

[Translation]  
May 23, 2016  
Toshiba Corporation

**Notice on Material Weakness in Internal Controls**  
**on Financial Reporting Requiring Disclosure**

TOKYO— Toshiba Corporation (TOKYO: 6502) (the “Company”) has already established and largely implemented the measures of its Improvement Plan for rectifying the material weakness in company-level internal controls over financial reporting that the Company identified last fiscal year. However, there are some measures regarding which the implementation status cannot be verified yet due to constraints in the implementation period, and not all the implementation status of the improvement measures have been sufficiently verified. Moreover, in connection with the closing and financial reporting process, certain items for restatement, including the restatement of financial results, were discovered in the course of the audit of financial statements, as announced today in “(Correction of Financial Data) Toshiba’s Consolidated Results for Fiscal Year 2015, to March 31, 2016 (US GAAP).” Considering these, the Company has judged that there is a material weakness in internal controls requiring disclosure and hereby announces as follows.

The Company will continue to make every effort to fully implement the measures of its Improvement Plan. However, in its Internal Control Report (to be submitted to the Director-General of the Kanto Local Finance Bureau in accordance with Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act), the Company plans to state that there was a material weakness in internal controls over financial reporting requiring disclosure because the assessment of internal controls over financial reporting will be made based on the record date of March 31, 2016.

The Company has, in the closing process, already made appropriate restatements for the necessary restatement items arising from material weakness requiring disclosure, and the independent accounting auditor has expressed its unqualified opinions in the audit reports for the consolidated financial statements and the financial statements under the Companies Act of Japan.

1. Specifics of the results of assessment, etc. on internal controls over financial reporting

Recognizing the importance of internal controls over financial reporting, the Company has been implementing the following improvement measures in order to rectify the material weakness in financial reporting that it identified in the last fiscal year. The announcement regarding this was made on September 7, 2015, in Japanese only.

Improvement measures implemented in the fiscal year ended March 2016

1) Strengthening supervision of top management

- i. Composition of the Board of Directors
- ii. Enhancing the structure and function of the Nomination Committee
- iii. Composition of the Audit Committee and enhancing supervision function of the same

2) Strengthening internal control function

- i. Review of budgetary control
- ii. Strengthening function of checks and balances by the Corporate CFO and Finance and Accounting Division
- iii. Business process reform
- iv. Enhancing the internal control report system
- v. Enhancing whistleblower system
- vi. Establishment of the Accounting Compliance Committee

3) Improving awareness of management and employees

- i. Improving awareness of management
- ii. Improving awareness of employees

The improvement measures above have been established and largely implemented as of the end of the fiscal year ended March 2016, but there are some improvement measures regarding which the implementation status could not be verified as of the end of that fiscal year because it was not possible to secure a sufficient implementation period.

In light of this, since verification has not been completed because of the time necessary for verifying the rectification of the weakness, the Company has judged

that additional verification of the status of future quarterly closings is necessary in regard to material weakness in company-level internal controls requiring disclosure, concerning the following matters, despite progress in improvement up through the end of the fiscal year ended March 2016, achieved through various improvement measures, from the perspective of demonstrating awareness of compliance amid budgetary controls and building awareness regarding proper financial reporting among employees engaged in the closing and financial reporting process:

- Top management's strong pressure to achieve budget targets
- Corporate culture where employees cannot go against the will of their superiors
- Lack of awareness and knowledge among management about appropriate accounting treatment
- Ineffectiveness of internal controls at the corporate level and within each in-house company
- Lack of proper implementation of appropriate accounting standards

Furthermore, in connection with the development and implementation of internal controls regarding the closing and financial reporting process, certain items for restatement, including restatement of financial result reports, were discovered in the course of the audit of financial statements. Considering these points, the Company has judged that there is a material weakness requiring disclosure.

## 2. Towards verification of remediation of material weakness requiring disclosure

In order to verify the remediation of material weakness in company-level internal controls requiring disclosure, the Company will endeavor to improve the implementation status of the budget control system, to firmly establish awareness of proper financial reporting among employees working in connection with closing and financial reporting, and to implement improvement measures for material weakness in internal controls requiring disclosure in connection with the closing and financial reporting process and will additionally verify the status of future quarterly financial closings.

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