TOSHIBA

2018 Annual Report

Year ended March 31, 2018

Financial Review

FIVE-YEAR SUMMARY

Toshiba Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen, except per share amounts and ratio				
	2018	2017	2016	2015	2014
Net sales (Note 5)	**¥ 3,947,596**	¥ 4,043,736	¥ 4,346,485	¥ 4,851,060	¥ 4,722,987
Operating income (loss) (Note 6)	**64,070**	82,015	(581,376)	(72,496)	8,836
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**82,378**	44,945	(499,439)	(122,333)	(64,917)
Net income (loss) attributable to shareholders of the Company	**804,011**	(965,663)	(460,013)	(37,825)	60,240
Comprehensive income (loss) attributable to shareholders of the Company	**819,189**	(844,585)	(752,518)	90,638	236,392
Equity attributable to shareholders of the Company	**783,135**	(552,947)	328,874	1,083,996	1,027,189
Total equity (Note 7)	**1,010,734**	(275,704)	672,258	1,565,357	1,445,994
Total assets	**4,458,211**	4,269,513	5,433,341	6,334,778	6,172,519
Per share of common stock: (Yen) (Note 8)	**120.18**	(130.60)	77.67	256.01	242.58
Earnings (loss) per share attributable to shareholders of the Company (Yen) (Notes 9 and 10)					
–Basic	**162.89**	(228.08)	(108.64)	(8.93)	14.23
–Diluted	**–**	–	–	–	–
Shareholders' equity ratio (%) (Note 8)	**17.6**	(13.0)	6.1	17.1	16.6
Return on equity ratio (%) (Notes 8 and 11)	**698.6**	–	(65.1)	(3.6)	6.5
Price-to-earnings ratio (PER) (Note 12)	**1.89**	–	–	–	30.72
Net cash provided by (used in) operating activities	**41,641**	134,163	(1,230)	330,442	284,132
Net cash provided by (used in) investing activities	**(150,987)**	(178,929)	653,442	(190,130)	(244,101)
Net cash provided by (used in) financing activities	**(63,613)**	(219,758)	135,747	(125,795)	(89,309)
Cash and cash equivalents at end of year	**533,119**	707,693	975,529	185,721	155,793
Number of employees (Note 13)	**141,256**	153,492	187,809	198,741	200,260

Notes: 1) Toshiba Group's Consolidated Financial Statements are based on US Generally Accepted Accounting Principles.
2) The Memory business (including its SSD business, but excluding its image sensor business) is classified as discontinued operations in accordance with Accounting Standards Codification ("ASC") No.205-20 "Presentation of Financial Statements - Discontinued Operations" in the fiscal year ended March 31, 2018. Results of the prior years have been revised to reflect these changes.
3) The Westinghouse's Nuclear Power business is classified as discontinued operations in accordance with ASC 205-20 in the fiscal year ended March 31, 2017. Results of the prior years have been revised to reflect these changes.
4) The Healthcare Systems & Services segment and Home Appliances business are classified as discontinued operations in accordance with ASC 205-20 in the fiscal year ended March 31, 2016. Results of the prior years have been revised to reflect these changes.
5) Consumption tax is not included in the Net sales.
6) 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).
7) Total equity is the sum of Equity attributable to shareholders of the Company and Equity attributable to noncontrolling interests.
8) 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.
9) 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.
10) 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.
11) Return on equity ratio for the year ended on March 31, 2017 has been omitted because the average equity attributable to shareholders of the Company during the period is less than zero.
12) 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.
13) 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, 2018, Toshiba Group ("the Group") comprised of Toshiba Corporation ("the Company") and 389 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. 96 affiliates were accounted for by the equity method as of the fiscal year ended March 31, 2018.

RESULTS OF OPERATIONS

(1) Overview of Consolidated Results

Year Ended March 31

	Billions of yen	
	2018	Change*
Net sales	**3,947.6**	(96.1)
Operating income (loss)	**64.1**	(17.9)
Income (loss) from continuing operations, before income taxes and noncontrolling interests	**82.4**	+37.5
Net income (loss) attributable to shareholders of the Company	**804.0**	+1,769.7

(* Change from the previous fiscal year)

During FY2017 (April 2017-March 2018), the US economy was generally solid, with positive growth in consumption, investment and exports. The Eurozone economy saw moderate growth, primarily in Germany, though growth slowed in the UK. The Chinese economy saw recovery, including increased investment in infrastructure and exports. Other Asian markets also saw a modest recovery. There was a modest rise in energy prices.

The Japanese economy continued to see a modest recovery, with an uptick in consumer spending and a moderate rise in capital investment. Export levels continued to show a gradual increase.

In FY2018 (April 2018-March 2019), the overall global economy is expected to see favorable growth, as the US economy is expected to continue to expand on the strength of the recent tax reduction, and the Eurozone economy is expected to see moderate growth. China's economy is expected to see a slight slowdown due to a policy targeting the quality of growth. Forecasts for the Japanese economy indicate moderate growth.

In these circumstances, the Company has implemented various actions in this fiscal year toward mitigating the financial crisis, and to strengthen the base for transforming the Company. Toward enhancing its financial soundness, the Company has entered into a transaction for the Memory business, issued shares through third-party allotments that raised approximately 600.0 billion yen, and settled in full its company guarantee obligations for Westinghouse Electric Company ("Westinghouse") in respect of the extraordinary loss generated by Westinghouse for nuclear-power-plant-project related costs, and also closed the sale of Westinghouse-related claims to third parties. In reevaluating its portfolio, the Company liquidated its holding in Landis+Gyr and deconsolidated it through an IPO, disposed of the Visual Products business, and implemented other measures to improve profitability and increase asset efficiency. The results of the Memory business have been reclassified as a discontinued operation in the Company's consolidated statements of operations from the third quarter of FY2017, in accordance with U.S. generally accepted accounting principles.

Taking into account the aforementioned items, Toshiba Group's net sales decreased by 96.1 billion yen to 3,947.6 billion yen. Although the Company recorded higher sales in Storage & Electronic Devices Solutions, Energy Systems & Solutions saw lower sales due to the deconsolidation of Landis+Gyr through an IPO, and Infrastructure Systems & Solution saw lower sales.

As a result of minimizing emergency measures, including bonus reductions, the Group recorded consolidated operating income of 64.1 billion yen, a decrease of 17.9 billion yen.

Income (loss) from continuing operations, before income taxes and noncontrolling interests, increased by 37.5 billion yen to 82.4 billion yen, due to a profit of 66.8 billion yen from the Landis+Gyr IPO.

Income (loss) from discontinued operations, before noncontrolling interests was 696.1 billion yen, due to the Memory business recording a profit rate of 40%, the surplus from the sale of Westinghouse-related claims to third parties, and the effect of a significant tax reduction, as the Westinghouse-related claims and investments in shares were recognized as a loss.

Net income (loss) attributable to shareholders of the Company increased by 1,769.7 billion yen to 804.0 billion yen.

Consolidated Results by Segment are as follows:

	Billions of yen				
	Net Sales			Operating Income (Loss)	
		Change*			Change*
Energy Systems & Solutions	844.7	(130.2)	(13%)	(14.8)	+26.9
Infrastructure Systems & Solutions	1,246.8	(15.6)	(1%)	48.0	(10.4)
Retail & Printing Solutions	522.8	+15.1	+3%	27.0	+10.7
Storage & Electronic Devices Solutions	879.6	+42.5	+5%	47.3	(10.3)
Industrial ICT Solutions	258.9	+19.3	+8%	1.3	(5.8)
Others	525.6	(10.0)	(2%)	(48.6)	(31.5)
Eliminations	(330.8)	(17.2)	–	3.9	+2.5
Total	3,947.6	(96.1)	(2%)	64.1	(17.9)

(* Change from the previous fiscal year ended March 31, 2017)

1) Energy Systems & Solutions:
The Energy Systems & Solutions segment saw lower sales of 844.7 billion yen, 130.2 billion yen decrease from the previous year. Although Thermal & Hydro Power Systems recorded higher sales, Nuclear Power Systems, Transmission & Distribution Systems recorded lower sales, and Landis+Gyr was deconsolidated.

The segment as a whole saw improved operating loss of 14.8 billion yen, an improvement from the previous year by 26.9 billion yen. Although Thermal & Hydro Power Systems, Transmission & Distribution Systems all saw deteriorated operating income (loss), and Landis+Gyr was deconsolidated through an IPO, Nuclear Power Systems recorded an increase.

2) Infrastructure Systems & Solutions:
The Infrastructure Systems & Solutions segment saw lower sales of 1,246.8 billion yen, 15.6 billion yen decrease from the previous year, as Public Infrastructure and Building and Facilities saw decreased sales, although Industrial Systems recorded higher sales.

The segment as a whole saw lower operating income of 48.0 billion yen, 10.4 billion yen decrease from the previous year. Industrial Systems saw an increase in operating income, however, Public Infrastructure and Building and Facilities saw lower operating income.

3) Retail & Printing Solutions:
The Retail & Printing Solutions segment saw higher sales of 522.8 billion yen, 15.1 billion yen increase from the previous year, as both businesses recorded stable performances.

The segment as a whole saw an increase in operating income of 27.0 billion yen, 10.7 billion yen increase from the previous year, as both the Retail business and the Printing business saw increases in operating income.

4) Storage & Electronic Devices Solutions:
The Storage & Electronic Devices Solutions segment saw higher sales of 879.6 billion yen, 42.5 billion yen increase from the previous year. Although HDDs saw decreased sales, Devices & Others saw increased sales.

The segment as a whole saw lower operating income of 47.3 billion yen, 10.3 billion yen decrease from the previous year, as HDD and Devices & Others both saw lower operating income.

5) Industrial ICT Solutions:
The Industrial ICT Solutions segment saw increased sales of 258.9 billion yen, 19.3 billion yen increase from the previous year, on positive results in the license business for the government sector, systems for manufacturing, and the IoT/ AI business.

The segment as a whole saw lower operating income of 1.3 billion yen, 5.8 billion yen decrease from the previous year, due to the impact from some domestic information system projects, and the implementation of structural reform in the unified communications systems business.

6) Others:
The Other segment saw lower sales of 525.6 billion yen, 10 billion yen decrease from the previous year, and deteriorated operating loss of 48.6 billion yen, 31.5 billion yen decrease from the previous year.

Net sales of each segment described above include intersegment sales of 330.8 billion yen.

(2) Cash Flows

In the fiscal year under review, net cash provided by operating activities amounted to 41.6 billion yen, a decrease of 92.6 billion yen from 134.2 billion yen in the previous fiscal year due to large improvements in net income (loss), despite the payment of Westinghouse parent company guarantees.

Net cash used in investing activities amounted to -150.9 billion yen, a decrease of 28.1 billion yen from -179.0 billion yen in the previous fiscal year due to the payment of 179.0 billion yen for the purchases of tangible fixed assets such as the investments made in the Memory business, partially offset by income of 149.7 billion yen generated from the sale of Landis+Gyr shares.

As a result of the foregoing, free cash flow decreased by 64.5 billion yen to -109.3 billion yen from -44.8 billion yen in the previous fiscal year.

Net cash used in financing activities amounted to -63.6 billion yen, an increase of 156.2 billion yen from -219.8 billion yen in the previous fiscal year due to 573.4 billion yen proceeds from stock offering, despite repayment of debt.

Fluctuations in foreign exchange rates resulted in a decrease of cash by 1.7 billion yen. Cash and cash equivalents at the end of the fiscal year decreased by 174.6 billion yen, from 707.7 billion yen at the end of the previous fiscal year to 533.1 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 litigation settlement and other costs are not charged to operating income (loss).

The Healthcare Systems & Services segment, the Home Appliances business, Westinghouse's Nuclear Power business and Memory business are classified as discontinued operations in accordance with ASC 205-20 "Presentation of Financial Statements - Discontinued Operations". The results of these businesses have been excluded from net sales, operating income (loss), and income (loss) from continuing operations, before income taxes and noncontrolling interests. Net income (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.

The Company recovered from negative shareholders' equity through a share issue by third-party allotments in December 2017 and other measures, for both its consolidated and non-consolidated statements, however, as the distributable amount based on non-consolidated financial statement as of the end of March 2018 stood at -757.8 billion yen, it is not possible to pay a dividend under the terms specified in the Companies Act.

The Company will implement a shareholder returns at the earliest possible date, which will channel a targeted amount of approximately 700.0 billion yen into a share buyback. The funding represents part of the profit on the sale of Toshiba Memory. The Company will determine timing and mechanics with consideration for legal and other restrictions, such as insider trading regulations under Japan's Financial Instruments and Exchange Act and the Companies Act, and the impact on supply and demand of Toshiba's shares in the market. The Company will also continue to consider its policy on payments of stable dividends.

RESEARCH AND DEVELOPMENT

The Group contributes to a sustainable society by focusing on business domains that sustain modern life and society and create new value with reliable technologies.

In the Energy Systems & Solutions, the Company promote stable supply and efficient use of conventional energy sources. The Company also contribute to the realization of a low-carbon society by providing technologies and services that generate, transmit and store clean energy, including hydrogen. In the Infrastructure Systems & Solutions, the Company provide highly reliable technologies and services to customers in a wide range of industries, including public infrastructure, buildings and facilities, and railroad and industrial systems, in order to realize a safe and secure society. In the Retail & Printing Solutions, the Company create value for our customers and continually provide reliable and convenient products and solutions based on original technologies and our collaboration with leading global partners. In the Storage & Electronic Devices Solutions, with a focus on building infrastructure for Big Data, the Company develop cutting-edge technologies for new semiconductor products and HDDs such as storage, industrial and automotive applications, and IoT (Internet of Things). In the Industrial ICT Solutions, the Company work with customers to create digital services that make the most of our industrial know-how and IoT and AI technologies.

The Group's overall R&D expenditure was 178.7 billion yen (excluding the Memory business) in the fiscal year ended March 31, 2018. Expenditures for each business segment were as follows:

Apart from the above, R&D expenditures for the Memory business were 119.1 billion yen, primarily for semiconductor products such as three-dimensional flash memory.

	Billions of yen
Energy Systems & Solutions	27.4
Infrastructure Systems & Solutions	39.2
Retail & Printing Solutions	28.1
Storage & Electronic Devices Solutions	44.0
Industrial ICT Solutions	6.7
Others	33.3

CAPITAL EXPENDITURES

CAPITAL EXPENDITURE OVERVIEW

(1) Overview

In FY2017, the Company carried out investments in focus business domains under a policy of concentrated investments, based on its business portfolio. Capital investment (on an order basis, including intangible assets; the same applies hereafter) was 85.5 billion yen. Investments and loans (on a payment basis; the same applies hereafter) totaled 96.5 billion yen.

In the Infrastructure Systems & Solutions, the Company made investments to meet expanded production of SCiB™ rechargeable batteries, which excel in safety and quick charging. In the Storage & Electronic Devices Solutions, the Company made investments to increase production capacity to meet expanded demand for power devices.

Upper limits for investment in FY2017 were set and managed in accordance with investment cash flow set in advance. Note that the Toshiba Memory Corporation portion is not included in the table below, and is recorded in (4).

Business Segment	Capital expenditure (billion yen) (Note 1)	Investments & loans (billion yen) (Note 2)
Energy Systems & Solutions	10.7	94.0
Infrastructure Systems & Solutions	32.1	1.9
Retail & Printing Solutions	8.3	0.4
Storage & Electronic Devices Solutions	20.5	0.1
Industrial ICT Solutions	2.3	0.1
Others	11.6	0.0
Total	85.5	96.5

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

(Translation purposes only)

(2) Primary Capital Investment

	Segment	Outline
Completed during the term	Infrastructure Systems & Solutions	• Rechargeable battery manufacturing equipment (Toshiba Infrastructure Systems & Solutions Corporation)
Ordered during the term	Infrastructure Systems & Solutions	• Rechargeable battery manufacturing equipment (Toshiba Infrastructure Systems & Solutions Corporation)
	Storage & Electronic Devices Solutions	• Power device manufacturing equipment (Kaga Toshiba Electronics Corporation)

(3) Primary Investment and Loan

Segment	Outline
Energy Systems & Solutions	• Acquisition of Westinghouse Group stock from IHI Corporation • Acquisition of stock of NuGeneration Limited from the ENGIE S.A. Group (France) • Acquisition of Westinghouse Group stock from National Atomic Company Kazatomprom Joint Stock Company (Kazakhstan)

(4) Toshiba Memory Corporation Portion

The Company constructed a new fabrication facility within the Yokkaichi Plant to enhance competitiveness in NAND flash memory, and made continuous investments to expand production of 3D NAND flash memory. Capital investments totaled 576.8 billion yen, and investments and loans totaled 0.4 billion yen. This investment includes investments in Toshiba Memory Corporation by Flash Forward, Ltd., and other affiliates accounted for by the equity method.

PLANS FOR CONSTRUCTING NEW FACILITIES AND RETIRING EXISTING FACILITIES

The Group is focused on business areas centered on social infrastructure. Regarding capital expenditure, we plan to invest heavily in the growth field of infrastructure business.

At the end of this fiscal year ended March 31, 2018, the amount of planned capital investments for newly-established facilities and upgrades of equipment is 135.0 billion yen (calculated based on order and including intangible assets; hereinafter the same) and the amount of investments and loans is 15.0 billion yen (calculated based on payments; hereinafter the same), and planned total amount is 150.0 billion yen, in the fiscal year ending March 31, 2019. The funds for capital expenditures will be financed by internal funds.

Billions of yen

As of March 31, 2018

Business Segment	Planned Capital Investments for the year ending March 31, 2019	Major Contents and Purposes
Energy Systems & Solutions	17.0	–
Infrastructure Systems & Solutions	62.0	Rechargeable battery manufacturing equipment
Retail & Printing Solutions	10.0	–
Storage & Electronic Devices Solutions	23.0	–
Industrial ICT Solutions	4.0	–
Others	19.0	–
Total	135.0	–

Investments & loans	15.0

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, 2019 are as follows:

As of March 31, 2018

Name of Company and Office	Place	Business Segment	Type of Facility	Capacity Improvement after Completion of Construction
Toshiba Infrastructure Systems & Solutions Corporation	Kashiwazaki, Nigata	Infrastructure Systems & Solutions	Manufacturing facilities, constructions for rechargeable battery, etc.	Production capacity of rechargeable battery, etc.
Toshiba Carrier Corporation	Fuji, Shizuoka	Infrastructure Systems & Solutions	Construction of new technology center	Research and development capabilities
Toshiba Carrier Air Conditioning (China) Co., Ltd.	Hangzhou, China	Infrastructure Systems & Solutions	Construction of new base building	Overseas production capabilities

TREASURY STOCK

Shares held as of the closing date of last period:			3,793,341 (common stock)
Shares acquired during the period:	Demand for purchase of shares less than one unit from shareholders		307,339 (common stock)
		Aggregate amount of acquisition costs:	85,934 (thousand yen)
	Demand for purchase of shares by shareholders dissenting from Absorption-type Company Split		154,193 (common stock)
		Aggregate amount of acquisition costs:	31,871 (thousand yen)
Shares disposed during the period:	Demand for sale of shares less than one unit from shareholders		6,402 (common stock)
		Aggregate amount of sales value:	1,878 (thousand yen)
Shares held as of the closing date of this period:			4,248,471 (common stock)

MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2018

Consolidated Subsidiaries

- Japan Semiconductor Corporation
- Kaga Toshiba Electronics Corporation
- Nishishiba Electric Co.,Ltd.
- Nuflare Technology Inc.
- Sigma Power Holdings LLC.
- Toshiba Carrier Corporation
- Toshiba Client Solution Co., Ltd
- Toshiba Device Corporation
- Toshiba Electronic Devices & Storage Corporation
- Toshiba Digital Solutions Corporation
- Toshiba Elevator and Building Systems Corporation
- Toshiba Energy Systems & Solutions Corporation
- Toshiba Fuel Cell Power Systems
- Toshiba Global Commerce Solutions Holdings Corporation
- Toshiba Industrial Products and Systems Corporation
- Toshiba Infrastructure Systems & Solutions Corporation
- Toshiba IT-Services Corporation
- Toshiba Lighting & Technology Corporation
- Toshiba Logistics Corporation
- Toshiba Memory Corporation
- Toshiba Plant Systems & Services Corporation
- Toshiba TEC Corporation
- Toshiba TEC Solution Service Corporation
- Advance Energy UK Ltd.
- Consert LLC.
- GNFT Corporation
- LC Collateral Spv LLC.
- NuGeneration Ltd.
- TCFG Compressor (Thailand) Co., Ltd.
- Toshiba America Business Solutions,Inc.
- Toshiba America Electronic Components, Inc.
- Toshiba America Energy Systems Corporation
- 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 Components Taiwan Coporation
- 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 Memory America, Inc.
- Toshiba Memory Asia, Ltd.
- Toshiba Memory Europe Gmbh
- Toshiba Memory Singapore Pte. Ltd.
- Toshiba Memory (Taiwan) Corporation
- Toshiba Nuclear Energy Holdings(US) Inc.
- Toshiba of Europe Ltd.
- Toshiba Semiconductor (Thailand) Co.,Ltd.
- 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.
- TPSC (Thailand) Co.,Ltd
- TSB Nuclear Energy USA Group Inc.
- WEC Insurance Ltd.

Affiliated companies

- Erex New Energy Saiki Co.,Ltd
- Flash Alliance Ltd.
- Flash Forward
- Flash Partners, Ltd.
- Toshiba Mitsubishi-Electric Industrial Systems Corporation
- Automotive Electronics Power Pvt. Ltd.
- Changzhou Toshiba Transformer Co.,Ltd.
- Dalian Toshiba Locomotive Electric Equipment Co.,Ltd.
- Energy Asia Holdings,Ltd.
- GE Toshiba Turbine Components De Mexico S.R.L. De C.V.
- 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.
- Guangdong Meizhi Compressor Ltd.
- Guangdong Meizhi Precision Manufaturing 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

The Company has 316 consolidated subsidiaries in addition to the 73 above and 71 affiliated companies in addition to the 25 above.

Note: The following is the translation of "Business Risk Factors" section of the Annual Securities Report filed by TOSHIBA CORPORATION (the "Company") on June 27, 2018. This English translation was prepared for reference purpose only. If there is any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

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 June 27, 2018 and involve inherent uncertainties, and, therefore, the actual results may differ.

1. Risks related to management policy

(1) Impact of the sale of the Memory business

The Group had recently intended to focus its capital expenditure and its investments and loans in the Memory area. However, in September 2017, the Company has entered into a Share Purchase Agreement with K.K. Pangea, a special purpose acquisition company formed by a consortium led by Bain Capital Private Equity, LP, for the sale of all shares of Toshiba Memory Corporation ("TMC"), which operates the Memory business. Accordingly, it was decided that the Memory business would be treated as a discontinued operation. Subsequently, as of June 1, 2018, the sale of the shares was closed in accordance with the Share Purchase Agreement, and the Company reinvested 350.5 billion yen in total in K.K. Pangea while implementing this sale of the shares with the aim of ensuring a stable business transfer. As a result, TMC has been deconsolidated from the Group, and going forward K.K. Pangea and TMC are expected to be treated as affiliates accounted for by the equity method.

Since the operating income from the Memory business has accounted for a major part of the Group's consolidated operating income in recent years, the Group's consolidated operating income decreased significantly as a result of the Memory business becoming a discontinued operation. There can be no assurance that the areas other than Memory business will generate the same level of income as that of the Memory area, and the profit level of the Group may not recover to the level existing before the sale of the shares. In addition, if K.K. Pangea and TMC will be affiliates accounted for by the equity method of the Company, there is a possibility that impairment loss of the shares of K.K. Pangea will be recorded depending on its performance as the income/loss of K.K. Pangea will impact on the equity method investment income/loss of the Group.

(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 has some good prospects for improving our unprofitable businesses. However, any other business may become unprofitable due to further change in the business environment or any other problem may occur with respect to the business of which structural reform has completed. In addition, under the "Toshiba Next Plan," the Company will strengthen its structure and build a robust organization by focusing on restructuring in areas that include the energy business domain, indirect staff, and the number of group companies. Accordingly, 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.

The Transmission & Distribution Systems business operates internationally in each country and region. However, its business environments have been quite severe.

With respect to the Thermal Power business, if, due to internationally accelerated effort to prevent emissions of greenhouse gases, the restraint of investment in coal-fired power, specifically, and shift to renewable energy proceed, and accordingly, the demands for thermal power equipment decrease and the competition among business operators becomes intensified, the profits of such business may be 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

The demand and supply in the Storage & Electronic Devices Solutions business shows a highly cyclical trend, 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 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 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.

(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

In June 2018, the Company entered into an agreement with Sharp Corporation under which the Company will transfer 80.1% of the shares of Toshiba Client Solutions Co., Ltd ("TCS"), which operates the PC business. The share transfer is scheduled to be completed in October 2018 and, after the share transfer is closed, TCS will be deconsolidated subsidiaries from the Group.

(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 recognition and at the time of settlement of the credits and debts in foreign currencies, in case of steep exchange rate fluctuations.

In addition, the payment amount under the service agreements for processing liquefied natural gas with the companies providing services for liquefying natural gas in the U.S. is fixed at U.S. dollars; therefore, the payment of this amount will be made in U.S. dollars. Consequently, the amount to be paid by the Company, if converted into yen, may increase due to rapid 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 and goodwill

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. A certain amount of goodwill has been recorded in the Company's consolidated balance sheets in accordance with U.S. Generally Accepted Accounting Principles. 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.

Also, if the fair value of the marketable securities or the investments in affiliates held by the Group declines, there is a possibility that a loss will be recorded.

(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.

Loan agreements entered into between the Company and several financial institutions (the "Loans with Financial Covenants"; the balance as of March 31, 2018 was 80.0 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 accelerated in accordance with the so-called cross-default clause as well.

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 June 29, 2018. However, on and after June 30, 2018, 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 borrowings subject to the above-mentioned cross-default (including the Loans with Financial Covenants) as of March 31, 2018, is approximately 280.0 billion yen.

Although, 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, any acceleration of the repayment of the Loans with Financial Covenants may occur.

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.

(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.

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 trade secrets regarding the Group's technology, marketing and other business operations. The Group has been 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.

The Group also maintains and manages the personal information of customers, business partners and employees, etc. 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.

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.

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 of 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.

In August 2017, a lawsuit seeking recovery of damages was filed against 3 companies within the Group and 1 company outside the Group, in which plaintiffs who has purchased products containing CRT alleged that Matsushita Toshiba Picture Display, an affiliated company of the Company until 2007, violated European antitrust laws relating to CRT and as a result they suffered from damages during the period from January 2003 to December 2006.

In December 2017, a class action was brought against the Company seeking recovery of damages by customers such as South Carolina Gas and Electric Company and other(s) who bought electricity alleging that they were damaged by cancelation of the construction projects of Units 2 and 3 of the V.C. Summer Nuclear Station in South Carolina.

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

(1) Alliance in nuclear power systems business

The Group held 60% of the shares of NuGeneration Limited ("NuGen"), the Company's consolidated subsidiary, while group companies of ENGIE S.A. ("ENGIE"), a French company, held the other 40% of the shares of NuGen. However, in July 2017, the Company completed share acquisition procedures for all shares of NuGen held by ENGIE, and NuGen became the Company’s wholly owned consolidated subsidiary.

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 or incur other expenses for countermeasures, and it may adversely affect the results of operations and financial condition of the Group.

(2) 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., (See Notes to Consolidate Financial Statements, 21. COMMITTEMNTS AND CONTINGENT LIABILITIES and 26. VARIABLE INTEREST ENTITIES) 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, etc.). 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 aims to execute transaction agreements also with respect to the remaining portion of LNG; however, there is a possibility that the Company cannot sell LNG (including short-term sales) to the users under the conditions (including the price) the Company expects, and as a result, the Company may be forced to bear a certain amount of 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") (together, the “Exchanges”) 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, the Exchanges designated shares of the Company as "Securities on Alert". In September 2016, the Company submitted to Exchanges a "Written Confirmation of Internal Management Systems" for their review. In the process of this review, the Exchanges 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, the Exchanges 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 the Exchanges 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. After confirmation by the Exchanges of the resubmitted Written Confirmation of Internal Management Systems, the Exchanges found that the internal control systems had been reasonably improved, and the designation of the Company's shares as "Securities on Alert" and "Securities Under Supervision (Examination)" was cancelled as of October 12, 2017.

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 (See Notes to Consolidate Financial Statements, 23. 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 is subject to investigations by relevant authorities and may be subject to additional investigations in the future. 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

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, 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., ("THEN (UK)" and together with WEC and its U.S. subsidiaries and affiliates, "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, in January 2018, it was decided that WEC and its group would be sold to Brookfield WEC Holdings LLC ("Brookfield"), a U.S. company. In addition, the Company decided to sell to Nucleus Acquisition LLC ("Nucleus"), a U.S. company, the right to reimbursement and the loan receivables, etc. that it had against the Filing Companies, and it also decided to sell to Brookfield all of the shares it held in the holding companies of WEC group, including TNEH (UK). With respect to the sale of these claims and all of the shares in the holding companies, the Company agreed with the key stakeholders in the reorganization proceedings, including WEC, TNEH (UK) and Statutory Committee of Unsecured Creditors, Nucleus, a transferee of the claims held by the Company, and Brookfield, which would acquire WEC group as stated above, upon the key terms of the reorganization plan including the treatment of, and distributions to the creditors and milestones for the voting process and approval by the court for the reorganization plan. Due to this agreement, the reorganization proceedings became more likely to be completed adequately and early, and in March 2018, in line with this agreement, the reorganization plan prepared and submitted by the Filing Companies was agreed to by the creditors and approved by the Bankruptcy Court. Furthermore, the Company has agreed with Brookfield that Brookfield would assume or compensate the parent company guarantee provided by the Company in relation to the business of WEC. Therefore, the Company is expected to be able to eliminate future contingent risks that may arise under such parent company guarantee when Brookfield completes the acquisition of WEC and WEC group.

For FY2016, the Company recorded 652.3 billion yen of loss relating to the construction agreement regarding WEC in the Consolidated Statements of Operations as net loss from discontinued operation, after income taxes and before noncontrolling interests. However, the Company's independent auditor, PricewaterhouseCoopers Aarata LLC ("PwC Aarata"), gave a qualified opinion in its audit report for the consolidated financial statements and an adverse opinion to the Internal Control Report for FY2016, stating that the Company's accounting procedures for the loss did not comply with U.S. accounting principles, and the fact that the impact of the losses not recorded in the consolidated financial statements for the appropriate financial term was significant. PwC Aarata also gave a qualified result to the Consolidated

Financial Statements for the first quarter of FY2017 with respect to the 3-month period ended June 30, 2017, on grounds that, in addition to the reason given above, it has yet to state the conclusions for its quarterly consolidated financial statements for the first quarter of FY2016 with respect to the 3-month period ended June 30, 2016, and such status would have an effect on the net income from discontinued business after income taxes and before noncontrolling interests for the 3-month period ended June 30, 2017, the net income before noncontrolling interests for the same period and the net income attributable to the shareholders of the Company for the same period, and its comparative information. The independent auditor also gave qualified results to the Consolidated Financial Statements for the second and the third quarters of FY2017 for the same reason state for the first quarter of FY2017. Since the independent auditor is stating that the Company's accounting procedures for the loss for FY2016 did not comply with U.S. accounting principles, and it consequently affects the feasibility of making comparisons with figures for the same period of the following year, the independent auditor gave a qualified opinion to the full-year results for FY2017.

12. 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, 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, shutdown of the production facilities 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 June 27, 2018, 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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2018**	2017	**2018**
Current assets:			
Cash and cash equivalents	**¥ 500,820**	¥ 521,097	**$ 4,724,717**
Notes and accounts receivable, trade:			
Notes receivable (Note 6)	**50,255**	38,705	**474,104**
Accounts receivable (Note 6)	**940,315**	981,125	**8,870,896**
Allowance for doubtful notes and accounts receivable	**(22,424)**	(24,936)	**(211,547)**
Inventories (Note 7)	**469,767**	500,686	**4,431,764**
Deferred tax assets (Notes 2 and 16)	**–**	21,156	**–**
Other receivables (Note 6)	**163,706**	62,597	**1,544,396**
Prepaid expenses and other current assets (Notes 4 and 19)	**180,176**	166,045	**1,699,774**
Current assets of discontinued operations (Note 3)	**1,296,481**	469,818	**12,230,953**
Total current assets	**3,579,096**	2,736,293	**33,765,057**
Long-term receivables and investments:			
Long-term receivables (Note 6)	**7,862**	15,272	**74,170**
Investments in and advances to affiliates (Notes 4 and 8)	**148,120**	144,316	**1,397,358**
Marketable securities and other investments (Notes 4, 5 and 10)	**89,858**	66,246	**847,717**
Total long-term receivables and investments	**245,840**	225,834	**2,319,245**
Property, plant and equipment (Notes 4, 10, 15 and 20):			
Land	**42,079**	49,577	**396,972**
Buildings	**629,742**	675,031	**5,940,962**
Machinery and equipment	**1,232,282**	1,335,255	**11,625,302**
Construction in progress	**18,984**	9,271	**179,094**
	1,923,087	2,069,134	**18,142,330**
Accumulated depreciation	**(1,557,452)**	(1,665,401)	**(14,692,943)**
Total property, plant and equipment	**365,635**	403,733	**3,449,387**
Other assets:			
Goodwill and other intangible assets (Notes 4, 9 and 15)	**126,510**	345,823	**1,193,491**
Deferred tax assets (Notes 2 and 16)	**76,326**	32,591	**720,056**
Other assets (Note 19)	**64,804**	72,158	**611,358**
Non-current assets of discontinued operations (Note 3)	**–**	453,081	**–**
Total other assets	**267,640**	903,653	**2,524,905**
Total assets	**¥ 4,458,211**	¥ 4,269,513	**$ 42,058,594**

The accompanying notes are an integral part of these statements.

Liabilities and equity	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 1) 2018
Current liabilities:			
Short-term borrowings (Notes 1, 10 and 19)	**¥ 89,891**	¥ 357,727	**$ 848,028**
Current portion of long-term debt (Notes 1, 10 and 19)	**211,667**	328,074	**1,996,859**
Notes and accounts payable, trade	**684,687**	673,679	**6,459,311**
Accounts payable, other and accrued expenses (Notes 23 and 24)	**303,568**	267,235	**2,863,849**
Accrued income and other taxes (Note 16)	**54,270**	34,478	**511,981**
Advance payments received	**288,720**	315,745	**2,723,774**
Deferred tax liabilities (Notes 2 and 16)	**–**	6,480	**–**
Provision for loss on guarantees (Note 3)	**23,372**	143,761	**220,491**
Other current liabilities (Notes 4, 16, 19, 22 and 23)	**425,157**	321,263	**4,010,914**
Current liabilities of discontinued operations (Note 3)	**349,608**	269,961	**3,298,189**
Total current liabilities	**2,430,940**	2,718,403	**22,933,396**
Long-term liabilities:			
Long-term debt (Notes 10 and 19)	**390,860**	518,171	**3,687,359**
Accrued pension and severance costs (Note 11)	**443,092**	481,833	**4,180,113**
Deferred tax liabilities (Notes 2 and 16)	**55,782**	65,021	**526,245**
Provision for loss on guarantees (Note 3)	**–**	543,897	**–**
Other liabilities (Notes 4, 16, 19, 22, 23, 24 and 25)	**126,803**	151,569	**1,196,255**
Non-current liabilities of discontinued operations (Note 3)	**–**	66,323	**–**
Total long-term liabilities	**1,016,537**	1,826,814	**9,589,972**
Total liabilities	**¥ 3,447,477**	¥ 4,545,217	**$ 32,523,368**
Equity attributable to shareholders of the Company (Note 17):			
Common stock:			
Authorized–10,000,000,000 shares issued:			
2018–6,520,707,026 shares 2017–4,237,602,026 shares	**¥ 499,999**	¥ 200,000	**$ 4,716,972**
Additional paid-in capital	**357,153**	140,144	**3,369,368**
Retained earnings (accumulated deficit)	**223,615**	(580,396)	**2,109,575**
Accumulated other comprehensive loss	**(295,572)**	(310,750)	**(2,788,415)**
Treasury stock, at cost:			
2018–4,248,471 shares	**(2,060)**	–	**(19,434)**
2017–3,793,341 shares	**–**	(1,945)	**–**
Total equity attributable to shareholders of the Company	**783,135**	(552,947)	**7,388,066**
Equity attributable to noncontrolling interests	**227,599**	277,243	**2,147,160**
Total equity	**¥ 1,010,734**	¥ (275,704)	**$ 9,535,226**
Commitments and contingent liabilities (Notes 21, 22 and 23)			
Total liabilities and equity	**¥ 4,458,211**	¥ 4,269,513	**$ 42,058,594**

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Sales and other income:			
Net sales	**¥ 3,947,596**	¥ 4,043,736	**$ 37,241,472**
Interest and dividends	**7,799**	7,015	**73,576**
Equity in earnings of affiliates (Notes 4 and 8)	**10,250**	7,122	**96,698**
Other income (Notes 4, 5, 14 and 19)	**184,599**	67,558	**1,741,500**
	4,150,244	4,125,431	**39,153,246**
Costs and expenses:			
Cost of sales (Notes 4, 9, 12, 15, 20 and 24)	**2,986,840**	3,015,196	**28,177,736**
Selling, general and administrative (Notes 9, 12, 13 and 24)	**896,686**	929,611	**8,459,302**
Impairment loss on goodwill (Notes 4 and 9)	**–**	16,914	**–**
Interest	**29,364**	18,539	**277,019**
Other expense (Notes 4, 5, 6, 14, 19, and 23)	**154,976**	100,226	**1,462,038**
	4,067,866	4,080,486	**38,376,095**
Income from continuing operations, before income taxes and noncontrolling interests	**82,378**	44,945	**777,151**
Income taxes (Note 16):			
Current	**(21,709)**	25,309	**(204,802)**
Deferred	**(40,229)**	32,657	**(379,519)**
	(61,938)	57,966	**(584,321)**
Income (loss) from continuing operations, before noncontrolling interests	**144,316**	(13,021)	**1,361,472**
Income (loss) from discontinued operations, before noncontrolling interests (Notes 3 and 19)	**696,068**	(1,147,180)	**6,566,679**
Net income (loss) before noncontrolling interests	**840,384**	(1,160,201)	**7,928,151**
Less: Net income (loss) attributable to noncontrolling interests	**36,373**	(194,538)	**343,142**
Net income (loss) attributable to shareholders of the Company	**¥ 804,011**	¥ (965,663)	**$ 7,585,009**

Per Share Data

	Yen		U.S. dollars (Note 1)
Basic net earnings (loss) per share attributable to shareholders of the Company (Note 18)			
Earnings from continuing operations	**¥ 21.73**	¥ 11.96	**$ 0.21**
Earnings (loss) from discontinued operations	**¥ 141.16**	¥ (240.04)	**$ 1.33**
Net earnings (loss)	**¥ 162.89**	¥ (228.08)	**$ 1.54**
Cash dividends per share (Note 17)	**¥ –**	¥ –	**$ –**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Net income (loss) before noncontrolling interests	**¥ 840,384**	¥ (1,160,201)	**$ 7,928,151**
Other comprehensive income (loss), net of tax (Note 17)			
Net unrealized gains and losses on securities (Note 5)	**12,928**	974	**121,962**
Foreign currency translation adjustments	**(39,210)**	43,010	**(369,906)**
Pension liability adjustments (Note 11)	**29,799**	84,116	**281,123**
Net unrealized gains and losses on derivative instruments (Note 19)	**1,512**	2,727	**14,264**
Total other comprehensive income	**5,029**	130,827	**47,443**
Comprehensive income (loss) before noncontrolling interests	**845,413**	(1,029,374)	**7,975,594**
Less: Comprehensive income (loss) attributable to noncontrolling interests	**26,224**	(184,789)	**247,396**
Comprehensive income (loss) attributable to shareholders of the Company	**¥ 819,189**	¥ (844,585)	**$ 7,728,198**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen							
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to non controlling interests	Total equity
Balance at March 31, 2016	¥ 439,901	¥ 399,470	¥ (76,782)	¥ (431,828)	¥ (1,887)	¥ 328,874	¥ 343,384	¥ 672,258
Transfer to additional paid-in capital from common stock (Note 17)	(239,901)	239,901						
Transfer to retained earnings (accumulated deficit) from additional paid-in capital (Note 17)		(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 17):								
Net unrealized gains and losses on securities (Note 5)				882		882	92	974
Foreign currency translation adjustments				36,438		36,438	6,572	43,010
Pension liability adjustments (Note 11)				80,960		80,960	3,156	84,116
Net unrealized gains and losses on derivative instruments (Note 19)				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)
Issuance of new shares (Note 17)	**299,999**	**279,687**				**579,686**		**579,686**
Change in ownership for noncontrolling interests and others		**(62,678)**				**(62,678)**	**(64,886)**	**(127,564)**
Dividends attributable to noncontrolling interests							**(10,982)**	**(10,982)**
Comprehensive income:								
Net income			**804,011**			**804,011**	**36,373**	**840,384**
Other comprehensive income (loss), net of tax (Note 17):								
Net unrealized gains and losses on securities (Note 5)				**12,610**		**12,610**	**318**	**12,928**
Foreign currency translation adjustments				**(27,046)**		**(27,046)**	**(12,164)**	**(39,210)**
Pension liability adjustments (Note 11)				**28,128**		**28,128**	**1,671**	**29,799**
Net unrealized gains and losses on derivative instruments (Note 19)				**1,486**		**1,486**	**26**	**1,512**
Total comprehensive income						**819,189**	**26,224**	**845,413**
Purchase of treasury stock, net, at cost					**(115)**	**(115)**		**(115)**
Balance at March 31, 2018	**¥ 499,999**	**¥ 357,153**	**¥ 223,615**	**¥ (295,572)**	**¥ (2,060)**	**¥ 783,135**	**¥ 227,599**	**¥1,010,734**

	Thousands of U.S. dollars (Note 1)							
	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, 2017	$ 1,886,793	$ 1,322,113	$ (5,475,434)	$ (2,931,604)	$ (18,349)	$ (5,216,481)	$ 2,615,500	$ (2,600,981)
Issuance of new shares (Note 17)	**2,830,179**	**2,638,557**				**5,468,736**		**5,468,736**
Change in ownership for noncontrolling interests and others		**(591,302)**				**(591,302)**	**(612,132)**	**(1,203,434)**
Dividends attributable to noncontrolling interests							**(103,604)**	**(103,604)**
Comprehensive income:								
Net income			**7,585,009**			**7,585,009**	**343,142**	**7,928,151**
Other comprehensive income (loss), net of tax (Note 17):								
Net unrealized gains and losses on securities (Note 5)				**118,962**		**118,962**	**3,000**	**121,962**
Foreign currency translation adjustments				**(255,151)**		**(255,151)**	**(114,755)**	**(369,906)**
Pension liability adjustments (Note 11)				**265,359**		**265,359**	**15,764**	**281,123**
Net unrealized gains and losses on derivative instruments (Note 19)				**14,019**		**14,019**	**245**	**14,264**
Total comprehensive income						**7,728,198**	**247,396**	**7,975,594**
Purchase of treasury stock, net, at cost					**(1,085)**	**(1,085)**		**(1,085)**
Balance at March 31, 2018	**$ 4,716,972**	**$ 3,369,368**	**$ 2,109,575**	**$(2,788,415)**	**$ (19,434)**	**$ 7,388,066**	**$ 2,147,160**	**$ 9,535,226**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Cash flows from operating activities			
Net income (loss) before noncontrolling interests	**¥ 840,384**	¥ (1,160,201)	**$ 7,928,151**
Adjustments to reconcile net income (loss) before noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**118,070**	162,975	**1,113,868**
Provisions for pension and severance costs, less payments	**9,016**	19,237	**85,057**
Deferred income taxes	**(99,776)**	13,537	**(941,283)**
Equity in (earnings) losses of affiliates, net of dividends	**(8,167)**	2,963	**(77,047)**
(Gain) loss from sales, disposal and impairment of property, plant and equipment and intangible assets, net	**(2,597)**	139,117	**(24,500)**
Impairment of goodwill	**–**	748,554	**–**
Gain from sales and impairment of securities, net	**(51,501)**	(96,262)	**(485,859)**
(Increase) decrease in notes and accounts receivable, trade	**(74,367)**	17,419	**(701,575)**
(Increase) decrease in inventories	**(30,156)**	31,563	**(284,491)**
Increase (decrease) in notes and accounts payable, trade	**31,256**	(26,594)	**294,868**
Increase (decrease) in accrued income and other taxes	**1,691**	(23,197)	**15,953**
Decrease in advance payments received	**(17,085)**	(61,292)	**(161,179)**
Others	**(675,127)**	366,344	**(6,369,123)**
Net cash provided by operating activities	**41,641**	134,163	**392,840**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	**25,811**	40,502	**243,500**
Proceeds from sale of securities	**2,759**	11,587	**26,028**
Acquisition of property, plant and equipment	**(179,027)**	(158,756)	**(1,688,934)**
Acquisition of intangible assets	**(20,881)**	(21,979)	**(196,991)**
Purchase of securities	**(16,737)**	(1,265)	**(157,896)**
Increase in investments in affiliates	**(117,214)**	(27,753)	**(1,105,792)**
Proceeds from sale of Landis+Gyr Group AG stock	**149,728**	–	**1,412,528**
Others	**4,574**	(21,265)	**43,151**
Net cash used in investing activities	**(150,987)**	(178,929)	**(1,424,406)**
Cash flows from financing activities			
Proceeds from long-term debt	**2,826**	45,870	**26,660**
Repayment of long-term debt	**(256,333)**	(218,366)	**(2,418,236)**
Decrease in short-term borrowings, net	**(239,271)**	(37,421)	**(2,257,274)**
Proceeds from stock offering	**573,447**	–	**5,409,877**
Dividends paid	**(10,940)**	(12,754)	**(103,208)**
Purchase of treasury stock, net	**(115)**	(58)	**(1,085)**
Others	**(133,227)**	2,971	**(1,256,857)**
Net cash used in financing activities	**(63,613)**	(219,758)	**(600,123)**
Effect of exchange rate changes on cash and cash equivalents	**(1,615)**	(3,312)	**(15,236)**
Net decrease in cash and cash equivalents	**(174,574)**	(267,836)	**(1,646,925)**
Cash and cash equivalents at beginning of year	**707,693**	975,529	**6,676,350**
Cash and cash equivalents at end of year	**533,119**	707,693	**5,029,425**
Less: Cash and cash equivalents of discontinued operations at end of year	**32,299**	186,596	**304,708**
Cash and cash equivalents of continuing operations at end of year	**¥ 500,820**	¥ 521,097	**$ 4,724,717**
Supplemental disclosure of cash flow information			
Cash paid during the year:			
Interest	**¥ 23,375**	¥ 21,248	**$ 220,519**
Income taxes	**104,845**	103,914	**989,104**
Sale of Landis+Gyr Group AG stock:			
Assets transferred (net of cash and cash equivalents)	**290,311**	–	**2,738,783**
Liabilities relinquished	**94,566**	–	**892,132**

The accompanying notes are an integral part of these statements.

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 U.S. Securities and Exchange Commission since the issuance of American Depositary Receipts in February 1962; however, it is no longer registered after the expiration of the deposit contract in November 1978.

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

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

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

2) Consolidation of variable interest entities
In accordance with Accounting Standards Codification ("ASC") No.810 "Consolidation" ("ASC No.810"), the consolidated financial statements include the accounts of the variable interest entities ("VIEs") for which the 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 3 for the presentation of discontinued operations. In addition, the related balances in the notes to financial statements of the previous fiscal year are reclassified to reflect these changes.

7) Income tax expenses or benefits
In accordance with ASC No. 740-20 "Intra-period Tax Allocation", the Company allocates total income tax expenses or benefits to different components of comprehensive income and shareholders' equity. Refer to Note 16 for the presentation of income taxes.

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

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 ¥106=U.S. $1, the approximate current rate of exchange at March 31, 2018, 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 negative equity, due to an extraordinary loss related to nuclear power plant construction projects by 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. As a result, consolidated equity attributable to shareholders of the Company decreased to -¥552,947 million, with consolidated net assets of -¥275,704 million, as of March 31, 2017. Therefore, taking into consideration of the expenditures which the Company was going to pay as its parent company guarantee obligation, substantial doubt about the Company's ability to continue as a going concern existed.

The Company, as approved at its Board of Directors on November 19, 2017, decided to proceed with a financing transaction of a share issue by third-party allotment (the "Financing") to offset the negative impact. The total amount of the newly issued shares was about ¥600,000 million ($5,660,377 thousand) (the issued amount per share is ¥262.8 ($2.48) and the total number of the newly issued shares was 2,283,105,000 shares) and the Financing was successfully closed on December 5, 2017.

The Company reached an agreement with Georgia Power, a wholly-owned subsidiary of Southern Company, in its role as agent for the owners of the project: Georgia Power; Oglethorpe Power Corporation; Municipal Electrical Authority of Georgia; and Dalton Utilities, for the Company to make a payment of $3,225 million (¥361.4 billion) as the remaining outstanding amount, following an earlier payment of $455 million (¥51.2 billion) from the maximum limit of $3,680 million (¥412.6 billion), of the Company's guarantee obligation. The payment was completed on December 14, 2017 with funds gained through the Financing. In addition, the Company also entered into an agreement with the two owners of the V.C. Summer project (Units 2 and 3), South Carolina Electric & Gas Company, the principal and wholly-owned subsidiary of SCANA Corporation and Santee Cooper, and subsequently with Citigroup Financial Products Inc. ("Citigroup"), now the holder of the rights to the claim of parent company guarantee payment after purchasing them from the two owners of the project, that determined to pay in full amount of the remaining outstanding balance of the Company's parent company guarantee obligations of which the maximum limit was set at $2,168 million (¥244.8 billion). On January 12, 2018, the Company made a payment to Citigroup in the amount of $1,860.5 million (¥210.2 billion). This constituted the outstanding amount of the parent company guarantee obligation reflecting the previously paid amount of $247.5 million (¥27.9 billion), adjusted to deduct $60 million (¥6.7 billion) related to the mechanic's lien, a guarantee of payment to builders, contractors and construction firms for their work. As a result, the Company's financing environment was improved by reductions of future expenditures. In addition, by settling the aforementioned obligations to creditors, the Company obtained the right to pursue claims against WEC for the amount paid by the Company. The Company entered into agreements with Nucleus Acquisition LLC ("Nucleus"), consortium controlled by The Baupost Group, L.L.C., to sell the aforementioned claims, and with the Brookfield WEC Holdings LLC to sell WEC related shares. The Company sold these claims on January 23, 2018, and the Company recorded a gain of ¥241.6 billion ($2,279 million) (Net income attributable to shareholders of the Company ¥166.9 billion ($1,575 million)). Furthermore, the Company mitigated ¥244.5 billion ($2,307 million) of the tax impact recognized as a non-qualified company split for tax purpose in the Memory business, resulting in further improvement of the Company's consolidated equity attributable to shareholders of the Company. Consequently the Company resolved its negative equity in consolidated equity attributable to shareholders of the Company as of March 31, 2018. As a result, consolidated equity attributable to shareholders of the Company was ¥783,135 million ($7,388,066 thousand), with consolidated net assets of ¥1,010,734 million ($9,535,226 thousand), as of March 31, 2018.

The Company entered into an agreement under which it would sell all shares of Toshiba Memory Corporation ("TMC") to K.K. Pangea ("Pangea"), a special purpose acquisition company formed by the consortium led by a Bain Capital Private Equity LP (including its affiliates, Bain Capital) for ¥2 trillion ($18.9 billion) on September 28, 2017. With respect to the Company's sale of TMC to Pangea (the "Sale"), SanDisk LLC ("SanDisk"), a subsidiary acquired by Western Digital Corporation, had alleged to International Court of Arbitration that the Company had violated the contract between the Company and SanDisk by taking over the shares of the joint ventures with SanDisk to TMC without the agreement of SanDisk when the Company split its Memory business into TMC. SanDisk also had alleged that exercising the Sale was a violation of the agreement. However, the Company entered into a global settlement agreement with Western Digital

Corporation to resolve these disputes and all related litigation and arbitration on December 13, 2017. As a result, concerns for the incompletion of the Sale with the mediation of the International Court of Arbitration was resolved. On May 17, 2018 the parties confirmed that all required anti-trust approvals were granted and the conditions for the closing of the agreement were satisfied. The sale of the TMC was completed on June 1, 2018.

The Company had Commitment lines contracts for ¥400.0 billion ($3,774 million) with the Company's main financial institutions in order to keep sufficient liquidity. These contracts were terminated upon the filing date after the completion of the closing of the Sale.

The deterioration of the Company's financial structure at the end of March 2017, and the downgrading of the Company's credit rating by the rating agencies on December 28, 2016 caused a breach of financial covenants in outstanding syndicated loans of ¥80,000 million ($754,717 thousand) lent by the Company's main financial institutions. The total for syndicated loans is recorded as a part of the Group's short-term and long-term borrowings in the total of ¥692,418 million ($6,532,245 thousand) in the consolidated balance sheet as of March 31, 2018. The Company obtained a consent with its financial institutions that these loans will not be called in until June 29, 2018. If these loans are called in, other bonds and certain borrowings might also become callable. While the Company will continue to sincerely request the financial institutions to waive the right to call in these loans on and after June 30, 2018, taking into account the fact that the Company is in a net cash position with the completion of the Sale, the Company considers it probable that it will be able to meet the obligation in the event that these loans are called in.

In addition to the foregoing, the Company operates businesses that require a Special Construction Business License from the Japanese government under Construction Business Act. The Company is required to meet certain financial criteria in order to renew this license. As the expiration date of the license was in December 2017, the Company has taken measures such as absorption-type company splits in which the licensed companies took over the business. As a result, any concerns for the negative impacts on the business derived from the failure to renew the license were eliminated.

As the above-mentioned facts, substantial doubts about the Company's ability to continue as a going concern no longer exist as of the filing date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES

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

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

2) USE OF ESTIMATES

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

3) CASH EQUIVALENTS

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

4) FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign consolidated subsidiaries and affiliates that operate in a local currency environment are translated into Japanese yen at applicable current exchange rates at 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 RECEIVABLE

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

6) MARKETABLE SECURITIES AND OTHER INVESTMENTS

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 means of sale, are considered to be held and used until disposed of.

10) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Goodwill is assigned to reporting units. If the carrying amount of a reporting unit exceeds its fair value, the implied fair value of goodwill is calculated. If the carrying amount of reporting units' goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized to the amount equal to that excess on the condition that it should not exceed the total amount of goodwill allocated to that reporting unit. The annual goodwill measurement date is 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 claims and unapproved change orders with regard to long-term contracts only if 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 ¥42,746 million ($403,264 thousand) and ¥45,775 million for the fiscal years ended March 31, 2018 and 2017 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 19 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 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.

From the first quarter of the fiscal year beginning after December 15, 2016, the Company adopted ASU No.2015-17. All deferred tax assets and liabilities were classified as noncurrent in the consolidated balance sheet and presented as a single noncurrent amount after offsetting deferred tax assets and liabilities in the same tax-paying component or tax jurisdiction.

21) RECENT PRONOUNCEMENTS

In May 2014, the FASB issued ASU No.2014-09 “Revenue from Contracts with Customers.” ASU No.2014-09 supersedes all of the existing 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. Under ASU No.2014-09, an entity should apply the five step approach to recognize revenue. ASU No.2014-09 also requires an entity to disclose its contracts with customers; the significant judgments, and changes in judgments, made in applying the new standard to those contracts; and the qualitative and quantitative information about assets recognized from the costs to obtain or fulfill a contract with a customer. The Company will adopt ASU No.2014-09 effective from the first quarter beginning April 1, 2018, applying the modified retrospective method to contracts that are not completed as of the adoption. In association with the adoption of ASU No.2014-09, the Company has been analyzing the details of its contracts. As a result, the Company will change its revenue recognition for certain transactions from at a point of completion to over time based on the transfer of control of goods or services. In addition, the Company will modify the separation of performance obligations and allocation of transaction prices for transactions whose revenue has been deferred due to the absence of vendor-specific objective evidence of the fair value of goods or services transferred for allocating transaction prices. While the adoption of ASU No.2014-09 partially will affect the Company’s revenue recognition, especially with regard to the transactions above, the Company assesses the impact on the consolidated financial statements as immaterial.

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, and the amendments in this update require equity investment excluding investments in consolidated subsidiaries and affiliated companies to be measured at fair value with changes in fair value recognized in net income (loss). This guidance is effective for the Company from the first quarter beginning April 1, 2018, and the Company estimates that it will recognize a cumulative-effect adjustment to retained earnings of ¥37,147 million ($350,443 thousand) as of April 1, 2018 for the after-tax unrealized gains of available-for-sale equity securities previously recognized in accumulated other comprehensive income.

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 June 27, 2018 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. 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 aforementioned decisions represent a strategic shift that will have a major effect on the Group's business operation and financial results. Consequently, pursuant to ASC No.205-20, the 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 results of operations of the relevant component that was disposed of, reclassified as discontinued operations (before elimination of transactions with continuing operations of the Group), are as follows:

There are no assets and liabilities of the component that was disposed of presented in the consolidated balance sheets as of March 31, 2018 and 2017.

Results of operations

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Sales and other income	**¥ –**	¥ 11,810	**$ –**
Net sales	**–**	6,528	**–**
Other income	**–**	5,282	**–**
Costs and expenses	**–**	5,627	**–**
Cost of sales	**–**	3,308	**–**
Selling, general and administrative	**–**	2,265	**–**
Other expense	**–**	54	**–**
Income from discontinued operations, before income taxes and noncontrolling interests	**–**	6,183	**–**
Gain from sale of shares of discontinued operations, before income taxes and noncontrolling interests	**–**	13,638	**–**
Income taxes	**–**	2,171	**–**
Income from discontinued operations, before noncontrolling interests	**–**	17,650	**–**
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	**–**	–	**–**
Net income from discontinued operations attributable to shareholders of the Company	**¥ –**	¥ 17,650	**$ –**

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

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

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., As a result of the Company transferred its 80.1% interest in TLSC to Midea, while retaining the Home Appliances business.

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

The aforementioned share transfer represents a strategic shift that will have a major effect on the Group's business operation and financial results. Consequently, pursuant to ASC No.205-20, the 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 results of operations of the relevant component that was disposed of, reclassified as discontinued operations (before elimination of transactions with continuing operations of the Group), are as follows:

There are no assets and liabilities of the component that was disposed of presented in the consolidated balance sheets as of March 31,2018 and 2017.

Results of operations

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Sales and other income	¥ –	¥ 75,860	$ –
Net sales	–	75,138	–
Other income	–	722	–
Costs and expenses	–	79,639	–
Cost of sales	–	62,139	–
Selling, general and administrative	–	17,068	–
Other expense	–	432	–
Loss from discontinued operations, before income taxes and noncontrolling interests	–	(3,779)	–
Gain from sale of shares of discontinued operations, before income taxes and noncontrolling interests	–	83,923	–
Income taxes	–	4,546	–
Income from discontinued operations, before noncontrolling interests	–	75,598	–
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	–	26	–
Net income from discontinued operations attributable to shareholders of the Company	¥ –	¥ 75,572	$ –

There is no significant continuing involvement between the continuing operations of the Group and the aforementioned 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 2018	2017	Thousands of U.S. dollars 2018
Depreciation and amortization	¥ –	¥ 224	$ –
Capital expenditures	–	2,461	–

WEC Group's Nuclear Power business

In the March 29, 2017 press release titled "Notice on Chapter 11 Filing by Westinghouse Electric Company and its Group Entities," the Company announced that WEC, WEC's U.S. subsidiaries and affiliates, and TNEH(UK), a holding company for Westinghouse Group operating companies outside the U.S. (collectively, the "Filing Companies" or "WEC Group"), all of which were previously reported in the Energy Systems & Solutions segment, have resolved and then filed for a voluntary petition under Chapter 11 of the 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 was deconsolidated from the Group as WEC Group is no longer under the control of the Company.

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

Consequently, pursuant to ASC No.205-20, the financial position and results of operations of the component that was disposed of are presented separately in the consolidated balance sheet and consolidated statement of operations as those of discontinued operations.

The results of operations of the relevant component that was disposed of, reclassified as discontinued operations (before elimination of transactions with continuing operations of the Group), are as follows.

Assets and liabilities of the component that was disposed of presented in the consolidated balance sheets are immaterial as of March 31, 2018 and 2017.

Results of operations

Year ended March 31	Millions of yen 2018	2017	Thousands of U.S. dollars 2018
Sales and other income	¥ **272,925**	¥ 644,231	$ **2,574,764**
Net sales	**–**	643,066	**–**
Other income	**272,925**	1,165	**2,574,764**
Costs and expenses	**16,789**	2,038,388	**158,387**
Cost of sales	**–**	623,094	**–**
Impairment loss on goodwill	**–**	731,640	**–**
Impairment loss on fixed assets	**–**	114,220	**–**
Selling, general and administrative	**–**	80,624	**–**
Other expense	**16,789**	488,810	**158,387**
Income (Loss) from discontinued operations, before income taxes and noncontrolling interests	**256,136**	(1,394,157)	**2,416,377**
Income taxes	**–**	(20,809)	**–**
Income (Loss) from discontinued operations, before noncontrolling interests	**256,136**	(1,373,348)	**2,416,377**
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	**–**	(130,559)	**–**
Net income (loss) from discontinued operations attributable to shareholders of the Company	¥ **256,136**	¥ (1,242,789)	$ **2,416,377**

Notes: For the fiscal year ended March 31, 2017, impairment loss on goodwill is mainly related to the acquisition of the shares of CB&I Stone & Webster Inc. 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. Other expenses includes provision for loss on guarantees amounted to ¥687,658 million, allowance for doubtful notes and accounts amounted to ¥239,687 million and has been offset by gains from deconsolidation amounted to -¥461,965 million. For the fiscal year ended March 31, 2018, other income principally represents the gain on the sale of claims including the subrogated right (right to assert claims) and includes reversals of provisions for losses on guarantees or the allowance for doubtful notes and accounts receivable due mainly to the completion of construction work for which the Company provided parent company guarantees. Other expenses principally represents the loss on the valuation of the shares of the WEC Group, which the Company additionally acquired in conjunction with the exercise of put options by Kazatomprom, a minority shareholder of WEC, and includes the allowance for doubtful notes and accounts for claims on the WEC Group that was recorded by the Company in connection with letter of credit commissions.

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 US$3,680 million (412.6 billion yen) ("maximum limit"), and that specifies that payments to Southern Company, the parent company of Georgia Power Company, are to be made in installments during the period from October 2017 to January 2021. This agreement was signed in the United States on June 9, 2017. In addition, the Company and the owners of a project in South Carolina, 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 US$2,168 million (244.8 billion yen) ("maximum limit"). The agreement, which was signed in the U.S. on July 27, 2017, also specifies that payments to SCANA Corporation, the parent company of South Carolina Electric & Gas Company, are to be made in installments during the period from October 2017 to September 2022. The maximum limit of 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.

Moreover, the Company reached an agreement with Georgia Power in its role as agent for the owners of the project, for the Company to make a payment of US$3,225 million (361.4 billion yen) as the remaining outstanding amount, following an earlier payment of US$455 million (51.2 billion yen) from the maximum limit of US$3,680 million (412.6 billion yen), of the Company's guarantee obligation. The payment was completed on December 14, 2017 with funds gained through third-party allotment. In addition, the Company also entered into an agreement with South Carolina Electric & Gas Company and Santee Cooper, and subsequently with Citigroup, now the holder of the rights to the claim of parent company guarantee payment after purchasing them from the two owners of the project, that determined to pay in full amount of the remaining outstanding balance of the Company's parent company guarantee obligations of which the maximum limit was set at US$2,168 million (244.8 billion yen). On January 12, 2018, the Company made a payment to Citigroup in the amount of US$1,860.5 million (210.2 billion yen). This constituted the outstanding amount of the parent company guarantee obligation reflecting the previously paid amount of US$247.5 million (27.9 billion yen), adjusted to deduct US$60 million (6.7 billion yen) related to the mechanic's lien, a guarantee of payment to builders, contractors and construction firms for their work. In addition, by settling the aforementioned obligations to creditors, the Company obtained the right to pursue claims against WEC for the amount paid by the Company. The Company entered into agreements with Nucleus, consortium controlled by The Baupost Group, L.L.C., to sell the aforementioned claims, and with the Brookfield WEC Holdings LLC to sell WEC related shares. The Company sold these claims on January 23, 2018.

As of March 31, 2018, there are some remaining parent company guarantees, other than those held for the power companies, and these guarantees have been recorded as provision for loss on guarantees in the consolidated balance sheet.

There is no significant continuing involvement between the continuing operations of the Group and the aforementioned 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	**2018**	2017	**2018**
Depreciation and amortization	**¥ –**	¥ 28,647	**$ –**
Capital expenditures	**–**	7,804	**–**

Memory business

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

The Company resolved, at the Board of Directors meeting held on September 20, 2017, to transfer all shares of TMC to K.K. Pangea (the "Transferee Company"), a special purpose acquisition company formed by a consortium led by Bain Capital (the "Share Transfer"), and entered into a share transfer agreement with the Transferee Company, and concluded the share transfer agreement on September 28, 2017. The Share Transfer will be completed after necessary procedures such as screening based on competition law of each country is finalized. The Company is planning to invest in the Transferee Company to ensure a stable transfer of TMC after the Share Transfer.

With respect to the Share Transfer, SanDisk had alleged to International Court of Arbitration that the Company violated the contract between the Company and SanDisk by taking over the shares of the joint ventures with SanDisk to TMC without the agreement of SanDisk when the Company split its memory business into TMC. SanDisk also had alleged that exercising the Share Transfer was a violation of the joint venture agreement. On December 13, 2017, the Company entered into a global settlement agreement with Western Digital Corporation to resolve these disputes and all related litigation and arbitration. As a result, the need mediation by the International Court of Arbitration in order to execute the Sale was resolved. Certain conditions required for the closing of the Share Transfer, such as the necessary acquisition of antitrust approvals in the key jurisdictions, have progressed. Since the certainty of the completion of the Share Transfer increased, the Company classified TMC, its subsidiaries and affiliates as held for sale assets as of December 31, 2017, and the classification has not changed as of March 31, 2018. These decisions represent a strategic shift that will have a major effect on the Group's business operation and financial results. Consequently, pursuant to ASC No.205-20, the financial position and operating results of the component that was disposed of are presented separately in the consolidated balance sheet and consolidated statement of operations as those of discontinued operations.

The Company confirmed with the Transferee Company that all conditions for the closing of the transaction were satisfied. The purchase price was approximately 2 trillion, 300 million yen ($18,871 million). The gain from sale from the transaction is expected to be approximately 970.0 billion yen ($9,151 million)(before tax). The Company re-invested 350.5 billion yen ($3,307 million) in the Transferee Company. As a result, going forward the Transferee Company and TMC will be treated as affiliates accounted for by the equity method.

In conjunction with the loan agreement with the financial institutions, the Company pledged all the shares of the Transferee Company held by the Company as collateral.

The financial position and results of operations of the relevant component that was disposed of, reclassified as discontinued operations (before elimination of transactions with continuing operations of the Group), are as follows:

Financial position

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Assets:			
Cash and cash equivalents	**¥ 32,299**	¥ 186,596	**$ 304,708**
Notes and accounts receivable, trade	**237,747**	150,382	**2,242,896**
Inventories	**160,726**	124,301	**1,516,283**
Short-term loans receivable	**146,392**	1,717	**1,381,057**
Property, plant and equipment	**491,889**	254,770	**4,640,462**
Investments in and advances to affiliates	**268,493**	149,389	**2,532,953**
Other assets	**244,250**	86,655	**2,304,245**
Total assets of discontinued operations	**¥ 1,581,796**	¥ 953,810	**$ 14,922,604**
Liabilities:			
Notes and accounts payable, trade	**¥ 79,749**	¥ 72,957	**$ 752,349**
Accounts payable, other and accrued expenses	**339,964**	160,371	**3,207,208**
Accrued income and other taxes	**90,252**	49,600	**851,434**
Accrued pension and severance costs	**43,633**	49,331	**411,632**
Other liabilities	**83,791**	33,749	**790,481**
Total liabilities of discontinued operations	**¥ 637,389**	¥ 366,008	**$ 6,013,104**

Results of operations

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Sales and other income	**¥ 1,265,075**	¥ 942,705	**$ 11,934,670**
Net sales	**1,249,996**	932,655	**11,792,415**
Other income	**15,079**	10,050	**142,255**
Costs and expenses	**795,209**	760,450	**7,501,972**
Cost of sales	**676,515**	648,555	**6,382,217**
Selling, general and administrative	**105,050**	93,846	**991,038**
Other expense	**13,644**	18,049	**128,717**
Income from discontinued operations, before income taxes and noncontrolling interests	**469,866**	182,255	**4,432,698**
Income taxes	**26,012**	47,717	**245,396**
Income from discontinued operations, before noncontrolling interests	**443,854**	134,538	**4,187,302**
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	**–**	(1)	**–**
Net Income from discontinued operations attributable to shareholders of the Company	**¥ 443,854**	¥ 134,539	**$ 4,187,302**

Notes: Because the company split related to the memory business of the Company on April 1, 2017 was implemented with a view to introducing third-party capital, and full controlling interest is not expected to be continued, the eligibility criteria for tax purposes is not met and the company split is to be treated as a non-qualified split. A non-qualified split is treated as if the transfer was conducted at the market value at the time of the split, and a difference between the market value and the carrying amount is taxable as gain or loss on the transfer. While the market values of assets and liabilities taken over in the company split were fixed in line with the conclusion of the share transfer agreement and tax expenses were recorded, a valuation allowance was recorded for deferred tax assets associated with the non-qualified split.

Furthermore, the Company obtained the subrogated right (right to assert claims), which enables the Company to demand that WEC reimburse the amount incurred by the Company, by making an early payment on the parent company guarantee obligation that the Company owed to the power companies in relation to the U.S. nuclear power plant construction projects, and concluded an agreement to sell claims including the subrogated right (right to assert claims) and shares held to Nucleus and Brookfield WEC Holdings LLC, which both are U.S.-based companies, respectively. The sale of the previously described WEC claims held by the Company was completed in January 2018. Although the sale of shares held was not completed by the end of March 2018, the Company has considered that it is in the situation where "because the status of the assets of the issuer of shares deteriorated substantially, the share value declined considerably" as defined in Article 68, paragraph 2(b) of the Enforcement Order of the Corporation Tax Act, and hence included loss on the valuation of the shares in non-taxable expenses in the fiscal year ended March 31, 2018. Since this business is a discontinued operation and this business is the same taxable jurisdiction as the Company, the business could recognize the effect of tax relief. Consequently, a major difference arose between the Company's effective statutory tax rate at 30.9% for the fiscal year ended March 31, 2018, and tax expenses and income before income taxes and noncontrolling interests of the memory business.

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	**2018**	2017	**2018**
Depreciation and amortization	**¥ 36,402**	¥ 44,770	**$ 343,415**
Capital expenditures	**230,092**	71,832	**2,170,679**

4. FAIR VALUE MEASUREMENTS

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

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

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities that are measured at fair value on a recurring basis at March 31, 2018 and 2017 are as follows:

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

	Millions of yen			
March 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	¥ 27,676	¥ 106	¥ –	¥ 27,782
Debt securities	–	–	200	200
Derivative assets:				
Forward exchange contracts	–	1,642	–	1,642
Total assets	¥ 27,676	¥ 1,748	¥ 200	¥ 29,624
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	¥ –	¥ 985	¥ –	¥ 985
Interest rate swap agreements	–	2,926	–	2,926
Total liabilities	¥ –	¥ 3,911	¥ –	¥ 3,911

March 31, 2018	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	$ 353,472	$ 1,170	$ –	$ 354,642
Debt securities	–	–	11,330	11,330
Derivative assets:				
Forward exchange contracts	–	27,556	–	27,556
Currency swap agreements	–	66	–	66
Total assets	$ 353,472	$ 28,792	$ 11,330	$ 393,594
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	$ –	$ 17,481	$ –	$ 17,481
Interest rate swap agreements	–	13,896	–	13,896
Total liabilities	$ –	$ 31,377	$ –	$ 31,377

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 public bond and 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, 2018 and 2017 are as follows:

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

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, 2018	Thousands of U.S. dollars Marketable securities
Balance at beginning of year	**$ 1,887**
Total gains or losses (realized or unrealized):	
Included in gains (losses):	
Other income	**9**
Purchases	**9,434**
Sales	**–**
Issuances	**–**
Settlements	**–**
Balance at end of year	**$ 11,330**

At March 31, 2018 and 2017, Level 3 assets measured at fair value on a recurring basis consisted of public bond and corporate debt securities.

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

Assets that are measured at fair value on a non-recurring basis and the recognized losses at March 31, 2018 and 2017 are as follows:

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

	Millions of yen				
	Fair value				Impairment losses
Year ended March 31, 2017	Level 1	Level 2	Level 3	Total	
Assets:					
Equity securities	¥ –	¥ –	¥ 22	¥ 22	¥ 767
Investments in affiliates	10,343	–	1,124	11,467	2,771
Goodwill	–	–	0	0	16,914
Long-lived assets held for use	–	–	265	265	34,529
Total assets	¥ 10,343	¥ –	¥ 1,411	¥ 11,754	¥ 54,981

	Thousands of U.S. dollars				
	Fair value				Impairment losses
Year ended March 31, 2018	Level 1	Level 2	Level 3	Total	
Assets:					
Long-lived assets held for use	**$ –**	**$ –**	**$ 1,340**	**$ 1,340**	**$ 133,085**
Total assets	**$ –**	**$ –**	**$ 1,340**	**$ 1,340**	**$ 133,085**

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 year ended March 31, 2017. 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 year ended March 31, 2017. 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.

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 year ended March 31, 2017.

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, 2018 and 2017.

As a result, the recognized impairment losses for the fiscal years ended March 31, 2018 and 2017 are mainly included in cost of sales, impairment loss on goodwill, equity in gains of affiliates, and other expense in the consolidated statements of operations.

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

The aggregate cost, gross unrealized holding gains and losses, and aggregate fair value for marketable equity securities and debt securities classified as available-for-sale securities by security type at March 31, 2018 and 2017 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2018:				
Equity securities	**¥ 16,316**	**¥ 21,647**	**¥ 371**	**¥ 37,592**
Debt securities	**1,200**	**1**	**–**	**1,201**
	¥ 17,516	**¥ 21,648**	**¥ 371**	**¥ 38,793**
March 31, 2017:				
Equity securities	¥ 12,563	¥ 15,598	¥ 379	¥ 27,782
Debt securities	200	–	–	200
	¥ 12,763	¥ 15,598	¥ 379	¥ 27,982

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2018:				
Equity securities	**$ 153,925**	**$ 204,217**	**$ 3,500**	**$ 354,642**
Debt securities	**11,321**	**9**	**–**	**11,330**
	$ 165,246	**$ 204,226**	**$ 3,500**	**$ 365,972**

At March 31, 2018 and 2017, debt securities mainly consist of public bond and corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale at March 31, 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2018:	Cost	Fair value	Cost	Fair value
Due within one year	**¥ 200**	**¥ 200**	**$ 1,887**	**$ 1,887**
Due after one year within five years	**–**	**–**	**–**	**–**
Due after five years within ten years	**–**	**–**	**–**	**–**
Due after ten years	**1,000**	**1,001**	**9,434**	**9,443**
	¥ 1,200	**¥ 1,201**	**$ 11,321**	**$ 11,330**

The proceeds from sales of available-for-sale securities for the fiscal year ended March 31, 2018 were ¥3,339 million ($31,500 thousand). The gross realized gains on those sales for the fiscal year ended March 31, 2018 were ¥2,252 million ($21,245 thousand) and the gross realized losses on those sales were immaterial. The proceeds from sales of available-for-sale securities for the fiscal year ended March 31, 2017 were ¥8,256 million. The gross realized gains on those sales for the fiscal year ended March 31, 2017 were ¥4,669 million and the gross realized losses on those sales were immaterial.

At March 31, 2018 and 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 ¥36,500 million ($344,340 thousand) and ¥37,149 million at March 31, 2018 and 2017, respectively. At March 31, 2018 and 2017, investments with an aggregate cost of ¥36,383 million ($343,236 thousand) and ¥37,127 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.

At March 31, 2018, other expense related to other-than-temporary impairments in the marketable and non-marketable securities were immaterial. Included in other expense for the fiscal year ended March 31, 2017 are charges of ¥3,190 million related to other-than-temporary impairments in the marketable and non-marketable equity securities.

6. SECURITIZATIONS

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

The Group recognized losses of ¥483 million ($4,557 thousand) and ¥257 million on the transfers of receivables for the fiscal years ended March 31, 2018 and 2017, respectively.

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

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Proceeds from new securitizations	**¥ 189,339**	¥ 186,692	**$ 1,786,217**
Repurchase of delinquent or unqualified receivables	**8**	32	**75**

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the fiscal years ended March 31, 2018 and 2017 are as follows. Of these receivables, deferred proceeds for the receivables transferred as of March 31, 2018 and 2017 were ¥13,795 million ($130,142 thousand) and ¥6,361 million, respectively and were recorded as notes receivable or other receivables.

	Millions of yen					
	Total principal amount of receivables		Amount 90 days or more past due		Net credit losses	
	March 31				Year ended March 31	
	2018	2017	**2018**	2017	**2018**	2017
Accounts receivable	**¥ 970,658**	¥ 1,026,922	**¥ 33,078**	¥ 33,067	**¥ 7,985**	¥ 2,039
Notes receivable	**69,237**	69,818	**–**	5	**8**	–
Total managed portfolio	**1,039,895**	1,096,740	**¥ 33,078**	¥ 33,072	**¥ 7,993**	¥ 2,039
Securitized receivables	**(41,463)**	(61,638)				
Total receivables	**¥ 998,432**	¥ 1,035,102				

	Thousands of U.S. dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2018		Year ended March 31, 2018
Accounts receivable	**$ 9,157,151**	**$ 312,057**	**$ 75,330**
Notes receivable	**653,179**	**–**	**76**
Total managed portfolio	**9,810,330**	**$ 312,057**	**$ 75,406**
Securitized receivables	**(391,160)**		
Total receivables	**$ 9,419,170**		

7. INVENTORIES

Inventories at March 31, 2018 and 2017 consist of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Finished products	**¥ 168,739**	¥ 187,341	**$ 1,591,877**
Work in process:			
Long-term contracts	**85,447**	88,781	**806,104**
Other	**139,955**	138,576	**1,320,330**
Raw materials	**75,626**	85,988	**713,453**
	¥ 469,767	¥ 500,686	**$ 4,431,764**

8. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The Group's significant investments in affiliated companies accounted for under the equity method along with the percentage of the Group's ownership of voting shares at March 31, 2018 were: Guangdong Meizhi Compressor Ltd. (40.0%); Toshiba Mitsubishi-Electric Industrial Systems Corporation (50.0%); Guangdong Midea Air-Conditioning Equipment Co., Ltd. (20.0%); Dalian Toshiba Locomotive Electric Equipment Co., Ltd. (50.0%); and Schneider Toshiba Inverter Europe S.A.S (40.0%).

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	**2018**	2017	**2018**
Current assets	**¥ 1,482,597**	¥ 1,184,463	**$ 13,986,764**
Other assets including property, plant and equipment	**280,259**	322,059	**2,643,953**
Total assets	**¥ 1,762,856**	¥ 1,506,522	**$ 16,630,717**
Current liabilities	**¥ 1,324,883**	¥ 1,057,398	**$ 12,498,896**
Long-term liabilities	**35,816**	64,590	**337,887**
Equity	**402,157**	384,534	**3,793,934**
Total liabilities and equity	**¥ 1,762,856**	¥ 1,506,522	**$ 16,630,717**

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Sales	**¥ 1,403,094**	¥ 1,237,113	**$ 13,236,736**
Net income	**32,002**	30,905	**301,906**

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	**2018**	2017	**2018**
Sales	**¥ 62,972**	¥ 69,350	**$ 594,075**
Purchases	**52,526**	56,345	**495,528**
Dividends	**2,871**	10,503	**27,085**

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Notes and accounts receivable, trade	**¥ 28,773**	¥ 22,436	**$ 271,443**
Other receivables	**923**	5,727	**8,708**
Advance payments	**637**	778	**6,009**
Notes and accounts payable, trade	**14,637**	14,153	**138,085**
Other payables	**1,502**	1,915	**14,170**
Advance payments received	**205**	473	**1,934**

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Group tested goodwill for impairment in accordance with ASC No.350, applying a fair value based test and has concluded that there was no impairment for the fiscal year ended March 31, 2018.

The Group recorded impairment losses of ¥16,859 million 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 on intangible assets excluding goodwill in the fiscal years ended March 31, 2018 and 2017. Impairment losses on intangible assets excluding goodwill have been included in the amount disclosed in Note 15.

The components of acquired intangible assets excluding goodwill at March 31, 2018 and 2017 are as follows:

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

March 31, 2017	Millions of yen Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 140,684	¥ 107,991	¥ 32,693
Technical license fees	46,583	46,045	538
Core and current technology	47,737	25,846	21,891
Customer relationship	72,775	32,818	39,957
Other	45,318	26,521	18,797
Total	¥ 353,097	¥ 239,221	¥ 113,876
Other intangible assets not subject to amortization:			
Brand name			¥ 3,130
Other			1,395
Total			4,525
			¥ 118,401

March 31, 2018	Thousands of U.S. dollars Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**$ 1,857,236**	**$ 1,598,811**	**$ 258,425**
Technical license fees	**319,179**	**298,708**	**20,471**
Core and current technology	**267,821**	**165,000**	**102,821**
Customer relationship	**168,896**	**84,547**	**84,349**
Other	**413,896**	**339,292**	**74,604**
Total	**$ 3,027,028**	**$ 2,486,358**	**$ 540,670**
Other intangible assets not subject to amortization:			
Brand name			**$ 14,472**
Other			**4,745**
Total			**19,217**
			$ 559,887

Other intangible assets acquired during the fiscal year ended March 31, 2018 primarily consisted of software of ¥10,709 million ($101,028 thousand). The weighted-average amortization period of software for the fiscal year ended March 31, 2018 was approximately 5.3 years.

The weighted-average amortization periods for other intangible assets were approximately 6.5 years and 8.5 years for the fiscal years ended March 31, 2018 and 2017, respectively.

Amortization expenses of other intangible assets subject to amortization for the fiscal years ended March 31, 2018 and 2017 are ¥15,282 million ($144,170 thousand) and ¥23,196 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, 2018 is estimated as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2019	¥ 13,030	$ 122,925
2020	10,960	103,396
2021	8,933	84,274
2022	6,247	58,934
2023	2,819	26,594

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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Balance at beginning of year	**¥ 227,422**	¥ 249,474	**$ 2,145,491**
Impairment losses	**–**	(16,914)	**–**
Amounts of Landis+Gyr Group AG deconsolidated	**(159,200)**	–	**(1,501,887)**
Foreign currency translation adjustments	**(1,060)**	(5,138)	**(10,000)**
Balance at end of year	**¥ 67,162**	¥ 227,422	**$ 633,604**

As of March 31, 2018 and 2017, goodwill allocated to Energy Systems & Solutions is ¥755 million ($7,123 thousand) and ¥160,135 million, Retail & Printing Solutions is ¥34,706 million ($327,415 thousand) and ¥35,170 million, respectively. The rest was primarily allocated to Storage & Electronic Devices Solutions.

As of March 31, 2018 and 2017, accumulated impairment losses were ¥53,771 million ($507,274 thousand) and ¥59,021 million, respectively.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2018 and 2017 consist of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Loans and overdrafts, principally from banks, with weighted-average interest rate of 3.19% at March 31, 2018, and 3.45% at March 31, 2017:			
Secured	**¥ 80,000**	¥ –	**$ 754,717**
Unsecured	**9,891**	357,727	**93,311**
	¥ 89,891	¥ 357,727	**$ 848,028**

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, 2018, the Group had unused committed lines of credit from short-term financing arrangements aggregating ¥400,000 million ($3,773,585 thousand). These committed lines of credit were terminated as of the filing date.

Long-term debt at March 31, 2018 and 2017 consist of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Loans, principally from banks,			
due 2018 to 2030 with weighted-average interest rate of 0.87% at March 31, 2018, and due 2017 to 2030 with weighted-average interest rate of 0.77% at March 31, 2017:			
Secured	**¥ 243,680**	¥ –	**$ 2,298,868**
Unsecured	**194,376**	620,462	**1,833,736**
Yen bonds, due 2018 to 2020 with interest rates			
ranging from 0.40% to 1.68% at March 31, 2018, and due 2017 to 2020 with interest rates ranging from 0.40% to 1.68% at March 31, 2017			
Secured	**29,991**	–	**282,934**
Unsecured	**119,945**	209,816	**1,131,556**
Capital lease obligations	**14,535**	15,967	**137,123**
	602,527	846,245	**5,684,217**
Less-Portion due within one year	**(211,667)**	(328,074)	**(1,996,858)**
	¥ 390,860	¥ 518,171	**$ 3,687,359**

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, 2018 and 2017, excluding those of capital lease obligations, are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
2018	**¥ –**	¥ 241,871	**$ –**
2019	**163,566**	173,468	**1,543,075**
2020	**353,556**	344,869	**3,335,434**
2021	**33,502**	33,502	**316,057**
2022	**–**	–	**–**
Thereafter	**–**	36,752	**–**
2023	**5,005**	–	**47,217**
Thereafter	**32,427**	–	**305,915**
	¥ 588,056	¥ 830,462	**$ 5,547,698**

The Group pledged stock and real estate held by the Group as collateral, for certain borrowings of ¥335,097 million ($3,161,292 thousand) from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions (total of 37), in accordance with the collateral pledge agreement which was signed on April 28th, 2017. The carrying amount of the pledged assets were ¥2,784 million ($26,264 thousand) of which was Land, ¥46,697 million ($440,538 thousand) of Buildings, ¥26,609 million ($251,028 thousand) of Marketable securities and other investments, and ¥120,058 million ($1,132,623 thousand) of Security investments in subsidiaries which were eliminated in consolidated financial statements.

The Company also pledged TMC stock 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 ¥400,000 million ($3,773,585 thousand)), in accordance with the revolving pledge agreement which was agreed on June 28, 2017. Subsequently, the collateral was released as the commitment line contracts were terminated as of the filing date.

11. ACCRUED PENSION AND SEVERANCE COSTS

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

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

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

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

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

The changes in the benefit obligation and plan assets for the fiscal years ended March 31, 2018 and 2017 and the funded status at March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥ 1,510,530**	¥ 1,793,707	**$ 14,250,283**
Service cost	**46,431**	58,944	**438,028**
Interest cost	**10,469**	17,624	**98,764**
Plan participants' contributions	**200**	1,897	**1,887**
Plan amendments	**–**	(364)	**–**
Actuarial loss	**9,087**	14,978	**85,727**
Benefits paid	**(83,573)**	(109,607)	**(788,425)**
Acquisitions and divestitures	**(40,872)**	(242,924)	**(385,585)**
Curtailments and settlements	**(16,111)**	(15,230)	**(151,991)**
Foreign currency exchange impact	**(625)**	(8,495)	**(5,896)**
Benefit obligation at end of year	**¥ 1,435,536**	¥ 1,510,530	**$ 13,542,792**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 985,787**	¥ 1,134,765	**$ 9,299,877**
Actual return on plan assets	**41,968**	71,091	**395,924**
Employer contributions	**31,800**	43,619	**300,000**
Plan participants' contributions	**200**	1,897	**1,887**
Benefits paid	**(56,402)**	(92,688)	**(532,094)**
Acquisitions and divestitures	**(29,645)**	(158,127)	**(279,670)**
Curtailments and settlements	**(24,295)**	(8,283)	**(229,198)**
Foreign currency exchange impact	**(602)**	(6,487)	**(5,679)**
Fair value of plan assets at end of year	**¥ 948,811**	¥ 985,787	**$ 8,951,047**
Funded status	**¥ (486,725)**	¥ (524,743)	**$ (4,591,745)**

Notes: Major acquisitions and divestitures for the fiscal year ended March 31, 2018 represent the effects of the sale of the Landis Gyr Group and Visual Product business. 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.

Amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Other assets	**¥ –**	¥ 6,493	**$ –**
Other current liabilities	**–**	(72)	**–**
Current liabilities of discontinued operations	**(43,633)**	–	**(411,632)**
Accrued pension and severance costs	**(443,092)**	(481,833)	**(4,180,113)**
Non-current liabilities of discontinued operations	**–**	(49,331)	**–**
	¥ (486,725)	¥ (524,743)	**$ (4,591,745)**

Amounts recognized in accumulated other comprehensive loss at March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Unrecognized actuarial loss	**¥ 436,709**	¥ 481,088	**$ 4,119,896**
Unrecognized prior service cost	**(13,891)**	(18,188)	**(131,047)**
	¥ 422,818	¥ 462,900	**$ 3,988,849**

The accumulated benefit obligation at March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Accumulated benefit obligation	**¥ 1,413,879**	¥ 1,488,082	**$ 13,338,481**

The components of the net periodic pension and severance cost for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Service cost	**¥ 46,431**	¥ 58,944	**$ 438,028**
Interest cost on projected benefit obligation	**10,469**	17,624	**98,764**
Expected return on plan assets	**(22,423)**	(33,104)	**(211,538)**
Amortization of prior service cost	**(3,280)**	(3,393)	**(30,943)**
Recognized actuarial loss	**23,418**	29,126	**220,925**
Curtailment and settlement loss recognized and others	**14,183**	12,486	**133,802**
Net periodic pension and severance cost	**¥ 68,798**	¥ 81,683	**$ 649,038**

Notes: 1) Net periodic pension and severance cost for the fiscal year ended March 31, 2018 includes pension cost related to the income (loss) from discontinued operations of the Memory business in the amounts of ¥4,967 million ($46,858 thousand). Net periodic pension and severance cost for the fiscal year ended March 31, 2017 includes pension cost related to the income (loss) from discontinued operations of the Home Appliances business, the Westinghouse's Nuclear Power business, and the Memory business in the amounts of ¥21,479 million.

2) In March 2018, the Company decided that Toshiba Europe GmbH, the Company's consolidated subsidiary, would execute a pension buy-out in respect of its defined benefit pension scheme held under UK trust law, and the buy-out transaction was completed within the month. Curtailment and settlement loss recognized and others for the fiscal year ended March 31, 2018 includes settlement loss recognized upon completion of the transaction in the amount of ¥13,863 million ($130,783 thousand).

3) Curtailment and settlement loss recognized and others for the fiscal year ended March 31, 2017 includes ¥8,813 million which constitutes a portion of gain from the sales of the Home Appliances business.

Other changes in plan assets and benefit obligation recognized in the other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Current year actuarial (gain) loss	**¥ 10,458**	¥ (23,009)	**$ 98,661**
Recognized actuarial loss	**(23,418)**	(29,126)	**(220,925)**
Prior service cost due to plan amendments	**–**	(364)	**–**
Amortization of prior service cost	**3,280**	3,393	**30,943**
	¥ (9,680)	¥ (49,106)	**$ (91,321)**

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	2019	2019
Prior service cost	¥ (3,217)	$ (30,349)
Actuarial loss	22,209	209,519

The Group expects to contribute ¥29,704 million ($280,226 thousand) to its defined benefit plans, which includes the cash balance plan, in the fiscal year ending March 31, 2019.

The following benefit payments are expected to be paid:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2019	¥ 70,236	$ 662,604
2020	73,188	690,453
2021	74,912	706,717
2022	83,228	785,170
2023	85,194	803,717
2024 - 2028	460,240	4,341,887

Weighted-average assumptions used to determine benefit obligations as of March 31, 2018 and 2017 and net periodic pension and severance cost for the fiscal years then ended are as follows:

March 31	**2018**	2017
Discount rate	**0.6%**	0.7%
Rate of compensation increase	**3.5%**	3.1%

Year ended March 31	**2018**	2017
Discount rate	**0.7%**	1.1%
Expected long-term rate of return on plan assets	**2.3%**	2.9%
Rate of compensation increase	**3.1%**	3.5%

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 4. The plan assets that are measured at fair value at March 31, 2018 and 2017 by asset category are as follows:

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

March 31, 2018	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**$ 390,443**	**$ –**	**$ –**	**$ 390,443**
Equity securities:				
Japanese companies	**1,171,462**	**–**	**–**	**1,171,462**
Foreign companies	**711,009**	**–**	**–**	**711,009**
Pooled funds	**–**	**818,028**	**–**	**818,028**
Debt securities:				
Government bonds	**1,121,491**	**–**	**–**	**1,121,491**
Municipal bonds	**–**	**2,283**	**–**	**2,283**
Corporate bonds	**–**	**69,887**	**–**	**69,887**
Pooled funds	**–**	**1,761,736**	**–**	**1,761,736**
Other assets:				
Hedge funds	**–**	**–**	**1,619,094**	**1,619,094**
Real estate	**–**	**–**	**562,406**	**562,406**
Life insurance company general accounts	**–**	**712,472**	**–**	**712,472**
Other assets	**–**	**10,736**	**–**	**10,736**
Total	**$ 3,394,405**	**$ 3,375,142**	**$ 2,181,500**	**$ 8,951,047**

Notes: 1) Pooled funds in equity securities invest in listed equity securities consisting of approximately 9% Japanese companies and 91% foreign companies.
2) Government bonds include approximately 84% for Japanese government bonds, and 16% for foreign government bonds.
3) Pooled funds in debt securities invest in approximately 32% for Japanese government bonds, 35% for foreign government bonds, and 33% for municipal bonds and corporate bonds.
4) The table above includes the effect related with discontinued operation of the Memory business in the amount of ¥54,101 million ($510,387 thousand).

March 31, 2017	Millions of yen			
	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

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.
4) The table above includes the effect related with discontinued operation of the Memory business in the amount of ¥44,615 million.

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

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

An analysis of the changes in Level 3 plan assets measured at fair value for the fiscal years ended March 31, 2018 and 2017 are as follows:

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

	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

	Thousands of U.S. dollars			
Year ended March 31, 2018	Pooled funds	Hedge funds	Real estate	Total
Balance at beginning of year	**$ –**	**$ 1,699,491**	**$ 521,434**	**$ 2,220,925**
Actual return:				
Relating to assets sold	**–**	**13,641**	**1,009**	**14,650**
Relating to assets still held	**–**	**7,179**	**(4,443)**	**2,736**
Purchases, issuances and settlements	**–**	**(101,217)**	**44,406**	**(56,811)**
Balance at end of year	**$ –**	**$ 1,619,094**	**$ 562,406**	**$ 2,181,500**

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, 2018 and 2017 were ¥8,323 million ($78,519 thousand) and ¥10,359 million, respectively. These figures does not include effects of the discontinued operations relating to the Home Appliances business, the Westinghouse's Nuclear Power business, and the Memory business.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and amounted to ¥178,653 million ($1,685,406 thousand) and ¥189,927 million for the fiscal years ended March 31, 2018 and 2017, respectively.

13. ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to ¥10,154 million ($95,792 thousand) and ¥11,765 million for the fiscal years ended March 31, 2018 and 2017, respectively.

14. OTHER INCOME AND OTHER EXPENSE

FOREIGN EXCHANGE LOSSES

For the fiscal years ended March 31, 2018 and 2017, the net foreign exchange losses were ¥11,214 million ($105,792 thousand) and ¥458 million, respectively.

GAINS AND LOSSES ON SALES OF SECURITIES

The gains on sales of securities for the fiscal year ended March 31, 2018, were ¥104,124 million ($982,302 thousand). These gains included the sales of Landis+Gyr Holding A.G. of ¥66,770 million ($629,906 thousand) and Toshiba Visual Solutions Corporation. of ¥30,261 million ($285,481 thousand). The gains on sales of securities for the fiscal year ended March 31, 2017, were ¥29,462 million. These gains were mainly related to the sales of SIGMA POWER Ariake Corporation and Toshiba Machine Co., Ltd. The losses on sales of securities for the fiscal year ended March 31, 2018, were ¥35,011 million ($330,292 thousand). These losses included the sales of Toshiba South America Ltda. of ¥32,359 million ($305,274 thousand). The losses on sales of securities for the fiscal year ended March 31, 2017, were immaterial.

GAINS ON SALES OF FIXED ASSETS

The gains on sales of fixed assets for the fiscal year ended March 31, 2018, were ¥25,223 million ($237,953 thousand). These gains were mainly related to the sales of the land of Ibaraki warehouse. The gains on sales of fixed assets for the fiscal year ended March 31, 2017, were ¥18,910 million.

15. 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, 2018 consisted of ¥11,982 million ($113,038 thousand) in the System LSI business, ¥1,521 million ($14,349 thousand) in the PC business, ¥442 million ($4,170 thousand) in the Visual Products business, and ¥162 million ($1,528 thousand) in the Electric Power Sales business. Impairment losses recorded in the fiscal year ended March 31, 2017 consisted of ¥30,257 million in the Electric Power Sales business, ¥1,720 million in the System LSI business, ¥1,539 million in the PC business, and ¥1,013 million in the Visual Products business.

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

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

16. 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 for the fiscal years ended March 31, 2018 and 2017, respectively.

The components of income tax expense allocated to continuing operations and discontinued operations for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Continuing operations:			
Current	**¥ (21,709)**	¥ 25,309	**$ (204,802)**
Deferred	**(40,229)**	32,657	**(379,519)**
	¥ (61,938)	¥ 57,966	**$ (584,321)**
Discontinued operations:			
Current	**¥ 85,346**	¥ 52,694	**$ 805,151**
Deferred	**(59,547)**	(19,120)	**(561,764)**
	25,799	33,574	**243,387**
	¥ (36,139)	¥ 91,540	**$ (340,934)**

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	**2018**	2017	**2018**
Expected income tax expense	**¥ 25,422**	¥ 13,870	**$ 239,830**
Increase (decrease) in taxes resulting from:			
Tax credits	**(2,608)**	(6,484)	**(24,604)**
Non-deductible expenses for tax purposes	**4,602**	1,518	**43,415**
Net change in valuation allowance	**(83,705)**	102,374	**(789,670)**
Tax rate difference relating to foreign subsidiaries	**(5,528)**	(53,366)	**(52,151)**
Deferred tax liabilities on undistributed earnings of foreign subsidiaries and affiliates	**(4,240)**	(4,857)	**(40,000)**
Impairment of goodwill	**–**	5,209	**–**
Other	**4,119**	(298)	**38,859**
Income tax expense	**¥ (61,938)**	¥ 57,966	**$ (584,321)**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2018**	2017	**2018**
Deferred tax assets:			
Inventories	**¥ 13,343**	¥ 12,817	**$ 125,877**
Accrued pension and severance costs	**45,372**	57,627	**428,038**
Tax loss carryforwards	**94,592**	46,349	**892,377**
Pension liability adjustment	**130,425**	129,080	**1,230,425**
Accrued expenses	**89,092**	105,323	**840,491**
Depreciation and amortization	**71,961**	86,242	**678,877**
Loss from valuation of securities	**49,672**	112,674	**468,604**
Loss on guarantees	**7,157**	210,349	**67,519**
Other	**80,342**	187,964	**757,943**
Gross deferred tax assets	**581,956**	948,425	**5,490,151**
Valuation allowance for deferred tax assets	**(499,526)**	(863,563)	**(4,712,509)**
Deferred tax assets	**¥ 82,430**	¥ 84,862	**$ 777,642**
Deferred tax liabilities:			
Property, plant and equipment	**¥ (2,573)**	¥ (14,128)	**$ (24,274)**
Unrealized gains on securities	**(6,041)**	(5,222)	**(56,991)**
Undistributed earnings of foreign subsidiaries and affiliates	**(20,723)**	(20,835)	**(195,500)**
Goodwill and other intangible assets	**(10,831)**	(18,499)	**(102,179)**
Other	**(21,718)**	(43,932)	**(204,887)**
Gross deferred tax liabilities	**(61,886)**	(102,616)	**(583,831)**
Net deferred tax assets	**¥ 20,544**	¥ (17,754)	**$ 193,811**

The net change in the total valuation allowance for the fiscal years ended March 31, 2018 and 2017 was a decrease of ¥364,037 million ($3,434,311 thousand) and an increase of ¥430,781 million, respectively.

The decrease of ¥37,153 million ($350,500 thousand) at beginning-of-the-year balance of the valuation allowance was due to a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2018. The increase of ¥34,658 million at the beginning-of-the-year balance of the valuation allowance was due to a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2017. 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's tax loss carryforwards for the corporate and local taxes at March 31, 2018 amounted to ¥214,683 million ($2,025,311 thousand) and ¥549,502 million ($5,183,981 thousand), respectively, the majority of which will expire during the period from the year ending March 2019 through 2028. The Group utilized tax loss carryforwards of ¥21,671 million ($204,443 thousand) and ¥12,838 million to reduce current corporate taxes and ¥4,482 million ($42,283 thousand) and ¥74,136 million to reduce current local taxes during the fiscal years ended March 31, 2018 and 2017, respectively.

The amount of benefits due to use of tax loss carryforwards included in income tax expense for the fiscal years ended March 31, 2018 and 2017 were ¥7,758 million ($73,189 thousand) and ¥6,954 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	**2018**	2017	**2018**
Balance at beginning of year	**¥ 7,525**	¥ 5,552	**$ 70,991**
Additions for tax positions of the current year	**396**	908	**3,736**
Additions for tax positions of prior years	**91**	3,081	**858**
Reductions for tax positions of the current year	**(44)**	(17)	**(415)**
Reductions for tax positions of prior years	**(555)**	(1,269)	**(5,236)**
Lapse of statute of limitations or closed audits	**(459)**	(383)	**(4,330)**
Reductions due to the sales of securities	**(3,060)**	–	**(28,868)**
Foreign currency translation adjustments	**414**	(347)	**3,906**
Balance at end of year	**¥ 4,308**	¥ 7,525	**$ 40,642**

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥4,097 million ($38,651 thousand) and ¥122 million at March 31, 2018 and 2017, 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, 2018 and 2017, and interest and penalties included in income taxes in the consolidated statements of operations for the fiscal years ended March 31, 2018 and 2017 were immaterial.

The Group believes its estimates and assumptions of unrecognized tax benefits are reasonable and based on each of the items of which the Group is aware of at March 31, 2018, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

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

17. 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, 2018 and 2017 are 6,520,707,026 and 4,237,602,026, respectively.

Toshiba issued shares of 2,283,105,000 through third-party allotments. As a result, the total common stock and additional paid-in capital on the consolidated balance sheets increased by ¥299,999 million ($2,830,179 thousand) and ¥279,687 million ($2,638,557 thousand) as of March 31, 2018, respectively.

RETAINED EARNINGS (ACCUMULATED DEFICIT)

Retained earnings (accumulated deficit) at March 31, 2018 and 2017 included a legal reserve of ¥21,386 million ($201,755 thousand) and ¥21,600 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, 2018 included the Group's share in undistributed earnings of equity method investees in the amount of ¥67,546 million ($637,226 thousand).

ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

	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	$ 231,481	$ (523,283)	$ (2,613,226)	$ (26,576)	$ (2,931,604)
Other comprehensive income (loss) arising during year	127,679	(82,340)	40,623	4,538	90,500
Amounts reclassified from accumulated other comprehensive loss	(8,717)	(172,811)	224,736	9,481	52,689
Net current year change	118,962	(255,151)	265,359	14,019	143,189
Balance at end of year	$ 350,443	$ (778,434)	$ (2,347,867)	$ (12,557)	$ (2,788,415)

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)

Amounts reclassified from accumulated other comprehensive loss for the fiscal years ended March 31, 2018 and 2017 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
	2018	2017	**2018**	
Net unrealized gains and losses on securities				
	¥ (1,312)	¥ (1,385)	**$ (12,377)**	Other income and other expense
	389	423	**3,670**	Income taxes
	(1)	(1,034)	**(10)**	Income (loss) from discontinued operations, before noncontrolling interests
	(924)	(1,996)	**(8,717)**	Net income (loss) before noncontrolling interests
	–	1	**–**	Less: Net income (loss) attributable to noncontrolling interests
	(924)	(1,997)	**(8,717)**	Net income (loss) attributable to shareholders of the Company
Foreign currency translation adjustments				
	(18,318)	(1,920)	**(172,811)**	Other income and other expense
	–	–	**–**	Income taxes
	–	97,401	**–**	Income (loss) from discontinued operations, before noncontrolling interests
	(18,318)	95,481	**(172,811)**	Net income (loss) before noncontrolling interests
	–	–	**–**	Less: Net income (loss) attributable to noncontrolling interests
	(18,318)	95,481	**(172,811)**	Net income (loss) attributable to shareholders of the Company
Pension liability adjustments				
	33,606	27,609	**317,038**	Net periodic pension and severance cost (Note 1)
	(10,283)	(10,992)	**(97,009)**	Income taxes
	496	9,899	**4,679**	Income (loss) from discontinued operations, before noncontrolling interests
	23,819	26,516	**224,708**	Net income (loss) before noncontrolling interests
	(3)	441	**(28)**	Less: Net income (loss) attributable to noncontrolling interests
	23,822	26,075	**224,736**	Net income (loss) attributable to shareholders of the Company
Net unrealized gains and losses on derivative instruments				
	1,635	2,381	**15,424**	Interest, other income and other expense
	(501)	(397)	**(4,726)**	Income taxes
	1,134	1,984	**10,698**	Net income (loss) before noncontrolling interests
	129	790	**1,217**	Less: Net income (loss) attributable to noncontrolling interests
	1,005	1,194	**9,481**	Net income (loss) attributable to shareholders of the Company
Total reclassifications-net of tax and noncontrolling interests	**¥ 5,585**	¥ 120,753	**$ 52,689**	

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

Tax effect allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2018 and 2017 are shown as follows:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2018:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	**¥ 18,776**	**¥ (5,242)**	**¥ 13,534**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**(1,314)**	**390**	**(924)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**(7,991)**	**(737)**	**(8,728)**
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	**(18,405)**	**87**	**(18,318)**
Pension liability adjustments:			
Pension liability adjustments arising during year	**4,162**	**144**	**4,306**
Less: reclassification adjustment for losses included in net income attributable to shareholders of the Company	**34,334**	**(10,512)**	**23,822**
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	**783**	**(302)**	**481**
Less: reclassification adjustment for losses included in net income attributable to shareholders of the Company	**1,449**	**(444)**	**1,005**
Other comprehensive loss	**¥ 31,794**	**¥ (16,616)**	**¥ 15,178**
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

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2018:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	$ 177,132	$ (49,453)	$ 127,679
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	(12,396)	3,679	(8,717)
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(75,387)	(6,953)	(82,340)
Less: reclassification adjustment for gains included in net income attributable to shareholders of the Company	(173,632)	821	(172,811)
Pension liability adjustments:			
Pension liability adjustments arising during year	39,264	1,359	40,623
Less: reclassification adjustment for losses included in net income attributable to shareholders of the Company	323,906	(99,170)	224,736
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	7,387	(2,849)	4,538
Less: reclassification adjustment for losses included in net income attributable to shareholders of the Company	13,670	(4,189)	9,481
Other comprehensive loss	$ 299,944	$ (156,755)	$ 143,189

DEFICIT DISPOSITION

To fund the accumulated deficit of the Company's standalone balance sheet, a ¥239,901 million 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 other capital surplus (including the increase due to the reduction in common stock) to the accumulated deficit of the Company's standalone balance sheet was executed 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.

18. NET EARNINGS (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 earnings (loss) per share attributable to shareholders of the Company for the fiscal years ended March 31, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Income from continuing operations attributable to shareholders of the Company	**¥ 107,259**	¥ 50,653	**$ 1,011,877**
Income (loss) from discontinued operations attributable to shareholders of the Company	**696,752**	(1,016,316)	**6,573,132**
Net income (loss) attributable to shareholders of the Company	**¥ 804,011**	¥ (965,663)	**$ 7,585,009**

	Thousands of shares	
Year ended March 31	**2018**	2017
Weighted-average number of shares of common stock outstanding for the year	**4,935,983**	4,233,946

	Yen		U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Earnings from continuing operations per share attributable to shareholders of the Company:			
–Basic	**¥ 21.73**	¥ 11.96	**$ 0.21**
Earnings (loss) from discontinued operations per share attributable to shareholders of the Company:			
–Basic	**¥ 141.16**	¥ (240.04)	**$ 1.33**
Net earnings (loss) per share attributable to shareholders of the Company:			
–Basic	**¥ 162.89**	¥ (228.08)	**$ 1.54**

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

19. 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 and currency swap agreements are used to limit the Group's exposure to losses in relation to underlying debt instruments and accounts receivable and payable denominated in foreign currencies resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature between 2018 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 cash flow hedges or net investment hedges as discussed below, depending on its characteristic such as: accounts receivable and payable denominated in foreign currencies, investments in foreign subsidiaries or commitments on future trade transactions and the interest rate characteristics of the underlying debt.

Cash Flow Hedge

The forward exchange contracts utilized by the Group effectively reduce fluctuation in cash flow from commitments on future trade transactions denominated in foreign currencies for the next 2 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 3 years.

The Group expects to reclassify ¥929 million ($8,764 thousand) of net loss on derivative financial instruments from accumulated other comprehensive loss to net income (loss) attributable to shareholders of the Company during the next 12 months due to the collection of accounts receivable denominated in foreign currencies and the payments of accounts payable denominated in foreign currencies and variable interest associated with the floating-rate debts.

Net Investment Hedge

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

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

There was no foreign-currency-denominated debt for hedging investments in foreign subsidiaries at March 31, 2018.

Derivatives Not Designated as Hedging Instruments

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

The Group's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements, currency swap agreements and foreign-currency-denominated debt for net investment hedge outstanding at March 31, 2018 and 2017 are summarized as follows:

March 31	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Forward exchange contracts:			
To sell foreign currencies	¥ **179,756**	¥ 128,756	$ **1,695,811**
To buy foreign currencies	**148,901**	224,044	**1,404,726**
Interest rate swap agreements	**342,000**	519,661	**3,226,415**
Currency swap agreements	**243**	405	**2,292**
Foreign-currency-denominated debt	**–**	199,749	**–**

(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, 2018 and 2017 are summarized as follows:

March 31	Location at balance sheet	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Derivatives designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	¥ **65**	¥ 1,601	$ **613**
	Other assets	**10**	–	**94**
Liabilities:				
Forward exchange contracts	Other current liabilities	**(430)**	–	**(4,057)**
	Other Liabilities	**(41)**	(159)	**(387)**
Interest rate swap agreements	Other current liabilities	**(156)**	(496)	**(1,472)**
	Other liabilities	**(1,317)**	(2,430)	**(12,425)**
Nonderivative financial instruments:				
Liabilities:				
Foreign-currency-denominated debt	Short-term borrowings	**–**	(199,749)	**–**
Derivatives not designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	**2,846**	41	**26,849**
Currency swap agreements	Prepaid expenses and other current assets	**7**	–	**66**
Liabilities:				
Forward exchange contracts	Other current liabilities	**(1,382)**	(826)	**(13,038)**

March 31	Millions of yen 2018 Carrying amount	Millions of yen 2018 Fair value	Millions of yen 2017 Carrying amount	Millions of yen 2017 Fair value
Nonderivative financial instruments:				
Liabilities:				
Long-term debt, including current portion	¥ **(587,992)**	¥ **(576,938)**	¥ (830,278)	¥ (788,001)

	Thousands of U.S. dollars	
	2018	
March 31	Carrying amount	Fair value
Nonderivative financial instruments:		
Liabilities:		
Long-term debt, including current portion	**$ (5,547,094)**	**$ (5,442,811)**

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 5.

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, 2018 is as follows:

Cash flow hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Location at statement of operations	Amount recognized	Location at statement of operations	Amount recognized
Forward exchange contracts	**¥ 363**	Other expense	**¥ (38)**	Other income	**¥ 1**
Interest rate swap agreements	**118**	Interest	**(967)**	–	**–**

Net investment hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Amount of gain (loss) reclassified from OCI into income (loss)		Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)	
	Amount recognized	Location at statement of operations	Amount recognized	Location at statement of operations	Amount recognized
Forward exchange contracts	**¥ –**	Other expense	**¥ (9,071)**	–	**–**
Foreign-currency-denominated debt	**2,852**	Other income	**2,239**	–	**–**

Derivatives not designated as hedging instruments:

	Millions of yen		
	Amount of gain (loss) recognized in income (loss)		
	Location at statement of operations	Amount recognized	
Forward exchange contracts	Other income	¥	**1,460**
	Income(loss) from discontinued operations, before noncontrolling interests		**(679)**
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	$	**3,425**	Other expense	$	**(358)**	Other income	$	**9**
Interest rate swap agreements		**1,113**	Interest		**(9,123)**	–		**–**

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	$	**–**	Other expense	$	**(85,575)**	–		**–**
Foreign-currency-denominated debt		**26,906**	Other income		**21,123**	–		**–**

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 income	$	**13,774**
	Income(loss) from discontinued operations, before noncontrolling interests		**(6,406)**
Currency swap agreements	Other income		**0**

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	–	–	–	–

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

20. 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, 2018 and 2017 were ¥63,034 million ($594,660 thousand) and ¥67,155 million, respectively.

The Group also leases certain machinery and equipment which are accounted for as capital leases. As of March 31, 2018 and 2017, the costs of machinery and equipment under capital leases were approximately ¥30,365 million ($286,462 thousand) and ¥30,943 million, and the related accumulated amortization were approximately ¥18,534 million ($174,849 thousand) and ¥17,435 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, 2018 and 2017 were immaterial.

Minimum lease payments for the Group's capital and non-cancelable operating leases as of March 31, 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31	Capital leases	Operating leases	Capital leases	Operating leases
2019	¥ 6,469	¥ 24,352	$ 61,028	$ 229,736
2020	4,656	17,856	43,925	168,453
2021	2,501	13,566	23,594	127,981
2022	975	10,978	9,198	103,566
2023	313	9,616	2,953	90,717
Thereafter	455	28,090	4,293	265,000
Total minimum lease payments	15,369	¥ 104,458	144,991	$ 985,453
Executory costs	(226)		(2,132)	
Amounts representing interest	(608)		(5,736)	
Present value of net minimum lease payments	14,535		137,123	
Less–current portion	6,115		57,689	
	¥ 8,420		$ 79,434	

21. 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, 2018 and 2017, totaled approximately ¥994,291 million ($9,380,104 thousand) and ¥977,411 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
2019	¥ 9,143	$ 86,255
2020	31,626	298,358
2021	50,124	472,868
2022	45,302	427,377
2023	44,876	423,359
Thereafter	813,220	7,671,887
Total of commitments	¥ 994,291	$ 9,380,104

22. 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 2018 to 2037 and from 2017 to 2023 as of March 31, 2018 and 2017, 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 ¥92,482 million ($872,472 thousand) and ¥126,393 million as of March 31, 2018 and 2017, respectively.

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 ¥1,774 million ($16,736 thousand) and ¥3,945 million as of March 31, 2018 and 2017, 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 for such repurchase obligation was immaterial as of March 31, 2018. The maximum potential payments for such repurchase obligation was ¥4,708 million as of March 31, 2017.

The carrying amounts of the liabilities for the Group's obligations under the guarantees described above as of March 31, 2018 and 2017 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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Balance at beginning of year	**¥ 47,088**	¥ 36,444	**$ 444,226**
Warranties issued	**15,592**	43,050	**147,095**
Settlements made	**(23,857)**	(32,046)	**(225,066)**
Amounts of Landis+Gyr Group AG deconsolidated	**(5,521)**	–	**(52,085)**
Foreign currency translation adjustments	**(323)**	(360)	**(3,047)**
Balance at end of year	**¥ 32,979**	¥ 47,088	**$ 311,123**

23. LEGAL PROCEEDINGS

In February 2015, the Company received an order from the Securities and Exchange Surveillance Commission, based on Article 26 of the Financial Instruments and Exchange Act, requiring submission of a report. The Company was then subject to inspection regarding projects that used percentage-of-completion accounting. Later, after establishing the Independent Investigation Committee and conducting the investigation, it was found that the Company had continuously carried out inappropriate accounting and, therefore, the Company filed amendments of the past Annual Securities Reports and other reports. Holders of American Depositary Receipts ("ADRs") filed a class action lawsuit against the Company in the State of California, in the 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 ($151,943 thousand) in June 2016, ¥21,759 ($205,274 thousand) and ¥43,890 million ($414,057 thousand) in April 2017, ¥9,227 million ($87,047 thousand) in June 2017, ¥33,000 million ($311,321 thousand) and ¥823 million ($7,764 thousand) in September, and ¥414 million ($3,906 thousand), (2) Japan Trustee Services Bank, Ltd., of approximately ¥1,262 million ($11,906 thousand) in May 2016, ¥11,993 million ($113,142 thousand) in August 2016 and, ¥572 million ($5,396 thousand) in September (3) the Master Trust Bank of Japan, Ltd., of approximately ¥5,105 million ($48,160 thousand) and ¥13,114 million ($123,717 thousand) in March 2017, (4) Trust & Custody Services Bank, Ltd., of approximately ¥14,001 million ($132,085 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.

24. 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 ¥11,743 million ($110,783 thousand) and ¥16,216 million at March 31, 2018 and 2017, respectively, for environmental remediation and restoration costs for products or equipment with PCB which some Group's operations in Japan have retained.

25. 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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
Balance at beginning of year	**¥ 6,492**	¥ 2,947	**$ 61,245**
Accretion expense	**92**	254	**868**
Liabilities settled	**(286)**	(26)	**(2,698)**
Liabilities incurred	**158**	2,928	**1,491**
Revisions in estimated cash flows	**(253)**	419	**(2,387)**
Foreign currency translation adjustments	**7**	(30)	**66**
Balance at end of year	**¥ 6,210**	¥ 6,492	**$ 58,585**

26. 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, 2018, the total assets of VIE on the consolidated balance sheets was ¥2,772 million ($26,151 thousand), and the total liabilities of VIE on the consolidated balance sheets was ¥2,965 million ($27,972 thousand). The assets consisted primarily of cash and cash equivalents. The liabilities consisted primarily of other liabilities. As of March 31, 2017, the total assets and liabilities of VIEs on the consolidated balance sheets were ¥13,536 million and ¥9,455 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 Energy Systems & Solutions.

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

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 became effective April, 2015. Under the LTA, the Group has secured a commitment for the liquefaction of 2.2 million tons of natural gas produced in the U.S. per annum over a 20 year period commencing in 2019. Procurement of natural gas and transportation of liquefied natural gas are not included in this agreement. Because the Group is obliged to purchase the service for liquefying natural gas of 2.2 million tons per annum and holds variable interests in FLIQ3, FLIQ3 was evaluated as a VIE. The Group concluded that it is not the primary beneficiary of this VIE because the Group does not have the power to direct the activities that most significantly affect the VIE's economic performance. As a result, the Group has not incorporated operating results of FLIQ3 into the consolidated financial statements.

As of March 31, 2018 and 2017, 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 only a party to the LTA and does not have the access to the financial information about the VIE, only maximum exposures to losses are included in the following summary table. The maximum exposures to losses are included in commitments and the unconditional purchase obligation disclosed in Note 21.

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

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

	Thousands of U.S. dollars	
March 31, 2018	VIEs involved in Storage & Electronic Devices Solutions	VIEs involved in Energy Systems & Solutions
Total assets of VIEs	**$ –**	**$ 371,726**
Carrying amounts of assets that relate to the Group's variable interests in the VIEs	**–**	**76,783**
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs	**–**	**76,783**
Maximum exposures to losses	**–**	**9,188,321**

Carrying amounts of assets that relate to the Group's variable interests in the VIEs consisted primarily of advances to affiliates. The Group's maximum exposures to losses, which are amount of commitments and the unconditional purchase obligation related to FLIQ3, 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 year commitment period. However, the amount of loss will decrease as the Group secures customers.

As disclosed in Note 3, the Memory business is classified as discontinued operations. VIEs under Storage & Electronic Devices Solutions for the fiscal year ended March 31, 2017 have been revised to reflect this change.

27. SEGMENT INFORMATION

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

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

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

Principal products that belong to each segment are as follows.

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

BUSINESS SEGMENTS

Financial information by segments as of and for the fiscal years ended March 31, 2018 and 2017 are as follows:

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

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Retail & Printing Solutions	Storage & Electronic Devices Solutions	Industrial ICT Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales									
(1) Unaffiliated customers	¥ 793,717	¥1,209,038	¥ 519,424	¥ 859,290	¥ 207,277	¥ 358,850	¥ 3,947,596	¥ –	¥3,947,596
(2) Intersegment	50,989	37,738	3,338	20,312	51,593	166,804	330,774	(330,774)	–
Total	¥ 844,706	¥1,246,776	¥ 522,762	¥ 879,602	¥ 258,870	¥ 525,654	¥4,278,370	¥ (330,774)	¥3,947,596
Segment operating income (loss)	¥ (14,808)	¥ 48,001	¥ 27,009	¥ 47,323	¥ 1,311	¥ (48,681)	¥ 60,155	¥ 3,915	¥ 64,070
Identifiable assets	¥ 685,021	¥ 970,299	¥ 325,764	¥ 409,020	¥ 121,461	¥ 717,563	¥3,229,128	¥ (67,398)	¥3,161,730
Depreciation and amortization	13,651	23,427	12,239	17,172	5,145	10,034	81,668	–	81,668
Capital expenditures	12,636	24,255	11,330	29,006	2,806	5,915	85,948	–	85,948

As of and for the fiscal year ended March 31, 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	¥ 918,540	¥ 1,224,412	¥ 504,055	¥ 815,372	¥ 180,448	¥ 400,909	¥ 4,043,736	¥ –	¥ 4,043,736
(2) Intersegment	56,373	38,000	3,639	21,764	59,170	134,598	313,544	(313,544)	–
Total	¥ 974,913	¥ 1,262,412	¥ 507,694	¥ 837,136	¥ 239,618	¥ 535,507	¥ 4,357,280	¥ (313,544)	¥ 4,043,736
Segment operating income (loss)	¥ (41,689)	¥ 58,372	¥ 16,321	¥ 57,571	¥ 7,067	¥ (17,084)	¥ 80,558	¥ 1,457	¥ 82,015
Identifiable assets	¥ 1,145,031	¥ 818,855	¥ 300,547	¥ 390,255	¥ 82,434	¥ 635,538	¥ 3,372,660	¥ (26,046)	¥ 3,346,614
Depreciation and amortization	23,178	24,562	11,801	18,874	6,144	4,722	89,281	–	89,281
Capital expenditures	33,956	31,688	9,585	9,462	2,904	3,877	91,472	–	91,472

As of and for the fiscal year ended March 31, 2018 — 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	**$ 7,487,896**	**$11,406,019**	**$ 4,900,226**	**$ 8,106,509**	**$ 1,955,443**	**$ 3,385,379**	**$37,241,472**	**$ –**	**$37,241,472**
(2) Intersegment	**481,029**	**356,019**	**31,491**	**191,623**	**486,727**	**1,573,620**	**3,120,509**	**(3,120,509)**	**–**
Total	**$ 7,968,925**	**$11,762,038**	**$ 4,931,717**	**$ 8,298,132**	**$ 2,442,170**	**$ 4,958,999**	**$40,361,981**	**$ (3,120,509)**	**$37,241,472**
Segment operating income (loss)	**$ (139,698)**	**$ 452,840**	**$ 254,802**	**$ 446,443**	**$ 12,368**	**$ (459,255)**	**$ 567,500**	**$ 36,934**	**$ 604,434**
Identifiable assets	**$ 6,462,462**	**$ 9,153,764**	**$ 3,073,245**	**$ 3,858,679**	**$ 1,145,858**	**$ 6,769,464**	**$30,463,472**	**$ (635,831)**	**$29,827,641**
Depreciation and amortization	**128,783**	**221,009**	**115,462**	**162,000**	**48,538**	**94,661**	**770,453**	**–**	**770,453**
Capital expenditures	**119,208**	**228,821**	**106,887**	**273,642**	**26,472**	**55,800**	**810,830**	**–**	**810,830**

Notes: 1) Transfer prices between segments are determined by mutual agreement of both segments taking into consideration the market price in reference to the general terms and conditions.
2) Business results in the segment information are presented on the basis of the current organizational structure.
3) Corporate assets, included in Corporate and Eliminations of Identifiable assets, are mainly marketable securities of the Company.
4) The table represents the amount excluding the discontinued operations for the fiscal year ended March 31, 2017.
5) Assets related to discontinued operations for the fiscal year ended March 31, 2018 and 2017 were ¥1,296,481 million ($12,230,953 thousand) and ¥922,899 million, and is not included in the above assets.

A reconciliation table between the total of the segment operating income (loss) and the income from continuing operations, before income taxes and noncontrolling interests for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2018**	2017	**2018**
The total of the segment operating income (loss)	**¥ 60,155**	¥ 80,558	**$ 567,500**
Corporate and Eliminations	**3,915**	1,457	**36,934**
Sub Total	**¥ 64,070**	¥ 82,015	**$ 604,434**
Interest and dividends	**7,799**	7,015	**73,576**
Equity in earnings of affiliates	**10,250**	7,122	**96,698**
Other income	**184,599**	67,558	**1,741,500**
Interest	**(29,364)**	(18,539)	**(277,019)**
Other expense	**(154,976)**	(100,226)	**(1,462,038)**
Income from continuing operations, before income taxes and noncontrolling interests	**¥ 82,378**	¥ 44,945	**$ 777,151**

GEOGRAPHIC INFORMATION

Net sales

Net sales by region based on the location of the customer for the fiscal years ended March 31, 2018 and 2017 are as follows:

Year ended March 31	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Japan	**¥ 2,257,242**	¥ 2,270,166	**$ 21,294,736**
Overseas	**¥ 1,690,354**	¥ 1,773,570	**$ 15,946,736**
Asia	**898,420**	843,585	**8,475,660**
North America	**375,732**	441,672	**3,544,642**
Europe	**268,139**	316,074	**2,529,613**
Others	**148,063**	172,239	**1,396,821**
Total	**¥ 3,947,596**	¥ 4,043,736	**$ 37,241,472**

Property, plant and equipment

Property, plant and equipment by region at March 31, 2018 and 2017 are as follows:

March 31	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Japan	**¥ 265,694**	¥ 278,330	**$ 2,506,547**
Overseas	**¥ 99,941**	¥ 125,403	**$ 942,840**
Asia	**72,718**	71,236	**686,019**
North America	**16,964**	15,173	**160,038**
Europe	**9,671**	33,790	**91,236**
Others	**588**	5,204	**5,547**
Total	**¥ 365,635**	¥ 403,733	**$ 3,449,387**

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, 2017.

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2018

28. 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, 2018 and 2017 are as follows.

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

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

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Affiliated company	Flash Partners, Ltd.	Product sales and purchases	Funding (Note 3)	**–**	Current assets of discontinued operations	**¥122,533**
			Receipt of interest (Note 4)	**¥ 161**	Current assets of discontinued operations	**¥ 7**
	Flash Forward Limited	Product sales and purchases	Funding (Note 3)	**–**	Current assets of discontinued operations	**¥ 67,250**
			Receipt of interest (Note 4)	**¥ 88**	Current assets of discontinued operations	**¥ 4**
	Flash Forward Limited	Product sales and purchases	Loan guarantee	**¥ 48,303**	–	**–**

As of and for the fiscal year ended March 31, 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 2)	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, 2018

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 Partners, Ltd.	Yokkaichi-Shi, Mie	**$ 472**	Manufacturing industry	**50.10%**
	Flash Forward Limited	Yokkaichi-Shi, Mie	**$ 94**	Manufacturing industry	**50.10%**
	Flash Forward Limited	Yokkaichi-Shi, Mie	**$ 94**	Manufacturing industry	**50.10%**

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 Partners, Ltd.	Product sales and purchases	Funding (Note 3)	**–**	Current assets of discontinued operations	**$ 1,155,972**
			Receipt of interest (Note 4)	**$ 1,519**	Current assets of discontinued operations	**$ 66**
	Flash Forward Limited	Product sales and purchases	Funding (Note 3)	**–**	Current assets of discontinued operations	**$ 634,434**
			Receipt of interest (Note 4)	**$ 830**	Current assets of discontinued operations	**$ 38**
	Flash Forward Limited	Product sales and purchases	Loan guarantee	**$ 455,689**	–	**–**

Notes: 1) 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 as of March 31, 2017. Provision of allowance for doubtful receivables was ¥111 million in the fiscal year ended March 31, 2017.
2) Nuclear Innovation North America LLC is a limited liability company, and does not meet the definition of capital, so it is not stated.
3) Because the businesses consistently fund and repay their debt, no amount is listed.
4) The fund and debt amount and the interest rate is decided through discussion by both parties after consideration of general terms and conditions.

29. SUBSEQUENT EVENT

Sales of the Company's Stakes in Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) Limited

In order to reduce the amount of internal resources required for proceeding issues in association with WEC and other related companies, which filed for a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code, and to eliminate risks at an early stage by terminating its capital relationships with WEC and other related companies, the Company decided to sell all shares it holds in Toshiba Nuclear Energy Holdings (US) Inc. ("TNEH (US)") and Toshiba Nuclear Energy Holdings (UK) Inc. ("TNEH (UK)"), holding companies of WEC, to Brookfield WEC Holdings LLC ("BWH") for the sale price of US$1 (approximately 106 yen), and entered into a share purchase agreement with BWH on January 17, 2018 (U.S. time). After the necessary procedures were taken, the sale of all TNEH (US) shares held by the Company was completed on April 6, 2018 (U.S. time). Upon completion of the sale of TNEH (US) shares, TNEH (US) and its subsidiaries, TSB Nuclear Energy USA Group Inc. and WEC Insurance Limited, will be deconsolidated from the Group. The Company will continue working with BWH and WEC to receive regulatory approvals for the sale of TNEH (UK)'s shares.

Sale of Holding in LC Collateral SPV LLC

The Company, on January 17, 2018 (U.S. time), entered into an agreement to sell its entire shareholding in LC Collateral SPV LLC ("LCC"), a consolidated subsidiary established as a fund manager responsible for functions such as providing collateral to financial institutions with which WEC has had transactions with, to LC SPV ACQUISITION LLC ("LSA"). The agreement was made with the intention of eliminating uncertainty in the realization of a future return of the collateral that LCC has provided, and uncertainty of the timing of the return. After the completion of all the required procedures, the sale of the Company's entire holding in LCC was completed on April 2, 2018 (U.S. time). The sale price was US$100 million (approximately 10.6 billion yen). The gain from this sale will be recorded in the first quarter of the fiscal year ending March 31, 2019.

The purchaser has changed from the formerly announced LSA to ALKYRIS CAPITAL, L.L.C. ("ALKYRIS"), which is an affiliate of LSA under common indirect control by The Baupost Group, L.L.C. The change is due to the reassignment of LSA's rights and obligations under the purchase agreement for LCC to ALKYRIS, and no change in the Company's rights, obligations or duties under the purchase agreement will occur due to this reassignment. Upon completion of this sale, LCC will be deconsolidated from the Group.

Transfer of Business of Toshiba General Hospital

The Company entered into a business transfer agreement on November 30, 2017 for the transfer of all businesses operated by Toshiba General Hospital to Midorino-kai, a medical corporation that belongs to the Kamachi group, to make further contributions to the medical services which meet the regional demand. Following the necessary procedures, such as opening a hospital and acquiring an approval to use the hospital, required under the Medical Care Act, the transfer was completed on April 1, 2018 (assets and liabilities of the transferred businesses at March 31, 2018 are approximately 3.7 billion yen ($35 million) and 1.5 billion yen ($14 million), respectively). The transfer price is approximately 27.5 billion yen ($259 million), and the gain on the sale from this business transfer of approximately 25.3 billion yen ($239 million) will be recorded in the first quarter of the fiscal year ending March 31, 2019.

Reduction in Amounts of Capital Reserves and Capital and Appropriation of Other Capital Surplus

In order to fund the deficit in retained earnings, aiming to achieve a healthier financial platform, and enabling flexible and agile capital policy in the future, the Company, at the board of directors meeting held on May 15, 2018, resolved to reduce its common stock balance by 299,999 million yen ($2,830,179 thousand) pursuant to the provisions of Article 448 (1) of the Companies Act. In addition, the Company resolved to submit a proposal at the Ordinary General Meeting of Shareholders for the 179th Fiscal Year to be held on June 27, 2018 to reduce the amount of common stock in the non-consolidated balance sheet of the Company by 299,999 million yen ($2,830,179 thousand), ultimately reducing the same for the consolidated balance sheet, pursuant to the provisions of Article 447 (1) of the Companies Act. Further, the Company made an appropriation of other capital surplus in the non-consolidated balance sheet (758,687 million yen) ($7,157,425 thousand), including the amount increased due to a reduction of capital legal reserve in the non-consolidated balance sheet and common stock, pursuant to the provisions of Article 452 of the Companies Act. The proposal to reduce the amount of common stock in the non-consolidated balance sheet was approved at the above Ordinary General Meeting of Shareholders.

Change in Share Unit and Consolidation of Shares

At the Board of Directors Meeting held on May 15, 2018, the Company resolved to submit a proposal for the consolidation of equity shares for assessment at the Ordinary General Meeting of Shareholders for the 179th Fiscal Year, which was held on June 27, 2018. At the aforementioned board of directors meeting, the Company also resolved to change the share unit subject to approval within the proposal concerning the consolidation of shares at the Ordinary General Meeting of Shareholders. The proposal for share consolidation was approved at the above Ordinary General Meeting of Shareholders. Details are as follows:

(1) Reason for the change in share unit and purpose of the consolidation of shares

Japanese Stock Exchanges nationwide have announced the "Action Plan for Consolidating Trading Units," under which they aim to consolidate the trading units of common shares for all listed companies in Japan to 100 shares by October 1, 2018. As a company listed on the Tokyo Stock Exchange and Nagoya Stock Exchange, the Company respects the intention of this Action Plan, and will change the share unit, or the trading unit of the Company's shares, from 1,000 to 100. Accordingly, the Company has decided to consolidate the Company's shares at a 10 for 1 rate at the same time that the Company will change the share unit.

(2) Details of the consolidation of shares

① Class of shares to be consolidated

Common shares

② Rate of the consolidation

The shares owned by the shareholders recorded in the final shareholder register on September 30, 2018 shall be consolidated at a 10 for 1 rate on October 1, 2018.

③ Number of common shares to be reduced by the consolidation

Total number of the issued common shares before the consolidation (as of March 31, 2018)	6,520,707,026
Number of common shares to be reduced by the consolidation	5,868,636,324
Total number of the issued common shares after the consolidation	652,070,702

(Note) "Number of shares to be reduced by the consolidation" and "total number of the issued common shares after the consolidation" are theoretical figures based on "total number of the issued shares before the consolidation" and the rate of the consolidation.

(3) Convention for fractions less than one share

When this consolidation of shares generates fractions less than one share, the fractions shall be all disposed of pursuant to the Companies Act, and the shareholders who own the fractions shall be paid the disposition value proportional to the amount of the fractions.

(4) Total number of shares authorized to be issued at the effective date

In accordance with the decrease in the total number of issued shares due to the consolidation of shares, the Company will reduce the total number of shares authorized to be issued at the same rate, (10 for 1), as the share consolidation ratio at the effective date (October 1, 2018).

The total number of shares authorized to be issued before change	10,000,000,000
The total number of shares authorized to be issued after change	1,000,000,000

(5) The change in share unit

The share unit will change from 1,000 to 100 on October 1, 2018.

(6) The effective date

The effective date of consolidation of shares	October 1, 2018
The effective date of the change in the total number of shares authorized to be issued	October 1, 2018
The effective date of the changing in share unit	October 1, 2018

(7) Impact on income per share
The impact per share for the previous fiscal year and the current fiscal year, assuming that the Company's stock consolidation took place at the beginning of the previous fiscal year is as follows:

	Current Fiscal Year (From April 1, 2017 to March 31, 2018) (Yen)	Previous Fiscal Year (From April 1, 2016 to March 31, 2017) (Yen)	Current Fiscal Year (From April 1, 2017 to March 31, 2018) (U.S. Dollars)
Per share of common stock	¥ 1,201.78	¥ (1,306.03)	$ 11.34
Income (loss) per share attributable to shareholders of the Company	1,628.88	(2,280.76)	15.37

(Note) Diluted net earnings (loss) per share attributable to shareholders of the Company have been omitted because the Company did not have common stock outstanding with dilutive effects for the period.

Sale of Toshiba Memory Corporation
In order to further the growth of the Memory business through greater flexibility in rapid decision-making, and to enhance its financing options, the Company signed a share purchase agreement to sell all shares of TMC to the Transferee Company, a special purpose acquisition company formed by a consortium led by Bain Capital Private Equity, LP.s. As of May 17, 2018, the Company has received the approval from the competition regulatory authorities of each country, which represented one of the main prerequisites for closing the sale. As a result, the share transfer was completed on June 1, 2018. The transfer price is approximately 2 trillion, 300 million yen ($18,871 million) and the gain on sale is expected to be approximately 970.0 billion yen ($9,151 million). In addition, the Company has re-invested in the Transferee Company (¥350.5 billion ($3,307 million). As a result, the Company has re-acquired 40.2% of the voting rights in the Transferee Company. Going forward the Transferee Company and TMC will be treated as affiliate accounted for by the equity method. The Company plans to account for the sale from this transfer in the first quarter of the fiscal year ending March 31, 2019.

In conjunction with the loan agreement with the financial institutions, the Company pledged all the shares of the Transferee Company held by the Company as collateral.

Sale of Toshiba Client Solutions Co., Ltd
In order to enhance the competitiveness and corporate value of the personal computer business in the global market and to continuously develop the business, the Company decided to sign a share purchase agreement on June 5, 2018 to transfer 80.1% of its shares in Toshiba Client Solutions Co., Ltd (“TCS”) to Sharp Corporation. The transfer price is approximately 4.0 billion yen ($38 million), and the loss on sale from this business transfer of approximately 1.7 billion yen ($16 million) will be recorded. The company anticipates the completion of all necessary procedures, including government approvals and the transfer of the stock, by October 1, 2018. After the share transfer is closed, TCS will be deconsolidated from the Group.

Shareholder Return by Treasury stock buyback
At the Board of Directors Meeting held on June 13, 2018, the Company devised a policy to quickly provide shareholder return via a treasury stock buyback with the targeted amount of approximately 700 billion yen ($6,604 million). The funding represents, in part, a distribution of profit from the sale of TMC which was completed on June 1, 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*)

June 27, 2018

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

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, 2017 to March 31, 2018 included in "Financial Condition", which comprise the consolidated balance sheets, 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 the Cabinet Office Ordinance Partially Amending Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Cabinet Office Ordinance No, 11, 2006) under supplemental provision of Paragraph (3), 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.

* The original audit report is in Japanese which is included in Yukashoken Hokokusho (Annual Security Report) filed to Kanto Local Finance Bureau in Japan on June 27, 2018. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Basis for Qualified Opinion
The Company did not record the provision for contract losses in the consolidated balance sheet under the caption of "Current liabilities of discontinued operations" as of March 31, 2016 for the purchase price allocation procedures related to Westinghouse Electric Company LLC's ("WEC"), which was the consolidated U.S. subsidiary of the Company, acquisition of CB& I Stone & Webster ("S&W"). When the Company prepared the consolidated financial statements for the year ended March 31, 2016, the Company did not use the totality of information available or reasonable assumptions in preparing the provision for contract losses, which is not in conformity with accounting principles generally accepted in the United States of America.

If the Company had timely or accurately prepared the provisional estimate of the provision for contract losses using the totality of information available and reasonable assumptions at the time when the Company prepared the March 31, 2016 financial statements, it would have been necessary to record the provision for contract losses in "Current liabilities of discontinued operations" in the consolidated balance sheet as of March 31, 2016, and a substantial portion or all of 652,267 million yen recorded as "Loss from discontinued operations, before noncontrolling interests" in the consolidated statements of operations for the year ended March 31, 2017 should have been recorded in the consolidated statements of operations for the year ended March 31, 2016. Because the amount of the provision for contract losses that was required to be recorded in "Current liabilities of discontinued operations" at March 31, 2016 had a material quantitative and qualitative impact on the reported results of operations for the year ended March 31, 2017, we expressed a qualified opinion on the consolidated financial statements for the year ended March 31, 2017. As a result, because this matter impacts the comparability of the amounts and corresponding figures in the "Income from discontinued operations before non-controlling interest", the "Net income before noncontrolling interest", the "Net income attributable to shareholders of the Company" in the consolidated statements of operations for the year ended March 31, 2018, the consolidated statements of equity as of March 31, 2017 in "Equity attributable to shareholders of the Company" and related disclosures Note 3. "Discontinued Operations – Westinghouse's Nuclear Power Business", we expressed a qualified opinion on the consolidated financial statements for the year ended March 31, 2018.

Qualified Opinion
In our opinion, except for the related adjustment 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, 2018 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 events and conditions causing substantial doubt about the Company's ability to continue as a going concern have been resolved.
2. As stated in Note 3, "Discontinued Operations (Memory business)," the Company has classified Toshiba Memory Corporation, its subsidiaries and its affiliates as held for sale assets as of the end of the fiscal year, and the financial position and operating results of this disposal group are presented separately as discontinued operations in the consolidated balance sheet and consolidated statement of operations.
3. As stated in Note 29, "Subsequent Events", the Company has completed the shares transfer of Toshiba Memory Corporation to K.K. Pangea on June 1, 2018. As a result of the Company's re-investment in K.K. Pangea (350.5 billion yen), K.K. Pangea will be treated as affiliate accounted for by the equity method. In conjunction with the loan agreement of K.K. Pangea with the financial institutions, the Company pledged all the shares of K.K. Pangea held by the Company as collateral.
4. As stated in Note 29, "Subsequent Events", at the Board of Directors meeting held on May 15, 2018, the Company resolved to reduce its capital legal reserve, to submit a proposal to reduce the amount of common stock to the Ordinary General Meeting of Shareholders for the 179th Fiscal Year to be held on June 27, 2018, and to make an appropriation of other capital surplus subject to such a reduction of common stock becoming effective. The proposal to reduce the amount of common stock was approved at the above Ordinary General Meeting of Shareholders.
5. As stated in Note 29, "Subsequent Events", at the Board of Directors Meeting held on June 13, 2018, the Company devised a policy to quickly provide shareholder returns via a treasury stock buyback with the targeted amount of approximately 700 billion yen.

Our opinion is not modified in respect of these matters.

* The original audit report is in Japanese which is included in Yukashoken Hokokusho (Annual Security Report) filed to Kanto Local Finance Bureau in Japan on June 27, 2018. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

<Internal Control Audit>
We have audited the accompanying Internal Control Report of Toshiba Corporation ("Company") as of March 31, 2018 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 opinion.

Opinion

We concluded that the Internal Control Report that Toshiba Corporation maintained effective internal control over financial reporting as of March 31, 2018 does state in all material respects 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.

Other Matter

As described in "Basis for Qualified Opinion" of "Financial Statement Audit", we expressed a qualified opinion on the consolidated financial statements for the year ended March 31, 2017. Because this matter impacts the corresponding figures relating to the consolidated financial statements for the year ended March 31, 2018, we expressed a qualified opinion on the consolidated financial statements for the year ended March 31, 2018.

On the other hand, we expressed an unqualified opinion on the Internal Control Report as of March 31, 2018. The scope of the assessment of internal control in the Internal Control Report as of March 31, 2018, which we audited, does not include the internal control of the previous fiscal year to reevaluate the provision for contract losses related to S&W purchase price allocation procedures and verify the validity of its recognition timing.

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

* The original audit report is in Japanese which is included in Yukashoken Hokokusho (Annual Security Report) filed to Kanto Local Finance Bureau in Japan on June 27, 2018. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

The financial section of this annual report has not been audited by our independent auditor

Forward-looking statements

- The information contained herein shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration, or qualification under the securities laws of any such jurisdiction. This presentation contains forward-looking statements concerning future plans, strategies and the performance of Toshiba Group.
- These forward-looking statements are not historical facts, rather they are based on management's assumptions and beliefs in light of the economic, financial and other data currently available. Since Toshiba Group promotes business in various market environments in many countries and regions, its activities are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore wishes to caution readers that actual results might differ materially from its expectations.

Regarding items reported in this Annual Report

- Any corrections made to this Annual Report will be published on our website, as referenced above.

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Committed to People, Committed to the Future.

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URL http://www.toshiba.co.jp/about/ir/en/contact.htm

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Waterless printing, a printing process that eliminates the use of water, is adopted, taking advantage of the characteristics of printing plates made of ink-shedding material.

Non-VOC Ink
100% vegetable ink containing no volatile organic compounds (VOCs) is used.