October 23, 2017
Toshiba Corporation

Notice Regarding Revision of Toshiba Corporation's Consolidated Business Results Forecast for FY2017

TOKYO—Toshiba Corporation (TOKYO: 6502) today announced that its board of directors, meeting today, approved the following revisions to the company's business forecast for the 2nd quarter (2Q) and full year of FY2017 ending March 31, 2018. This revised forecast replaces the forecast announced on August 10, 2017.

1. Details of revision

Consolidated forecast for the twelve months of FY2017 (April 1, 2017–March 31, 2018)

(Yen in billions)

	(A) Previous Forecast		(B) Revised Forecast		(B) – (A)		(B)/(A)	
	2Q (Cumu-lative)	12 months	2Q (Cumu-lative)	12 months	2Q (Cumu-lative)	12 months	2Q (Cumu-lative)	12 months
Net sales	2,380.0	4,970.0	2,380.0	4,970.0	0	0	–	–
Operating income (loss)	210.0	430.0	210.0	430.0	0	0	–	–
Income (loss) from continuing operations, before income taxes and noncontrolling interests	230.0	400.0	230.0	400.0	0	0	–	–
Net income (loss) attributable to shareholders of the Company	140.0	230.0	-60.0	-110.0	-200.0	-340.0	–	–
Earnings (losses) per share attributable to shareholders of the Company	33.07 yen	54.33 yen	-14.17 yen	-25.98 yen	–	–	–	–

2. Reasons for revision

Toshiba separated its Memory business into Toshiba Memory Corporation (TMC) by a company split on April 1, 2017. The company split was executed with a view to securing an injection of third-party capital, and is accordingly, for tax purposes, recognized as a non-qualified split. Taxes are assessed on the basis that the assets and liabilities of the transferred business reflect the value of the business at the time of its separation into TMC. As the value of the Memory business was undetermined at the time of the company split, Toshiba was not able to calculate the appropriate tax payment.

As Toshiba announced on September 28, 2017, in "Notice on the Signing of the Share Purchase Agreement with a Bain Capital-Led Consortium for the Sale of Toshiba Memory Corporation," it has concluded a Share Purchase Agreement (SPA) for the sale of all shares of TMC to K.K. Pangea (Pangea), a special purpose acquisition company formed and controlled by Bain Capital Private Equity, LP (including its affiliates, Bain Capital)-led consortium (the Consortium) with sales price of two trillion yen. As a result of this, the value of the Memory business has been determined and Toshiba can now calculate proposed taxable income and its annual tax impact.

Separately, Toshiba has discussed with its accountants the treatment of the tax impact for the 2Q of FY2017 (cumulative), and as a result has decided to revise its business results forecast for both the 2Q and FY2017 full year to incorporate tax impacts.

Toshiba has already announced that, upon completion of the transfer of TMC shares, it will record an approximately 1,080 billion yen improvement in its FY2017 consolidated income (before tax), and an approximately 740 billion yen increase in shareholders' equity, even assuming a decrease in tax impacts resulting from the company split. Today's revision incorporates a tax impact for the full year of FY2017 of approximately 340 billion yen.

In accordance with the principle of conservatism in accounting, Toshiba did not incorporate profit from the sale that will follow completion of the transfer and impact of reclassifying its Memory business into discontinued operation, as the share transfer requires approvals/filings, including determinations by competition authorities.

As a result of incorporating a tax impact of approximately -340 billion yen in today's revision, Toshiba's forecast of shareholders' equity at the end of FY2017 becomes approximately -750 billion yen against the approximately -410 billion yen announced on August 10. However, there is no change in Toshiba's policy to complete the transaction by the end of FY2017, and if and when the transaction is completed, the expected improvement in shareholders' equity of approximately 1,080 billion yen will end the company's capital deficit.

The tax amount for the 2Q of FY2017 (cumulative) will be calculated after calculating annual assumed effective tax rate, by multiplying the assumed effective rate to income (loss) before income taxes of 2Q of FY2017 (cumulative). Since, following discussions with accountants, the assumed annual tax rate for the consolidated results of 2Q of FY2017 announced today is calculated based on a profit figure that does not incorporate profit on sales, an approximately 200 billion yen impact from tax related to the non-qualified split is incurred.

Toshiba is currently closing its accounts for the 2Q of FY2017, and plans to announce them on November 9, 2017. Toshiba's businesses are recording favorable results, and should the company recognize any changes to the FY2017 1H and full year business results forecast, in addition to the revision of net income (loss) announced today, including changes in sales, operating income (loss) and income (loss) before income taxes, the company will promptly announce them.

Disclaimer:
This report of business results contains forward-looking statements concerning future plans, strategies and the performance of Toshiba Group. These statements are based on Toshiba's assumptions and beliefs in light of the data currently available to the Company. Actual results are subject to a number of risks and uncertainties and may differ significantly from Toshiba's assumptions. Major risk factors are as indicated below, though this list is not necessarily exhaustive.

- Major disasters, including earthquakes and typhoons;
- Lawsuits or other disputes in Japan or in other countries;
- Success or failure of businesses promoted by Toshiba Group in collaboration with other companies;
- Success or failure of new businesses or R&D investment;
- Changes in political or economic conditions in Japan or abroad; or regulatory changes;
- Rapid changes in the supply and demand situation in major markets or 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.

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