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Toshiba Corporation

FOR IMMEDIATE RELEASE

# Toshiba Announces Consolidated Results for the First Nine Months and the Third Quarter for Fiscal Year 2017, Ending March 2018

TOKYO--Toshiba Corporation (TOKYO: 6502) (the "Company") today announced its consolidated results for the first nine months (April-December) and the third quarter (October-December) of fiscal year (FY) 2017, ending March 31, 2018. All comparisons in the following are based on the same period a year earlier, unless otherwise stated.

## 1. Overview of Consolidated Results for the First Nine Months of FY2017 (April-December, 2017)

(Yen in billions)

| | First nine months of FY2017 | Change from first nine months of FY2016 |
|---|---|---|
| Net sales | 2,800.3 | -35.1 |
| Operating income (loss) | 49.6 | -26.5 |
| Income (Loss) from continuing operations, before income taxes and noncontrolling interests | 87.9 | +23.6 |
| Net income (loss) attributable to shareholders of the Company | 27.0 | +559.5 |

During the first nine months of FY2017 (April-December), 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 these circumstances, in order for the Memory business to establish a management structure capable of flexible and rapid decision-making, and to secure repayment of borrowing, and to recover consolidated equity attributable to shareholders of the Company and net assets, the Company decided to sell the Memory business to a special purpose acquisition company formed and controlled by a consortium led by Bain-Capital Private Equity LP, and is aiming to close the transaction by the end of March 2018.

The global settlement with Western Digital of litigation and arbitration related to the sale of the Memory business, along with the progress of anti-trust law procedures in key jurisdictions, has raised the certainty of closing the transaction, and 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.

The increased certainty of closing the sale of the Memory business within a year, a share issue by third-party allotments through which the Company raised approximately 600.0 billion yen, and the closing of the sales of Westinghouse-related claims to third parties, are expected to resolve concerns regarding the Company's liquidity and negative shareholders' equity status as of February 14, 2018. In addition, the companies that succeeded to businesses separated from the Company by absorption-type company splits have successfully acquired Special Construction Business Licenses. All of these outcomes have addressed the material events and conditions that raised substantial doubts about the Company's ability to continue as a going concern. Please refer to "Notes Relating to Assumptions for the Going Concern" in the consolidated financial statements of the Company.

Against this background, Toshiba Group's net sales decreased by 35.1 billion yen to 2,800.3 billion yen (US$24,781.7 million). The Company saw lower sales as Energy Systems & Solutions saw lower sales due to the impact of the deconsolidation of Landis+Gyr Group through an IPO, and as the Infrastructure Systems & Solutions saw lower sales, even though the Storage & Electronic Devices Solutions recorded increased sales.

The Group recorded operating income (loss) of 49.6 billion yen (US$438.7 million), a decrease of 26.5 billion yen, reflecting the impact from scaling back emergency measures.

Income (Loss) from continuing operations, before income taxes and noncontrolling interests increased by 23.6 billion yen to 87.9 billion yen (US$777.7 million), mainly due to a profit of 66.8 billion yen from the Landis+Gyr Group IPO recorded in the second quarter of FY2017.

Although the Memory business achieved profit equivalent to an ROS of 37%, income (loss) from discontinued operations, before noncontrolling interests was -27.3 billion yen (-US$241.6 million), reflecting the tax impact of the company split.

Net income (loss) attributable to shareholders of the Company increased by 559.5 billion yen to 27.0 billion yen (US$239.3 million).

**Consolidated Results for the First Nine Months of FY2017, by Segment (April-December, 2017)**

(Yen in billions)

| | Net sales | | | Operating income (loss) | |
|---|---|---|---|---|---|
| | | Change* | | | Change* |
| Energy Systems & Solutions | 611.5 | -48.5 | -7% | -12.1 | -9.7 |
| Infrastructure Systems & Solutions | 830.6 | -7.9 | -1% | 11.3 | -10.2 |
| Retail & Printing Solutions | 379.3 | +7.5 | +2% | 18.8 | +7.7 |
| Storage & Electronic Devices Solutions | 661.0 | +30.6 | +5% | 48.9 | -0.4 |
| Industrial ICT Solutions | 176.9 | +14.4 | +9% | -2.6 | -7.0 |
| Others | 379.4 | -13.7 | -3% | -18.6 | -9.5 |
| Eliminations | -238.4 | -17.5 | - | 3.9 | +2.6 |
| Total | 2,800.3 | -35.1 | -1% | 49.6 | -26.5 |

(*Change from the year-earlier period)

**Energy Systems & Solutions:** Lower Sales and Deteriorated Operating Income (Loss)
The Energy Systems & Solutions segment saw lower sales. Although Thermal & Hydro Power Systems recorded higher sales, Nuclear Power Systems recorded lower sales, and there was also the impact of the deconsolidation of Landis+Gyr Group IPO.

The segment as a whole saw deteriorated operating income (loss). Although Transmission & Distribution Systems recorded increased operating income (loss), Nuclear Power Systems and Thermal & Hydro Power Systems recorded deteriorated operating income (loss) and there was also the impact of the deconsolidation of Landis+Gyr Group.

**Infrastructure Systems & Solutions:** Lower Sales and Lower Operating Income
The Infrastructure Systems & Solutions segment saw lower sales 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. Industrial Systems saw increase in operating income (loss), however, Public Infrastructure saw deteriorated operating income (loss) and Building and Facilities saw lower operating income.

**Retail & Printing Solutions:** Higher Sales and Higher Operating Income
The Retail & Printing Solutions segment saw higher sales, as both businesses recorded a

stable performance. There was also an impact from exchange rate fluctuations.

The segment as a whole saw a significant increase in operating income, as both the Retail business and the Printing business saw increases in operating income.

**Storage & Electronic Devices Solutions:** Higher Sales and Lower Operating Income
The Storage & Electronic Devices Solutions segment saw higher sales. Although HDDs saw decreased sales, Devices & Others saw increased sales.

The segment as a whole saw lower operating income. Devices & Others recorded flat operating income, but HDDs saw lower operating income.

**Industrial ICT Solutions:** Higher Sales and Deteriorated Operating Income (Loss)
The Industrial ICT Solutions segment saw increased sales, as the license business for the government sector, systems for manufacturing and the IoT/ AI business saw positive results.

The segment as a whole saw deteriorated operating income (loss), due to results from some domestic information system projects, and the implementation of structural reform in the unified communications systems business.

**Others:** Lower Sales and Deteriorated Operating Income (Loss)

**Notes:**
Toshiba Group's Quarterly 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 included in it.

The Healthcare Systems & Services segment, Home Appliances business, Westinghouse's Nuclear Power business and Memory business are classified as discontinued operations in accordance with Accounting Standards Codification 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) attributable to shareholders of the Company is calculated by reflecting results of these businesses to income (loss) from continuing operations, before income taxes and noncontrolling interests. Results of the previous fiscal year have been revised to reflect these changes.

The data relating to consolidated segment information is presented in conformity with the current organizational classification.

Qualitative data herein are compared with the same period of the previous year, unless otherwise noted.

## 2. Financial Position and Cash Flows for the First Nine Months of FY2017

- Total assets increased by 221.1 billion yen from the end of March 2017 to 4,490.6 billion yen (US$39,740.1 million).
- Shareholders' equity, or equity attributable to the shareholders of the Company, was -3.9 billion yen (-US$34.5 million), an increase of 549.0 billion yen from the end of March 2017, reflecting the share issue and other factors.
- Total interest-bearing debt decreased by 81.2 billion yen from the end of March 2017 to 1,122.8 billion yen (US$9,936.3 million).
- As a result of the foregoing, the shareholder's equity ratio at the end of December 2017 stood at -0.1%, a 12.9 point improvement from the end of March 2017.
- Free cash flow decreased by 391.5 billion yen to -446.2 billion yen (-US$3,949.0 million).

## 3. Explanation on Future Estimate Information including Performance Forecast for FY2017

With consideration for the impact from the closing of the sales of Westinghouse-related claims to third parties; the resolution of material events and conditions that raised substantial doubts about the Company's ability to continue as a going concern; and the effect of the reclassification of the Memory business as a discontinued operation, the Company has revised the full year business forecast for FY2017 announced on November 9, 2017, as below.

For further information, please refer to announcement of February 14, 2018, "Notice Regarding Revision of Toshiba Corporation's Consolidated Business Results Forecast for FY2017."

(Yen in billions)

| | (A) Previous Forecast | (B) Revised Forecast | (B) – (A) |
|---|---|---|---|
| Net sales | 4,970.0 | 3,900.0 | -1,070.0 |
| Operating income (loss) | 430.0 | 0.0 | -430.0 |
| Income (Loss) from continuing operations, before income taxes and noncontrolling interests | 400.0 | 20.0 | -380.0 |
| Net income (loss) attributable to shareholders of the Company | -110.0 | 520.0 | 630.0 |
| Earnings (Losses) per share attributable to shareholders of the Company | -25.98 yen | 105.35 yen | – |

Reference: Before reclassifying the Memory business as a discontinued operation

(Yen in billions)

| | (A) Previous Forecast | (B') Revised Forecast | (B')−(A) Difference | (B) – (B') Amount to be reclassified | FY2016 Actual |
|---|---|---|---|---|---|
| Net sales | 4,970.0 | 4,990.0 | 20.0 | -1,090.0 | 4,870.8 |
| Operating income (loss) | 430.0 | 440.0 | 10.0 | -440.0 | 270.8 |
| Income (Loss) from continuing operations, before income taxes and noncontrolling interests | 400.0 | 460.0 | 60.0 | -440.0 | 225.5 |
| Net income (loss) attributable to shareholders of the Company | -110.0 | 520.0 | 630.0 | 0 | -965.7 |
| Earnings (Losses) per share attributable to shareholders of the Company | -25.98 yen | – | – | – | -228.08 yen |

## 4. Others

(1) Changes in significant subsidiaries during the period (changes in Specified Subsidiaries ("Tokutei Kogaisha") involving changes in the scope of consolidation):

In July 2017, Landis+Gyr Group (changed trade name from Landis+Gyr Holding in July 2017) executed an IPO in the SIX Swiss Exchange market, and the Company sold off its entire shareholding. As a result, Landis+Gyr Group was deconsolidated from Toshiba Group.

(2) Use of simplified accounting procedures, and particular accounting procedures in preparation of quarterly consolidated financial statements:

Income taxes

The interim income tax expense (benefit) is computed by multiplying income (loss) before income taxes and noncontrolling interests for the nine months ending December 31, 2017 by a reasonably estimated annual effective tax rate after applying the effect of deferred taxes for FY2017, ending March 31, 2018.

If a reliable estimate cannot be made as in the circumstances that the annual estimated ordinary income approximates break-even, the Company utilizes the actual year-to-date effective tax rate.

(3) Change in accounting policies:

The Company has adopted Accounting Standards Update 2015-17 since the First Quarter of FY2017. To reflect this adoption, all deferred tax assets and liabilities have been classified as noncurrent in the consolidated balance sheets and subsequently, deferred tax assets and liabilities in the same tax-paying component or tax jurisdiction were offset. The Company did not apply this update retrospectively.

**Disclaimer:**

This report of business results contains forward-looking statements concerning future plans, strategies and performance of Toshiba Group. These statements are based on management's assumptions and beliefs in light of the economic, financial and other data currently available. Since Toshiba Group is promoting business under various market environments in many countries and regions, they are subject to a number of their risks and uncertainties. Toshiba therefore wishes to caution readers that actual results might differ materially from expectations. Major risk factors that may have a material influence on results are indicated below, though this list is not necessarily exhaustive.

- Major disasters, including earthquakes and typhoons;
- Disputes, including lawsuits, in Japan and other countries;
- Success or failure of alliances or joint ventures promoted in collaboration with other companies;
- Success or failure of new businesses or R&D investment;
- Changes in political and economic conditions in Japan and abroad; unexpected regulatory changes;
- Rapid changes in the supply and demand situation in major markets and intensified price competition;
- Significant capital expenditure for production facilities and rapid changes in the market;
- Changes in financial markets, including fluctuations in interest rates and exchange rates.

Note:

For convenience only, all dollar figures used in reporting first nine months and the third quarter of fiscal year 2017 results are valued at 113 yen to the dollar.

# # #

Toshiba Group

# Consolidated Financial Statements

For the First Nine Months and the Third Quarter of Fiscal Year Ending March 2018

## 1. Nine Months Results

(¥ in billions, US$ in millions, except for earnings per share)

| | Nine Months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| Net sales | **¥2,800.3** | ¥2,835.4 | ¥(35.1) | 99% | **$24,781.7** |
| Operating income | **49.6** | 76.1 | (26.5) | 65% | **438.7** |
| Income from continuing operations, before income taxes and noncontrolling interests | **87.9** | 64.3 | 23.6 | 137% | **777.7** |
| Net income (loss) attributable to shareholders of the Company | **27.0** | (532.5) | 559.5 | – | **239.3** |
| Basic earnings (losses) per share attributable to shareholders of the Company | **¥6.06** | ¥(125.77) | ¥131.83 | | **$0.05** |

## 2. Third Quarter Results

(¥ in billions, US$ in millions, except for earnings per share)

| | Three months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| Net sales | **¥926.5** | ¥937.6 | ¥(11.1) | 99% | **$8,199.8** |
| Operating income | **17.4** | 34.8 | (17.4) | 50% | **153.4** |
| Income from continuing operations, before income taxes and noncontrolling interests | **14.3** | 50.3 | (36.0) | 28% | **126.0** |
| Net income (loss) attributable to shareholders of the Company | **76.8** | (647.8) | 724.6 | – | **679.9** |
| Basic earnings (losses) per share attributable to shareholders of the Company | **¥15.99** | ¥(153.00) | ¥168.99 | | **$0.14** |

Notes:
1) Consolidated Financial Statements are based on generally accepted accounting principles in the U.S.
2) The U.S. dollar is valued at ￥113 throughout this statement for convenience only.

# Comparative Consolidated Balance Sheets

(¥ in millions, US$ in thousands)

| | **Dec. 31, 2017 (A)** | Mar. 31, 2017 (B) | (A)-(B) | **Dec. 31, 2017** |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | **¥3,578,729** | ¥3,189,374 | ¥389,355 | **$31,670,168** |
| Cash and cash equivalents | **638,842** | 521,097 | 117,745 | **5,653,469** |
| Notes and accounts receivable, trade | **874,233** | 994,894 | (120,661) | **7,736,575** |
| Inventories | **588,790** | 500,686 | 88,104 | **5,210,531** |
| Prepaid expenses and other current assets | **491,455** | 249,798 | 241,657 | **4,349,159** |
| Assets of discontinued operations - current | **985,409** | 922,899 | 62,510 | **8,720,434** |
| Long-term receivables | **23,037** | 15,272 | 7,765 | **203,867** |
| Investments | **241,040** | 210,562 | 30,478 | **2,133,097** |
| Property, plant and equipment | **376,089** | 403,733 | (27,644) | **3,328,221** |
| Other assets | **271,739** | 450,572 | (178,833) | **2,404,771** |
| Total assets | **¥4,490,634** | ¥4,269,513 | ¥221,121 | **$39,740,124** |
| **Liabilities and equity** | | | | |
| Current liabilities | **¥3,157,172** | ¥2,784,726 | ¥372,446 | **$27,939,575** |
| Short-term borrowings and current portion of long-term debt | **667,961** | 685,801 | (17,840) | **5,911,159** |
| Notes and accounts payable, trade | **651,786** | 673,679 | (21,893) | **5,768,018** |
| Other current liabilities | **1,473,176** | 1,088,962 | 384,214 | **13,036,956** |
| Liabilities of discontinued operations - current | **364,249** | 336,284 | 27,965 | **3,223,442** |
| Accrued pension and severance costs | **463,688** | 481,833 | (18,145) | **4,103,434** |
| Long-term debt and other liabilities | **648,881** | 1,278,658 | (629,777) | **5,742,310** |
| Equity | **220,893** | (275,704) | 496,597 | **1,954,805** |
| Equity attributable to shareholders of the Company | **(3,893)** | (552,947) | 549,054 | **(34,451)** |
| Common stock | **499,999** | 200,000 | 299,999 | **4,424,770** |
| Additional paid-in capital | **364,256** | 140,144 | 224,112 | **3,223,504** |
| Retained earnings | **(553,354)** | (580,396) | 27,042 | **(4,896,938)** |
| Accumulated other comprehensive loss | **(312,744)** | (310,750) | (1,994) | **(2,767,645)** |
| Treasury stock | **(2,050)** | (1,945) | (105) | **(18,142)** |
| Equity attributable to noncontrolling interests | **224,786** | 277,243 | (52,457) | **1,989,256** |
| Total liabilities and equity | **¥4,490,634** | ¥4,269,513 | ¥221,121 | **$39,740,124** |

| | | | | |
|---|---|---|---|---|
| Breakdown of accumulated other comprehensive loss | | | | |
| Unrealized gains on securities | **¥33,705** | ¥24,537 | ¥9,168 | **$298,274** |
| Foreign currency translation adjustments | **(80,361)** | (55,468) | (24,893) | **(711,158)** |
| Pension liability adjustments | **(264,495)** | (277,002) | 12,507 | **(2,340,664)** |
| Unrealized losses on derivative instruments | **(1,593)** | (2,817) | 1,224 | **(14,097)** |
| Total interest-bearing debt | **¥1,122,799** | ¥1,203,972 | ¥(81,173) | **$9,936,274** |

# Comparative Consolidated Statements of Operations

## 1. Nine Months ended December 31

(¥ in millions, US$ in thousands)

| | Nine months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| **Sales and other income** | | | | | |
| Net sales | **¥2,800,331** | ¥2,835,437 | ¥(35,106) | 99% | **$24,781,690** |
| Interest | **5,354** | 4,494 | 860 | 119% | **47,381** |
| Dividends | **845** | 786 | 59 | 108% | **7,478** |
| Other income | **104,715** | 39,272 | 65,443 | 267% | **926,681** |
| **Costs and expenses** | | | | | |
| Cost of sales | **2,099,892** | 2,084,713 | 15,179 | 101% | **18,583,114** |
| Selling, general and administrative | **650,870** | 674,601 | (23,731) | 96% | **5,759,912** |
| Interest | **22,035** | 12,337 | 9,698 | 179% | **195,000** |
| Other expense | **50,566** | 44,002 | 6,564 | 115% | **447,487** |
| **Income from continuing operations, before income taxes and noncontrolling interests** | **87,882** | 64,336 | 23,546 | 137% | **777,717** |
| **Income taxes** | **1,732** | 47,588 | (45,856) | 4% | **15,328** |
| **Income from continuing operations, before noncontrolling interests** | **86,150** | 16,748 | 69,402 | 514% | **762,389** |
| **Loss from discontinued operations, before noncontrolling interests** | **(27,299)** | (644,604) | 617,305 | — | **(241,584)** |
| **Net income (loss) before noncontrolling interests** | **58,851** | (627,856) | 686,707 | — | **520,805** |
| **Less:Net income (loss) attributable to noncontrolling interests** | **31,809** | (95,344) | 127,153 | — | **281,495** |
| **Net income (loss) attributable to shareholders of the Company** | **¥27,042** | ¥(532,512) | ¥559,554 | — | **$239,310** |

## 2. Third Quarter ended December 31

(¥ in millions, US$ in thousands)

| | Three months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| **Sales and other income** | | | | | |
| Net sales | **¥926,577** | ¥937,598 | ¥(11,021) | 99% | **$8,199,796** |
| Interest | **1,921** | 1,877 | 44 | 102% | **17,000** |
| Dividends | **172** | 313 | (141) | 55% | **1,522** |
| Other income | **16,088** | 28,284 | (12,196) | 57% | **142,372** |
| **Costs and expenses** | | | | | |
| Cost of sales | **702,827** | 684,147 | 18,680 | 103% | **6,219,708** |
| Selling, general and administrative | **206,417** | 218,674 | (12,257) | 94% | **1,826,699** |
| Interest | **8,691** | 4,130 | 4,561 | 210% | **76,912** |
| Other expense | **12,582** | 10,772 | 1,810 | 117% | **111,344** |
| **Income from continuing operations, before income taxes and noncontrolling interests** | **14,241** | 50,349 | (36,108) | 28% | **126,027** |
| **Income taxes** | **(21,023)** | 37,266 | (58,289) | － | **(186,044)** |
| **Income from continuing operations, before noncontrolling interests** | **35,264** | 13,083 | 22,181 | 270% | **312,071** |
| **Income (loss) from discontinued operations, before noncontrolling interests** | **59,323** | (764,934) | 824,257 | － | **524,982** |
| **Net income (loss) before noncontrolling interests** | **94,587** | (751,851) | 846,438 | － | **837,053** |
| **Less:Net income (loss) attributable to noncontrolling interests** | **17,760** | (104,030) | 121,790 | － | **157,168** |
| **Net income (loss) attributable to shareholders of the Company** | **¥76,827** | ¥(647,821) | ¥724,648 | － | **$679,885** |

# Comparative Consolidated Statements of Comprehensive Income

## 1. Nine Months ended December 31

(¥ in millions, US$ in thousands)

| | Nine months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| **Net income (loss) before noncontrolling interests** | **¥58,851** | ¥(627,856) | ¥686,707 | ― | **$520,805** |
| **Other comprehensive income (loss), net of tax** | | | | | |
| Unrealized gains (losses) on securities | **9,470** | (426) | 9,896 | ― | **83,805** |
| Foreign currency translation adjustments | **(34,887)** | (43,594) | 8,707 | ― | **(308,734)** |
| Pension liability adjustments | **13,697** | 25,988 | (12,291) | 53% | **121,212** |
| Unrealized gains (losses) on derivative instruments | **1,278** | (3,104) | 4,382 | ― | **11,310** |
| **Total other comprehensive loss** | **(10,442)** | (21,136) | 10,694 | ― | **(92,407)** |
| **Comprehensive income (loss)** | **48,409** | (648,992) | 697,401 | ― | **428,398** |
| **Less:Comprehensive income (loss) attributable to noncontrolling interests** | **23,361** | (96,583) | 119,944 | ― | **206,734** |
| **Comprehensive income (loss) attributable to shareholders of the Company** | **¥25,048** | ¥(552,409) | ¥577,457 | ― | **$221,664** |

## 2. Third Quarter ended December 31

(¥ in millions, US$ in thousands)

| | Three months ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| **Net income (loss) before noncontrolling interests** | **¥94,587** | ¥(751,851) | ¥846,438 | ― | **$837,053** |
| **Other comprehensive income, net of tax** | | | | | |
| Unrealized gains on securities | **198** | 5,292 | (5,094) | 4% | **1,752** |
| Foreign currency translation adjustments | **4,736** | 78,269 | (73,533) | 6% | **41,912** |
| Pension liability adjustments | **3,558** | 1,357 | 2,201 | 262% | **31,487** |
| Unrealized gains on derivative instruments | **522** | 129 | 393 | 405% | **4,619** |
| **Total other comprehensive income** | **9,014** | 85,047 | (76,033) | 11% | **79,770** |
| **Comprehensive income (loss)** | **103,601** | (666,804) | 770,405 | ― | **916,823** |
| **Less:Comprehensive income (loss) attributable to noncontrolling interests** | **24,272** | (77,935) | 102,207 | ― | **214,796** |
| **Comprehensive income (loss) attributable to shareholders of the Company** | **¥79,329** | ¥(588,869) | ¥668,198 | ― | **$702,027** |

## Comparative Consolidated Statements of Cash Flows

### Nine months ended December 31

(¥ in millions, US$ in thousands)

| | Nine months ended December 31 | | | |
|---|---|---|---|---|
| | **2017(A)** | 2016(B) | (A)-(B) | **2017** |
| **Cash flows from operating activities** | | | | |
| Net income (loss) before noncontrolling interests | **¥58,851** | ¥(627,856) | ¥686,707 | **$520,805** |
| Depreciation and amortization | **98,836** | 118,922 | (20,086) | **874,655** |
| Equity in (earnings) losses of affiliates, net of dividends | **(3,990)** | 363 | (4,353) | **(35,310)** |
| Decrease in notes and accounts receivable, trade | **50,170** | 7,175 | 42,995 | **443,982** |
| Increase in inventories | **(119,396)** | (75,033) | (44,363) | **(1,056,602)** |
| Decrease in notes and accounts payable, trade | **(16,311)** | (17,773) | 1,462 | **(144,345)** |
| Others | **(451,811)** | 617,126 | (1,068,937) | **(3,998,327)** |
| Adjustments to reconcile net income (loss) before noncontrolling interests to net cash provided by (used in) operating activities | **(442,502)** | 650,780 | (1,093,282) | **(3,915,947)** |
| Net cash provided by (used in) operating activities | **(383,651)** | 22,924 | (406,575) | **(3,395,142)** |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment, intangible assets and securities | **25,062** | 48,084 | (23,022) | **221,788** |
| Acquisition of property, plant and equipment | **(115,064)** | (120,657) | 5,593 | **(1,018,265)** |
| Acquisition of intangible assets | **(13,090)** | (14,473) | 1,383 | **(115,841)** |
| Purchase of securities | **(16,387)** | (880) | (15,507) | **(145,018)** |
| Increase in investments in affiliates | **(75,108)** | (25,170) | (49,938) | **(664,673)** |
| Others | **131,997** | 35,478 | 96,519 | **1,168,115** |
| Net cash used in investing activities | **(62,590)** | (77,618) | 15,028 | **(553,894)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from long-term debt | **2,152** | 44,999 | (42,847) | **19,044** |
| Repayment of long-term debt | **(186,843)** | (126,374) | (60,469) | **(1,653,478)** |
| Increase (decrease) in short-term borrowings, net | **120,880** | (40,987) | 161,867 | **1,069,735** |
| Dividends paid | **(10,489)** | (12,530) | 2,041 | **(92,823)** |
| Proceeds from stock offering | **597,900** | - | 597,900 | **5,291,150** |
| Others | **(131,245)** | 17,072 | (148,317) | **(1,161,460)** |
| Net cash provided by (used in) financing activities | **392,355** | (117,820) | 510,175 | **3,472,168** |
| **Effect of exchange rate changes on cash and cash equivalents** | **4,389** | 1,487 | 2,902 | **38,841** |
| **Net decrease in cash and cash equivalents** | **(49,497)** | (171,027) | 121,530 | **(438,027)** |
| **Cash and cash equivalents at beginning of the period** | **707,693** | 975,529 | (267,836) | **6,262,770** |
| **Cash and cash equivalents at end of the period** | **658,196** | 804,502 | (146,306) | **5,824,743** |
| **Less: Cash and cash equivalents of discontinued operations at end of the period** | **19,354** | 233,614 | (214,260) | **171,274** |
| **Cash and cash equivalents of continuing operations at end of the period** | **¥638,842** | ¥570,888 | ¥67,954 | **$5,653,469** |

## Notes Relating to Assumptions for the Going Concern

Toshiba 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 yen, with consolidated net assets of -275,704 million yen , as of March 31, 2017. Therefore, taking into consideration of the expenditures which the Company was going to pay as Toshiba's 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 yen (US$5,309.7 million) (the issued amount per share is 262.8 yen (US$2.33) 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. Mainly because of this completion, consolidated equity attributable to shareholders of the Company was -3,893 million yen (-US$34.5 million) with consolidated net assets of 220,893 million yen (US$1,954.8 million) as of December 31, 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 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 thorough 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 US$2,168 million (244.9 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 (6.8 billion yen) 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 approximately 240.0 billion yen (US$2,123.9 million) (Net income attributable to shareholders of the Company approximately 170.0 billion yen (US$1,504.4 million)). Furthermore, the Company is expecting to mitigate approximately 240.0 billion yen (US$2,123.9 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 expects to resolve its negative equity in consolidated equity attributable to shareholders of the Company as of February 14, 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 yen (US$17,699.1 million) 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 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. The conditions required for the closing of the sale, such as the necessary acquisition of antitrust approvals in the key jurisdictions, have progressed. Since the certainty of the completion of the Sale has increased, the Company classified TMC, its subsidiaries and affiliates as held for sale assets as of December 31, 2017.

The Company has Commitment lines contracts for 680.0 billion yen (US$6,017.7 million) with the Company's main financial institutions in order to keep sufficient liquidity until the completion of the Sale. The Company will continue to make its all efforts to maintain the current contracts, by requesting sincerely for their renewal and, if necessary, increase of credit facility in the contracts, to its main financial institutions through the completion of the Sale. The terms of the current contracts are effective until March 30, 2018, and are collateralized by TMC shares. Taking into account the fact that these contracts been renewed several times since April 2017, when the substantial doubt about the Company's ability to continue as a going concern emerged, as well as the expectation that the Company will be in a net cash position with the completion of the Sale, the Company considers it probable that the Company will be able to meet the obligation as these contracts become due.

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 140,000 million yen (US$1,238.9 million) (80,000 million yen (US$708.0 million) as of February 14, 2018) lent by the Company's main financial institutions. The total for syndicated loans is recorded as a part of Toshiba Group's short-term and long-term borrowings in the total of 1,122,799 million yen (US$9,936.3 million) in the consolidated balance sheet as of December 31, 2017. The Company obtained a consent with its financial institutions that these loans will not be called in until March 30, 2018. If these loans are called in, other bonds and certain borrowings might also become callable. The Company will continue to sincerely request the financial institutions to waive the right to call in these loans on and after March 31, 2018.

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.

By taking the above-referenced actions, material events and conditions that raised substantial doubts about the Company's ability to continue as a going concern were sufficiently addressed as of February 14, 2018.

# Industry Segment Information

## 1.Nine Months ended December 31

(¥ in millions, US$ in thousands)

| | | Nine months ended December 31 | | | | |
|---|---|---|---|---|---|---|
| | | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| Net sales (Share of total sales) | Energy Systems & Solutions | **¥611,509 (20%)** | ¥660,034 (22%) | ¥(48,525) (-2%) | 93% | **$5,411,584** |
| | Infrastructure Systems & Solutions | **830,584 (27%)** | 838,456 (27%) | (7,872) (-) | 99% | **7,350,301** |
| | Retail & Printing Solutions | **379,342 (12%)** | 371,818 (12%) | 7,524 (-) | 102% | **3,357,009** |
| | Storage & Electronic Devices Solutions | **661,029 (22%)** | 630,408 (21%) | 30,621 (1%) | 105% | **5,849,814** |
| | Industrial ICT Solutions | **176,861 (6%)** | 162,526 (5%) | 14,335 (1%) | 109% | **1,565,142** |
| | Others | **379,350 (13%)** | 393,019 (13%) | (13,669) (-) | 97% | **3,357,079** |
| | Total | **3,038,675 (100%)** | 3,056,261 (100%) | (17,586) | 99% | **26,890,929** |
| | Eliminations | **(238,344)** | (220,824) | (17,520) | － | **(2,109,239)** |
| | Consolidated | **¥2,800,331** | ¥2,835,437 | ¥(35,106) | 99% | **$24,781,690** |
| Segment operating income (loss) | Energy Systems & Solutions | **¥(12,085)** | ¥(2,350) | ¥(9,735) | － | **$(106,947)** |
| | Infrastructure Systems & Solutions | **11,259** | 21,451 | (10,192) | 52% | **99,637** |
| | Retail & Printing Solutions | **18,760** | 11,113 | 7,647 | 169% | **166,018** |
| | Storage & Electronic Devices Solutions | **48,855** | 49,322 | (467) | 99% | **432,345** |
| | Industrial ICT Solutions | **(2,615)** | 4,388 | (7,003) | － | **(23,142)** |
| | Others | **(18,488)** | (9,156) | (9,332) | － | **(163,610)** |
| | Total | **45,686** | 74,768 | (29,082) | 61% | **404,301** |
| | Eliminations | **3,883** | 1,355 | 2,528 | － | **34,363** |
| | Consolidated | **¥49,569** | ¥76,123 | ¥(26,554) | 65% | **$438,664** |

## 2.Third Quarter ended December 31

(¥ in millions, US$ in thousands)

| | | Three months ended December 31 | | | | |
|---|---|---|---|---|---|---|
| | | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| Net sales (Share of total sales) | Energy Systems & Solutions | **¥178,466** **(18%)** | ¥207,885 (21%) | ¥(29,419) (-3%) | 86% | **$1,579,345** |
| | Infrastructure Systems & Solutions | **278,480** **(27%)** | 274,579 (27%) | 3,901 (-) | 101% | **2,464,425** |
| | Retail & Printing Solutions | **131,503** **(13%)** | 124,094 (12%) | 7,409 (1%) | 106% | **1,163,743** |
| | Storage & Electronic Devices Solutions | **228,463** **(23%)** | 220,942 (22%) | 7,521 (1%) | 103% | **2,021,796** |
| | Industrial ICT Solutions | **58,143** **(6%)** | 51,657 (5%) | 6,486 (1%) | 113% | **514,540** |
| | Others | **138,756** **(13%)** | 130,284 (13%) | 8,472 (-) | 107% | **1,227,930** |
| | Total | **1,013,811** **(100%)** | 1,009,441 (100%) | 4,370 | 100% | **8,971,779** |
| | Eliminations | **(87,234)** | (71,843) | (15,391) | － | **(771,983)** |
| | Consolidated | **¥926,577** | ¥937,598 | ¥(11,021) | 99% | **$8,199,796** |
| Segment operating income (loss) | Energy Systems & Solutions | **¥(8,062)** | ¥(8,352) | ¥290 | － | **$(71,345)** |
| | Infrastructure Systems & Solutions | **8,526** | 10,291 | (1,765) | 83% | **75,451** |
| | Retail & Printing Solutions | **7,470** | 4,628 | 2,842 | 161% | **66,106** |
| | Storage & Electronic Devices Solutions | **16,001** | 23,024 | (7,023) | 69% | **141,602** |
| | Industrial ICT Solutions | **(712)** | 1,545 | (2,257) | － | **(6,301)** |
| | Others | **(9,452)** | 3,711 | (13,163) | － | **(83,646)** |
| | Total | **13,771** | 34,847 | (21,076) | 40% | **121,867** |
| | Eliminations | **3,562** | (70) | 3,632 | － | **31,522** |
| | Consolidated | **¥17,333** | ¥34,777 | ¥(17,444) | 50% | **$153,389** |

Notes:
1) Segment sales total includes intersegment transactions.
2) Segment operating income (loss) is derived by deducting the segment's 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 legal settlement costs have been excluded from segment operating income (loss) presentation herein.
3) Prior-period data relating to the discontinued operation has been deducted.
4) Prior-period data relating to the consolidated segment information has been reclassified to conform with the current classification.

# Net Sales by Region

## 1.Nine Months ended December 31

(¥ in millions, US$ in thousands)

| | | Nine months ended December 31 | | | | |
|---|---|---|---|---|---|---|
| | | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| Japan | | **¥1,498,075**<br>**(53%)** | ¥1,532,910<br>(54%) | ¥(34,835)<br>(-1%) | 98% | **$13,257,301** |
| Overseas | | **1,302,256**<br>**(47%)** | 1,302,527<br>(46%) | (271)<br>(1%) | 100% | **11,524,389** |
| | Asia | **687,116**<br>**(25%)** | 632,292<br>(22%) | 54,824<br>(3%) | 109% | **6,080,673** |
| | North America | **290,615**<br>**(10%)** | 316,123<br>(11%) | (25,508)<br>(-1%) | 92% | **2,571,814** |
| | Europe | **206,198**<br>**(7%)** | 229,839<br>(8%) | (23,641)<br>(-1%) | 90% | **1,824,761** |
| | Others | **118,327**<br>**(5%)** | 124,273<br>(5%) | (5,946)<br>(-) | 95% | **1,047,141** |
| Net Sales | | **¥2,800,331**<br>**(100%)** | ¥2,835,437<br>(100%) | ¥(35,106) | 99% | **$24,781,690** |

## 2.Third Quarter ended December 31

(¥ in millions, US$ in thousands)

| | | Three months ended December 31 | | | | |
|---|---|---|---|---|---|---|
| | | **2017(A)** | 2016(B) | (A)-(B) | (A)/(B) | **2017** |
| Japan | | **¥515,768**<br>**(56%)** | ¥505,970<br>(54%) | ¥9,798<br>(2%) | 102% | **$4,564,318** |
| Overseas | | **410,809**<br>**(44%)** | 431,628<br>(46%) | (20,819)<br>(-2%) | 95% | **3,635,478** |
| | Asia | **231,256**<br>**(25%)** | 206,386<br>(22%) | 24,870<br>(3%) | 112% | **2,046,513** |
| | North America | **81,084**<br>**(9%)** | 106,311<br>(11%) | (25,227)<br>(-2%) | 76% | **717,558** |
| | Europe | **63,556**<br>**(7%)** | 76,693<br>(8%) | (13,137)<br>(-1%) | 83% | **562,442** |
| | Others | **34,913**<br>**(3%)** | 42,238<br>(5%) | (7,325)<br>(-2%) | 83% | **308,965** |
| Net Sales | | **¥926,577**<br>**(100%)** | ¥937,598<br>(100%) | ¥(11,021) | 99% | **$8,199,796** |

Notes:

1) Net sales by region is determined based upon the locations of the customers.

2) Prior-period data relating to the discontinued operation has been deducted.