

September 16, 2016  
Toshiba Corporation

### **Status of Improvement on Internal Controls on Financial Reporting**

TOKYO—Toshiba Corporation (TOKYO: 6502) (the “Company”), hereby gives notice that it has carried out self-evaluation of the status of implementation of the improvement measures to address weaknesses in the company-level internal controls and financial closing and reporting processes for its first quarter accounts for fiscal year 2016, ending March 31, 2017, and has found no material weaknesses in the internal controls on financial reporting requiring disclosure.

This notice is made in relation to the Company’s Internal Control Report dated June 22, 2016, which included the Company’s decision to verify future quarterly financial closings for any material weakness in internal controls over financial reporting.

#### **Status of Weaknesses as of March 2016**

##### 1. Company-level Internal Controls

###### ▪ Implementation of Budgetary Control

As fiscal year 2015, ended March 31, 2016 was closed without preparation of substantial budget, the Company was not able to verify implementation status, including indications of awareness of compliance.

###### ▪ Awareness of Appropriate Accounting Reporting on the Part of Employees Engaged in Financial Reporting

The Company has conducted training in accounting compliance by rank and function, and found improved awareness as of the end of March 2016. However, the Company was unable to secure a sufficient implementation period for confirming that the degree of improvement was sufficient.

##### 2. Internal Controls Over Disclosure in Connection with the Financial Closing and Reporting Process

The Company determined that there were material weaknesses requiring disclosure in the establishment and implementation of internal controls over the financial reporting process, as certain problems were discovered, requiring restatement, in respect of financial reporting.

## **Outline of Self-Evaluation and its Results**

### 1. Company-level Internal Controls

#### ▪ Implementation of Budgetary Control

The Company has verified, by interviewing participants in meetings and by referring to the minutes of meetings and other materials, that variance analysis for the monthly budget and business results has been implemented and that the content of the analysis is being discussed, both measures based on the newly established guidelines related to budgetary control and business performance management, and that excessive demands to make profit or achieve targets are no longer being made in the course of the aforementioned processes.

#### ▪ Awareness of Appropriate Accounting Reporting on the Part of Employees Engaged in Financial Reporting

The Company continues to strengthen financial closings, and has verified, by referring to the evidence and by asking questions, that training continues, by rank and function. As a result of this, activities for appropriate financial reporting continue to be implemented, and the Company has confirmed that awareness has improved.

### 2. Internal Controls Over Disclosure in Connection with the Financial Closing and Reporting Process

In respect of weaknesses that were recognized at the end of March 2016, and for which improvement measures were not sufficient at that time, the Company has revised its J-SOX documentation and manuals. The Company continues to strengthen financial closings, and has verified that its degree of implementation is completely sufficient by asking questions and by referring to evidence.

Although the Company found no material weaknesses in internal controls on financial reporting as a result of self-evaluation conducted for the first quarter accounts for fiscal year 2016, ending March 31, 2017, the Company will steadily continue to implement measures to prevent any recurrence of the accounting issue, and will target to resolve material weaknesses requiring disclosure and ensure that internal controls on financial reporting become effective at the end of March 2017.

The Company will make every effort to regain the trust of shareholders, investors, all other stakeholders and the public, and asks for your understanding and continued support.

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