15,732 million at March 31, 2017 and 2016, respectively, for environmental remediation and restoration costs for products or equipment with PCB which some Group's operations in Japan have retained.

27. ASSET RETIREMENT OBLIGATIONS

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

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

The changes in the carrying amount of asset retirement obligations for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Balance at beginning of year	**¥ 4,108**	¥ 3,399	**$ 36,679**
Accretion expense	**254**	81	**2,268**
Liabilities settled	**(26)**	(12)	**(232)**
Liabilities incurred	**2,959**	674	**26,419**
Revisions in estimated cash flows	**419**	(1)	**3,741**
Foreign currency translation adjustments	**(30)**	(33)	**(268)**
Balance at end of year	**¥ 7,684**	¥ 4,108	**$ 68,607**

28. BUSINESS COMBINATIONS

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 value		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)
Provision for loss on construction contracts		652,267		–		665,267
Total identifiable net assets acquired	¥	(655,162)	¥	13,870	¥	(669,032)

Notes: 1) As disclosed in Note 2, 20) 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.

The following table summarizes the unaudited pro-forma results of operations, as though the above business combination had taken place on April 1, 2015.

	Millions of yen
Year ended March 31	2016
Net loss attributable to shareholders of the Company	¥ (463,642)

29. VARIABLE INTEREST ENTITIES

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

Consolidated Variable Interest Entities

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

As of March 31, 2017 and 2016, the total assets of VIEs on the consolidated balance sheets were ¥13,536 million ($120,857 thousand) and ¥16,200 million, and the total liabilities of VIEs on the consolidated balance sheets were ¥9,455 million ($84,420 thousand) and ¥3,653 million, respectively. The assets consisted primarily of machinery and equipment. The liabilities consisted primarily of advance payments received.

Unconsolidated Variable Interest Entities

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

Unconsolidated VIEs involved in Storage & Electronic Devices Solutions are joint ventures established with SanDisk Corporation (purchased by Western Digital Corporation, the name was changed to SanDisk Limited Liability Company, hereinafter called "SanDisk") for the purpose of strengthening the production of NAND flash memories. For those joint ventures, the Group is not the primary beneficially because the Group and SanDisk share power equally. Unconsolidated VIEs involved in Energy Systems & Solutions are established for the purpose of developing nuclear power plants, supplying stable electric power systems, and providing electric services and equipment to electric power operators. The Group is not the primary beneficiary of those VIEs because the Group does not have the power to direct the activities that most significantly affect those VIEs' economic performance. The Group accounts for those VIEs under the equity method.

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

As of March 31, 2017 and 2016, the total assets of those VIEs, carrying amounts of assets and liabilities that relate to the Group's variable interests in the VIEs and the Group's maximum exposures to losses as a result of the Group's involvement with the VIEs are summarized as follows:

With regard to FLIQ3, since the Group is a party to the LTA and it is difficult to obtain information on the variable interest entity, only maximum exposures to losses are included in the following summary table. The maximum exposures to losses are included in commitments and the unconditional purchase obligation disclosed in Note 22.

	Millions of yen	
March 31, 2017	VIEs involved in Storage & Electronic Devices Solutions	VIEs involved in Energy Systems & Solutions
Total assets of VIEs	**¥ 436,445**	**¥ 41,617**
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	**170,997**	**8,595**
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	**27,421**	**8,595**
Maximum exposures to losses	**260,558**	**932,466**

	Millions of yen	
March 31, 2016	VIEs involved in Storage & Electronic Devices Solutions	VIEs involved in Energy Systems & Solutions
Total assets of VIEs	¥ 402,069	¥ 51,916
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	132,328	8,633
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	31,170	8,633
Maximum exposures to losses	211,518	967,300

	Thousands of U.S. dollars	
March 31, 2017	VIEs involved in Storage & Electronic Devices Solutions	VIEs involved in Energy Systems & Solutions
Total assets of VIEs	**$ 3,896,830**	**$ 371,580**
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	**1,526,759**	**76,741**
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	**244,830**	**76,741**
Maximum exposures to losses	**2,326,411**	**8,325,589**

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

As disclosed in Note 4, Westinghouse's Nuclear Power business is classified as discontinued operations. VIEs under the WEC group for the fiscal year ended March 31, 2016 have been revised to reflect this change.

30. SEGMENT INFORMATION

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

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

According to the revision of business group structure by the reorganization as of April 1, 2016,the business segments were reorganized from five segments, (1) Energy & Infrastructure, (2) Community Solutions, (3) Electronic Devices & Components, (4) Lifestyle Products & Services and (5) Others into six segments,(1) Energy Systems & Solutions, (2) Infrastructure Systems & Solutions, (3) Retail & Printing Solutions, (4) Storage & Electronic Devices Solutions, (5) Industrial ICT Solutions and (6) Others from the year ending March 31, 2017.

Principal products that belong to each segment have been changed as follows.

Before the Organizational Reforms

(1) Energy & Infrastructure: Energy-related equipment, Transportation systems, etc.
(2) Community Solutions: Building facilities (Elevators, Light fixtures, and Air-conditioners), POS systems, Multi-function peripherals, etc.
(3) Electronic Devices & Components: Semiconductors, Hard disk drives, etc.
(4) Lifestyle Products & Services: Personal computers, Visual products, etc.
(5) Others: Cloud Solutions, Logistics Service, etc.

After the Organizational Reforms

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

As a result of above reforms, the data relating to the consolidated segment information is presented in conformity with the new organization from April 1,2016, and prior year information has been restated.

BUSINESS SEGMENTS

Financial information by segments as of and for the fiscal years ended March 31, 2017 and 2016 are as follows:

As of and for the fiscal year ended March 31, 2017 — Millions of yen

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	¥ 918,426	¥1,222,947	¥ 504,055	¥1,676,018	¥ 157,239	¥ 392,088	¥4,870,773	¥ –	¥4,870,773
(2) Intersegment	56,487	39,465	3,639	24,202	81,174	137,975	342,942	(342,942)	–
Total	¥ 974,913	¥1,262,412	¥ 507,694	¥1,700,220	¥ 238,413	¥ 530,063	¥5,213,715	¥ (342,942)	¥4,870,773
Segment operating income (loss)	¥ (41,689)	¥ 58,372	¥ 16,321	¥ 246,967	¥ 11,637	¥ (21,706)	¥ 269,902	¥ 886	¥ 270,788
Identifiable assets	¥1,145,031	¥ 818,855	¥ 300,547	¥1,139,909	¥ 98,371	¥ 794,692	¥4,297,405	¥ (27,892)	¥4,269,513
Depreciation and amortization	23,178	24,562	11,801	63,644	7,293	3,573	134,051	–	134,051
Capital expenditures	33,956	31,688	9,585	81,294	3,625	3,156	163,304	–	163,304

As of and for the fiscal year ended March 31, 2016 — Millions of yen

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	¥ 988,878	¥ 1,296,941	¥ 540,127	¥ 1,536,413	¥ 166,908	¥ 625,571	¥ 5,154,838	¥ –	¥ 5,154,838
(2) Intersegment	72,467	55,914	4,764	39,463	89,870	170,526	433,004	(433,004)	–
Total	¥ 1,061,345	¥ 1,352,855	¥ 544,891	¥ 1,575,876	¥ 256,778	¥ 796,097	¥ 5,587,842	¥ (433,004)	¥ 5,154,838
Segment operating income (loss)	¥ (120,753)	¥ (7,406)	¥ (84,694)	¥ (100,021)	¥ 8,682	¥ (182,055)	¥ (486,247)	¥ 3,237	¥ (483,010)
Identifiable assets	¥ 1,151,393	¥ 1,066,167	¥ 330,150	¥ 1,003,120	¥ 168,283	¥ 903,202	¥ 4,622,315	¥ (3,482)	¥ 4,618,833
Depreciation and amortization	30,574	32,597	15,986	87,788	6,691	5,074	178,710	–	178,710
Capital expenditures	45,478	42,407	14,421	143,475	12,685	3,994	262,460	–	262,460

As of and for the fiscal year ended March 31, 2017 — Thousands of U.S. dollars

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	**$ 8,200,232**	**$10,919,170**	**$ 4,500,491**	**$14,964,446**	**$ 1,403,920**	**$ 3,500,786**	**$43,489,045**	**$ –**	**$43,489,045**
(2) Intersegment	**504,348**	**352,366**	**32,491**	**216,090**	**724,768**	**1,231,919**	**3,061,982**	**(3,061,982)**	**–**
Total	**$ 8,704,580**	**$11,271,536**	**$ 4,532,982**	**$15,180,536**	**$ 2,128,688**	**$ 4,732,705**	**$46,551,027**	**$ (3,061,982)**	**$43,489,045**
Segment operating income (loss)	**$ (372,223)**	**$ 521,179**	**$ 145,723**	**$ 2,205,063**	**$ 103,902**	**$ (193,804)**	**$ 2,409,840**	**$ 7,910**	**$ 2,417,750**
Identifiable assets	**$10,223,491**	**$ 7,311,205**	**$ 2,683,455**	**$10,177,759**	**$ 878,313**	**$ 7,095,465**	**$38,369,688**	**$ (249,036)**	**$38,120,652**
Depreciation and amortization	**206,946**	**219,304**	**105,366**	**568,250**	**65,116**	**31,902**	**1,196,884**	**–**	**1,196,884**
Capital expenditures	**303,179**	**282,929**	**85,580**	**725,839**	**32,366**	**28,178**	**1,458,071**	**–**	**1,458,071**

Notes: 1) Transfers between segments are made at arm's length prices.
2) Business results in the segment information are presented on the basis of the current organizational structure.
3) The Group reviewed the business portfolio, starting from April 1, 2016. Accordingly, the Group has regarded in-house companies as reporting segments, and made a change in the distribution method of headquarters administration costs, from the viewpoint of management approach. In accordance with this change, expenses such as basic R&D expenses, previously allocated to Corporate and Eliminations, and partial profit and loss, previously allocated to each segment, are now included in the Others segment from the current fiscal year. As a result of this change, expenses of ¥3,159 million ($28,205 thousand) are included in Others. Results of the past fiscal year have been revised to reflect this change.
4) Corporate assets, included in Corporate and Eliminations of Identifiable assets, are mainly marketable securities of the Company.
5) The table represents the amount excluding the discontinued operations for the fiscal year ended March 31, 2016.
6) Assets related to discontinued operations for the fiscal year ended March 31, 2016 was ¥814,508 million, and is not included in the above assets.

A reconciliation table between the total of the segment operating income (loss) and the income (loss) from continuing operations, before income taxes and noncontrolling interests for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
The total of the segment operating income (loss)	**¥ 269,902**	¥ (486,247)	**$ 2,409,839**
Corporate and Eliminations	**886**	3,237	**7,911**
Sub Total	**¥ 270,788**	¥ (483,010)	**$ 2,417,750**
Interest and dividends	**7,143**	8,692	**63,777**
Equity in earnings of affiliates	**7,854**	–	**70,125**
Other income	**73,307**	227,448	**654,527**
Interest	**(16,378)**	(17,874)	**(146,232)**
Equity in losses of affiliates	**–**	(23,223)	**–**
Other expense	**(117,183)**	(111,394)	**(1,046,277)**
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**¥ 225,531**	¥ (399,361)	**$ 2,013,670**

GEOGRAPHIC INFORMATION

Net sales

Net sales by region based on the location of the customer for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2017**	2016	**2017**
Japan	**¥ 2,262,225**	¥ 2,292,366	**$ 20,198,438**
Overseas	**¥ 2,608,548**	¥ 2,862,472	**$ 23,290,607**
Asia	**1,503,235**	1,467,137	**13,421,741**
North America	**564,163**	714,661	**5,037,170**
Europe	**351,352**	438,995	**3,137,071**
Others	**189,798**	241,679	**1,694,625**
Total	**¥ 4,870,773**	¥ 5,154,838	**$ 43,489,045**

Property, plant and equipment

Property, plant and equipment by region at March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Japan	**¥ 529,918**	¥ 502,314	**$ 4,731,411**
Overseas	**¥ 127,958**	¥ 178,182	**$ 1,142,482**
Asia	**72,123**	95,343	**643,955**
North America	**16,669**	18,794	**148,830**
Europe	**33,950**	60,234	**303,125**
Others	**5,216**	3,811	**46,572**
Total	**¥ 657,876**	¥ 680,496	**$ 5,873,893**

Notes: 1) There are no individually material countries which should be separately disclosed.
2) There are no material sales to a single unaffiliated customer.
3) The table represents the amount excluding the discontinued operations for the fiscal year ended March 31, 2016.

31. TRANSACTION WITH RELATED PARTIES

Transactions between the Company's consolidated subsidiaries and related parties

Transactions between the Company's consolidated subsidiaries and related parties as of and for the fiscal years ended March 31, 2017 and 2016 are as follows.

As of and for the fiscal year ended March 31, 2017

Type	Name or name of Company	Location	Capital or investments in capital (Millions of yen)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Flash Forward Limited	Yokkaichi-Shi, Mie	**¥ 10**	Manufacturing industry	**50.10%**
	Nuclear Innovation North America LLC	New York, USA	(Note 6)	Manufacturing industry	**9.25%**

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Affiliated company	Flash Forward Limited	Product sales and purchases	Loan guarantee	**¥ 63,996**	–	**–**
	Nuclear Innovation North America LLC	Development of nuclear power plant	Funding	**¥ 113**	Long-term loans	**¥ 60,439**
			Receipt of interest	**¥ 1,821**	Other current assets	**¥ 9,042**

As of and for the fiscal year ended March 31, 2016

Type	Name or name of Company	Location	Capital or investments in capital (Millions of yen)	Business description	Holding ratio of voting rights (Owned)
Companies whose majority of voting rights are owned by a director, officer of a close family members (including subsidiaries of such companies) of the Company.	Hasegawa Konpo Koun Corporation	Shinagawa-ku, Tokyo	¥ 70	Warehouse and cargo packing business	0.00% (Indirect ownership)
	Hasekon Unyu Corporation	Ibaraki-shi, Osaka	¥ 11	Transportation business	–

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Companies whose majority of voting rights are owned by a director, officer of a close family members (including subsidiaries of such companies) of the Company.	Hasegawa Konpo Koun Corporation	Warehouse rent and commissions for cargo packing and packaging	Warehouse rent and related fees for cargo packing and packaging	¥ 180	Accounts payable, trade	¥ 26
	Hasekon Unyu Corporation	Commissions for transportation	Payment of transportation fees	¥ 127	Accounts payable, trade	¥ 40

As of and for the fiscal year ended March 31, 2017

Type	Name or name of Company	Location	Capital or investments in capital (Thousands of U.S.dollars)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Flash Forward Limited	Yokkaichi-Shi, Mie	**$ 89**	Manufacturing industry	**50.10%**
	Nuclear Innovation North America LLC	New York, USA	(Note 6)	Manufacturing industry	**9.25%**

Type	Name or name of Company	Relationship	Transaction	Amounts (Thousands of U.S.dollars)	Accounts	Ending balance (Thousands of U.S.dollars)
Affiliated company	Flash Forward Limited	Product sales and purchases	Loan guarantee	**$ 571,393**	–	**–**
	Nuclear Innovation North America LLC	Development of nuclear power plant	Funding	**$ 1,009**	Long-term loans	**$ 539,634**
			Receipt of interest	**$ 16,259**	Other current assets	**$ 80,732**

Notes: 1) Of the above amounts, consumption tax is not included in the amounts but is included in the ending balance.

2) Transaction amounts involving related parties are determined by considering market prices, standard procedures and terms and conditions.

3) With regard to Hasegawa Konpo Koun Corporation, the majority of voting rights are directly owned by Keizo Maeda, who was an officer of the Company (Executive Officer from June 25, 2013, until August 31, 2015), and a close family member. The transaction amount represents the amount up to the last day of the period during which he was an officer of the company, and the ending balance for the fiscal year ended March 31, 2016 represents the balance as of the day he ceased to be an officer of the Company.

4) Hasekon Unyu Corporation is a subsidiary of Hasegawa Konpo Koun Corporation.

5) Allowance for doubtful receivables corresponding to long-term loans and other current assets to affiliated company, Nuclear Innovation North America LLC was ¥51,844 million ($462,893 thousand). Provision of allowance for doubtful receivables was ¥111 million ($991 thousand) in the fiscal year ended March 31, 2017.

6) Nuclear Innovation North America LLC is a limited liability company, and does not meet the definition of capital, so it is not stated.

32. SUBSEQUENT EVENT

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.

Independent Auditor's Report filed under the Finacial Instruments and Exchange Act in Japan
(For Translation Purposes Only)

Independent Auditor's Report and Report on Internal Control (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

<Financial Statement Audit>

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, comprehensive income, equity, and cash flows and notes to the consolidated financial statements and consolidated supplementary schedules, to express our audit opinion in accordance with Article 193-2, Paragraph (1) of the Financial Instruments and Exchange 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 accounting principles generally accepted in the United States of America pursuant to Article 95 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, 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.

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.

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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 28 “Business Combinations”, 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 28 “Business Combinations” 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.

The financial position and results of operation of WEC of the prior consolidation fiscal year as a comparative information have been adjusted to record it as discontinued operations rather than being consolidated because WEC is not the consolidated subsidiary at the end of the current consolidation fiscal year. Accordingly, had the Company recognized the provision for contract losses using reasonable assumptions based on all of information available at the prior-period closing, as a comparative information, there would have been a material increase in “Current liabilities of discontinued operations” in the consolidated balance sheets as of March 31, 2016, and, in the consolidated statement of operations, corresponding decrease in “Income from discontinued operations before non-controlling interest”; and corresponding increase in the ”Net loss before noncontrolling interests” and “Net loss attributable to shareholders of the Company”; and, in the consolidated statements of equity, corresponding decrease in “Equity attributable to the shareholders of the Company “ as of March 31, 2016.

These would also have impacted the related disclosures Note 4. “Discontinued Operations – Westinghouse’s Nuclear Power Business“ and “Note 28. Business Combinations”.

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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 and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters –

1. As stated in "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 (a net loss attributable to shareholders of the Company of prior consolidation fiscal year was 460,013 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 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 4. Discontinued Operation – Westinghouse's Nuclear Power business", 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 32. 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 32. 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.

Other Matter

The consolidated financial statements of the Company for the consolidation fiscal year ended March 31, 2016 had been audited by a predecessor auditor. The predecessor auditor had issued unqualified opinion for the consolidated financial statements on June 22, 2016.

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<Internal Control Audit>

We have audited the accompanying Internal Control Report of Toshiba Corporation ("Company") as of March 31, 2017 in accordance with Article 193-2, Paragraph (2) of the Financial Instruments and Exchange Act.

Management's Responsibility for the Internal Control Report

Management is responsible for designing and maintaining effective internal control over financial reporting and for preparing and fairly presenting the Internal Control Report in accordance with the standards for assessment of the effectiveness of internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting, however, may not prevent or detect misstatements in financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the Internal Control Report based on our audit of internal control as an independent auditor. We conducted our audit of internal control in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit of internal control to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement.

An audit of internal control involves performing procedures to obtain audit evidence about the results of assessment of internal control over financial reporting in the Internal Control Report. The audit procedures for audit of internal control selected and performed depend on the auditor's judgment, based on whether they have material effects on reliability of financial reporting. An audit of internal control also includes evaluating the overall presentation of Internal Control Report, including management's description about the scope, procedures and results of assessment.

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

Basis for Adverse Opinion

The Company recorded 652,267 million yen related to losses on certain construction contracts in "Loss from discontinued operations, before non-controlling interests", in the consolidated statement of operations for the current consolidation fiscal year. As described in "Basis for Qualified Opinion" section in "Financial Statements Audit", 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.

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. ASC805 allows for up to one year from the acquisition date to finalize the fair value measurement of the identifiable assets acquired and the liabilities assumed the allocation of purchase price (hereafter "purchase price allocation procedures"). As a result of finalizing purchase price allocations for S&W on December 31, 2016, the Company recorded 652,267 million yen related to loss on certain construction contracts, and accordingly, the Company reassessed the provisional estimate made for provision for contract losses as of March 31, 2016 as a comparative information. However, the Company did not reassess accurately using reasonable assumptions based on all of the information available as at the prior-period closing. As a result, a loss of 652,267 million yen related to specific contracts was recorded in the "Loss from discontinued operations, before non-controlling interest" in the consolidated statement of operations for the current consolidation fiscal year. However, a substantial portion or all of these losses should have been recorded in the previous consolidation fiscal year. Therefore, the material misstatements described in the "Basis for Qualified Opinion" section in the "Financial Statements Audit" exists in the consolidated financial statements for the current consolidation fiscal year.

As a result, we concluded that deficiencies in internal control exist in the process of preparing the consolidated financial statements of the current consolidation fiscal year, because the internal control for reassessment of provisional estimate of provision for contract loss related to the purchase price allocation procedures of S&W and for assessing the timing of the recognition of those provision for contract loss did not operate properly.

Under the standards for assessment of internal control over financial reporting generally accepted in Japan, we have concluded that these deficiencies in internal control have material effects on financial reporting, and therefore

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are considered to be a material weakness that need to be disclosed. However, the Company concluded that such deficiencies in internal control do not constitute a material weakness, and therefore has not disclosed them in the Internal Control Report.

Adverse Opinion

In our opinion, because of the significance of the effects of the matters described in "Basis for Adverse Opinion" section above, the Internal Control Report that Toshiba Corporation maintained effective internal control over financial reporting as of March 31, 2017 does not state fairly the results of assessment of internal control over financial reporting in accordance with the standards for assessment of internal control over financial reporting generally accepted in Japan.

In connection with the material weakness described above, we have expressed a qualified opinion on the consolidated financial statements for the consolidation fiscal year ended March 31, 2017, because unadjusted material misstatements exist as described in "Basis for Qualified Opinion" section in "Financial Statements Audit".

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.

End of report

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Committed to People, Committed to the Future.

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