

October 11, 2017  
Toshiba Corporation

FOR IMMEDIATE RELEASE

**Notice on Cancellation of Designations as Securities on Alert  
and Securities Under Supervision**

TOKYO— Toshiba Corporation (TOKYO: 6502) was today informed by the Tokyo Stock Exchange (TSE) and Nagoya Stock Exchange (NSE) that they have cancelled their designations of the company's stock as Securities on Alert and Securities Under Supervision (Examination). The details are as follows:

1. Date of Cancellation of Designation as Securities on Alert:

October 12, 2017

2. Background

Toshiba disclosed an investigation report of the Independent Investigation Committee concerning inappropriate accounting processing on July 20, 2015, and further disclosed corrections to past earnings reports, etc., on September 8, 2015. TSE and NSE subsequently deemed that improvement of Toshiba's internal management system, etc., was highly necessary, and designated its stock as a security on alert on September 15, 2015.

On September 15, 2016, a year following the designation, Toshiba submitted a written confirmation of its internal management system, but the stock exchanges decided that it still needed to verify further the implementation and progress of the company's improvement measures, and continue the stock's designation as a security on alert on December 19, 2016.

On December 27, 2016, Toshiba disclosed the possibility of huge losses at a subsidiary (as a result of which, the subsidiary filed for a reorganization process under Chapter 11 of the United States Bankruptcy Code on March 29, 2017 and was deconsolidated). As a consequence of these events, from Feb. 14, 2017, Toshiba twice postponed the deadline for submitting its quarterly report for the third quarter of FY2016, and after submission received disclaimers of conclusion on its quarterly reports, a qualified opinion on its annual securities report, and an adverse opinion on its internal control report.

On March 15, 2017, after one year and six months, since the designation as a security on alert, Toshiba resubmitted the written confirmation of its internal management system.

### 3. Issues recognized in the internal management system, etc.

In light of the above events, the following issues were recognized in the internal management system, etc. of Toshiba (see note).

- i. Distortion of management policy, superficial corporate governance, and inadequate awareness of job responsibility and compliance
- ii. Carelessness in management decision processes
- iii. Deviation from appropriate accounting treatment and severely inadequate organizational structure for disclosure
- iv. Poor management of its subsidiaries (especially overseas subsidiaries)

(Note)

As a result of examining the company's financial reporting system in respect of the series of events related to the auditor's opinions, there were deemed to be no significant deficiencies in Toshiba's financial reporting system.

### 4. Improvement of the internal management system

Written confirmation of the internal management system resubmitted by Toshiba 18 months after the designation as a security on alert was examined. As a result, TSE and NSE recognized that, since said designation, Toshiba has enacted improvement measures, as provided below in summary:

- i. To prevent and deter the CEO from demanding the achievement of irrational management goals inconsistent with the actual business conditions, and the blind following of distorted management policy, Toshiba has improved the appointment/dismissal process for directors, including securing the independence of the Nomination Committee from business execution by including only independent outside directors on the committee and introducing evaluations of the CEO (votes of confidence).

For the adequate monitoring of management and effective supervision of executives, the company has overhauled its organizational structure to allow its internal organs, such as the board and the audit committee, to fulfil their responsibilities. Such overhaul includes changes in the composition of the board and the audit committee and reinforcement of the information gathering system, holding executive sessions only for independent outside directors, and the exercise of the checking function in the process for making important decisions, etc. Toward establishing a corporate culture in which the internal departments and their officers and employees can carry out their primary responsibilities, the CEO continually delivers messages to all personnel, to raise and instill awareness of compliance on a company-wide basis.

The company also provides effective training programs tailored to each department and position, and implements strict internal disciplinary measures

against any violation of laws and regulations.

- ii. To implement risk analysis and evaluation before all important management decisions, Toshiba has revised its decision-making process by measures such as establishing a body dedicated to risk analysis and evaluation, by utilizing the knowledge of external experts and having the board deliberate the analysis and evaluation of said body.
- iii. To conduct appropriate financial reporting independent from the pursuit of business, Toshiba reinforced the independence of its finance unit, including vesting the Nomination Committee with veto rights on the appointment/dismissal of the CFO, and giving the CFO direct control over the finance unit of each business unit. To enhance the disclosure system, the company has also reviewed the information transmission system, etc., pertaining to timely disclosure.
- iv. To improve management of subsidiaries, after clarifying the policies to manage subsidiaries according to risk, Toshiba implemented measures including enhancement of the information collection system for risk-related information and implementation of effective monitoring of subsidiaries.

## 5. Conclusion

Based on the foregoing, TSE and NSE recognized that Toshiba has secured reasonable improvements in its internal management system, and therefore today notified Toshiba that they have decided to cancel the designation of Toshiba stock as a security on alert. Together with this decision, they will also cancel the stock's designation as a security under supervision (examination).

Notwithstanding the foregoing, Toshiba stock is still in the grace period pertaining to delisting due to liabilities in excess of assets. If Toshiba still has excess liabilities as of the end of March 2018, and thereby falls under the delisting criterion, the stock shall be delisted, regardless of the result of this examination.

Toshiba deeply apologizes to its shareholders, investors and stakeholders for causing great concern by being designated as a Securities on Alert and Securities Under Supervision (Examination). Toshiba will channel all its efforts, and those of Toshiba Group as a whole, into securing an even stronger internal management system, and regaining stakeholder and public trust.

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