

April 11, 2017
Toshiba Corporation

Toshiba Receives Disclaimer of Conclusion from Auditor on Quarterly Report

TOKYO—Toshiba Corporation (TOKYO: 6502) (the “Company”) has today received a Disclaimer of Conclusion from its auditor, PricewaterhouseCoopers Aarata LLC (PwC Aarata), in respect of the quarterly report for the third quarter of FY2016, as detailed below. Subsequent to this, the Company plans to submit its 178th Annual Securities Report within today.

1. Name of reviewing auditor
PricewaterhouseCoopers Aarata LLC
2. Outline of PwC Aarata review report

The Company received a report from PwC Aarata indicating that it will not conclude its review for the following reasons:

- Internal reports were made that suggested internal controls related to the Purchase Price Allocation (PPA) process for Westinghouse Electric Company LLC (Westinghouse)’s acquisition of CB&I Stone & Webster were inadequate. Toshiba’s Audit Committee (the “Committee”) outsourced investigations into whether or not there was inadequate pressure from certain senior managers, and of any impact to the financial results, to a third-party law firm.
- PwC Aarata is still evaluating the results of these investigations. Evaluation items include the period when Toshiba and Westinghouse recognized the need for an impairment loss on construction costs, which affected Toshiba’s consolidated balance sheet. Along with other items to be evaluated, PwC Aarata was not able to define the impact, and was not able to evaluate the conclusion reached by the Committee or determine whether there is any need for correction.
- For these reasons PwC Aarata has been unable to complete its review and issue its report by today’s date.

The Company has also received a Disclaimer of Conclusion for the first and second quarters of 2016, for the same reasons as described above.

3. Date on which the Company received the quarterly review
April 11, 2017

4. The Company's business situation and future actions

(1) Business situation

Excluding the Overseas Nuclear Power Business, which generated a huge loss, almost all business segments have reported fairly healthy operations. As Westinghouse filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code, the Overseas Nuclear Power Business is deconsolidated from Toshiba Group, as announced on March 29, 2017 in "Notice on Chapter 11 Filing by Westinghouse Electric Company and its Group Entities." Toshiba believes this is in line with the Company's policy of eliminating risk related to the Overseas Nuclear Power Business.

In addition, Toshiba has taken measures to improve its financial condition. These include the sale of assets with a value of approximately 160 billion yen in FY2016, and continued application of a number of other measures, including compensation reductions for executive officers, bonus cuts for executive officers and employees. Furthermore, Toshiba is considering third party investment in the Memory business, up to a majority holding. Toshiba separated the Memory business into Toshiba Memory Corporation on April 1, 2017, and is currently in the process of selecting third party investor(s).

As a result of the foregoing measures, and in light of the value of the Memory business, Toshiba is sure that it will be able to secure a sufficient financial base.

(2) Outlook on Closing of Financial Results

The Committee, on the basis of the results of the investigations by third-party law firms, found no specific evidence of any need to recognize an additional impairment loss in any accounting period prior to the third quarter of FY2016, in respect of the acquisition of Stone & Webster.

PwC Aarata has indicated that it cannot finalize its evaluation of the Committee's conclusion, and as a result, they were not able to determine whether there is a need for correction. However, Toshiba recognizes that any further delay in submitting the FY2016 third quarter security report and disclosing corporate information will bring greater disadvantages to its stakeholders, and has decided to submit the third quarter security report.

As already mentioned, Westinghouse and its group companies are now deconsolidated from Toshiba Group, and the issue described above will not have a major impact on our financial results after FY2017.

As a result of extending the closing of third quarter business results, sometime will be required to compile the final earnings report for FY2016. Nevertheless, Toshiba's intention is to announce its full-year financial results for FY2016 in mid-May.

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