
Financial Report

For the Fiscal Year ended March 31, 2020

Toshiba Corporation

FIVE-YEAR SUMMARY

 Toshiba Corporation and Consolidated Subsidiaries
 The Fiscal Years ended March 31

 Millions of yen,
 except per share amounts and ratio

	2020	2019	2018	2017	2016
Net sales (Note 5)	¥ 3,389,871	¥ 3,693,539	¥ 3,947,596	¥ 4,043,736	¥ 4,346,485
Operating income (loss) (Note 6)	130,460	35,447	86,184	96,537	(581,376)
Income (loss) from continuing operations, before income taxes and noncontrolling interests	(47,539)	10,909	82,378	44,945	(499,439)
Net income (loss) attributable to shareholders of the Company	(114,633)	1,013,256	804,011	(965,663)	(460,013)
Comprehensive income (loss) attributable to shareholders of the Company	(138,915)	1,083,664	819,189	(844,585)	(752,518)
Equity attributable to shareholders of the Company	939,806	1,456,659	783,135	(552,947)	328,874
Total equity (Note 7)	1,076,426	1,699,045	1,010,734	(275,704)	672,258
Total assets	3,383,433	4,297,344	4,458,211	4,269,513	5,433,341
Per share of common stock: (Yen) (Notes 8 and 11)	2,071.98	2,691.21	1,201.78	(1,306.03)	776.74
Earnings (loss) per share attributable to shareholders of the Company (Yen) (Notes 9, 10 and 11)					
–Basic	(236.39)	1,641.85	1,628.88	(2,280.76)	(1,086.45)
–Diluted	–	–	–	–	–
Shareholders' equity ratio (%) (Note 8)	27.8	33.9	17.6	(13.0)	6.1
Return on equity ratio (%) (Notes 8 and 12)	(9.6)	90.5	698.6	–	(65.1)
Price-to-earnings ratio (PER) (Note 13)	–	2.15	1.89	–	–
Net cash provided by (used in) operating activities	(142,148)	124,855	37,367	134,163	(1,230)
Net cash provided by (used in) investing activities	(122,514)	1,305,434	(146,713)	(178,929)	653,442
Net cash provided by (used in) financing activities	(687,244)	(645,018)	(63,613)	(204,220)	135,747
Cash, cash equivalents and restricted cash at the end of the fiscal year	376,973	1,335,520	548,657	723,231	975,529
Number of employees (Note 14)	125,648	128,697	141,256	153,492	187,809

Notes: 1) The Group's Consolidated Financial Statements are based on US Generally Accepted Accounting Principles.

2) The Memory business (including its SSD business, but excluding its image sensor business) was classified as discontinued operations in accordance with Accounting Standards Codification ("ASC") No. 205-20 "Presentation of Financial Statements - Discontinued Operations" in the fiscal year ended March 31, 2018. Results of the prior fiscal years have been revised to reflect these changes. The results of the Memory business were reported as discontinued operations for the first two months of the fiscal year ended March 31, 2019, and the results of the rest of the year were accounted for using the equity method.

3) The Westinghouse Group's Nuclear Power business was classified as discontinued operations in accordance with ASC 205-20 in the fiscal year ended March 31, 2017. Results of the prior years have been revised to reflect these changes.

4) The Group adopted Accounting Standards Updates ("ASU") No. 2016-15 "Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)", ASU No. 2016-18 "Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" and ASU No. 2017-07 "Compensation Retirement Benefits Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" effective from the first quarter of the fiscal year ended March 31, 2019. Results of the prior years have been revised to reflect these changes, except for ASU 2017-07, which was not reflected before the fiscal year ended March 31, 2016.

5) Consumption tax is not included in the Net sales.

6) Operating income (loss) is derived by deducting the cost of sales, selling, general and administrative expenses and impairment loss on goodwill from net sales. This result is regularly reviewed to support decision-making in allocation of resources and to assess performance. Certain expenses such as restructuring charges and legal settlement costs are not charged to operating income (loss).

7) Total equity is the sum of Equity attributable to shareholders of the Company and Equity attributable to noncontrolling interests.

8) The calculation of "Per share of common stock", "Shareholders' equity ratio" and "Return on equity ratio" is based on Equity attributable to shareholders of the Company in the consolidated balance sheets.

9) Basic earnings (loss) per share attributable to shareholders of the Company ("EPS") is computed based on the weighted-average number of shares of common stock outstanding during each period.

Diluted EPS assumes the dilution that could occur if convertible bonds were converted or stock acquisition rights were exercised to issue common stock, unless their inclusion would have an antidilutive effect.

10) Diluted net earnings per share attributable to shareholders of the Company has been omitted because the Company did not have potential common stock that were outstanding.

11) On October 10, 2018, the Company executed a share consolidation in a ratio of 10 shares to 1.

The results of before the fiscal years ended March 31, 2016 to March 31, 2018 have been revised to reflect these changes.

12) Return on equity ratio for the years ended on March 31, 2017 has been omitted because the average equity attributable to shareholders of the Company during the period is less than zero.

13) Price-to-earnings ratio ("PER") for the years ended on March 31, 2020, 2017 and 2016 have been omitted because of Net loss attributable to shareholders of the Company.

14) The number of employees are the sum of the workers who are expected to work or have worked over a year between the regular employees and fixed-term employees.

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Consolidated Balance Sheets

Toshiba Corporation and Consolidated Subsidiaries
As at March 31, 2020 and 2019

Assets	Millions of yen		Thousands of US dollars (Note 1)
	2020	2019	2020
Current assets:			
Cash and cash equivalents	¥ 376,973	¥ 1,335,520	\$ 3,458,468
Notes, accounts receivable and contract assets (Notes 6 and 12):			
Notes receivable	71,591	79,072	656,798
Accounts receivable and contract assets	920,322	955,649	8,443,321
Allowance for doubtful notes, accounts receivable and contract assets	(21,119)	(19,466)	(193,752)
Inventories (Note 7)	482,327	468,878	4,425,018
Other receivables (Note 6)	70,664	82,944	648,294
Prepaid expenses and other current assets (Notes 4 and 20)	137,341	131,261	1,260,009
Total current assets	2,038,099	3,033,858	18,698,156
Long-term receivables and investments:			
Long-term receivables (Notes 6 and 12)	7,315	8,603	67,110
Investments in and advances to affiliates (Notes 5 and 8)	428,384	501,052	3,930,128
Marketable securities and other investments (Notes 4, 5 and 10)	77,003	85,965	706,450
Total long-term receivables and investments	512,702	595,620	4,703,688
Property, plant and equipment (Notes 4, 16, and 21):			
Land	41,819	42,442	383,661
Buildings	644,571	642,613	5,913,495
Machinery and equipment	1,261,488	1,243,888	11,573,284
Construction in progress	35,368	28,939	324,477
	1,983,246	1,957,882	18,194,917
Accumulated depreciation	(1,562,949)	(1,572,162)	(14,338,981)
Total property, plant and equipment	420,297	385,720	3,855,936
Operating lease right-of-use assets (Notes 21):			
Total operating lease right-of-use assets	155,513	-	1,426,725
Other assets:			
Goodwill and other intangible assets (Notes 4, 9, 16 and 21)	119,677	116,595	1,097,954
Deferred tax assets (Note 17)	84,336	99,003	773,725
Other assets (Notes 4 and 20)	52,809	66,548	484,486
Total other assets	256,822	282,146	2,356,165
Total assets	¥ 3,383,433	¥ 4,297,344	\$ 31,040,670

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

Toshiba Corporation and Consolidated Subsidiaries
As at March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars (Note 1)
Liabilities and equity	2020	2019	2020
Current liabilities:			
Short-term borrowings (Notes 10 and 20)	¥ 13,339	¥ 26,991	\$ 122,376
Current portion of long-term debt (Notes 10 and 20)	49,310	330,753	452,385
Notes and accounts payable	502,066	660,792	4,606,110
Other payables and accrued expenses (Notes 24 and 26)	286,000	297,334	2,623,853
Current lease liabilities (Note 21)	44,529	–	408,523
Accrued income and other taxes (Note 17)	64,382	49,422	590,661
Advance payments received (Note 12)	266,129	301,450	2,441,550
Other current liabilities (Notes 4, 12, 20, 23 and 24)	172,162	211,677	1,579,469
Total current liabilities	1,397,917	1,878,419	12,824,927
Long-term liabilities:			
Long-term debt (Notes 10 and 20)	173,754	76,935	1,594,073
Accrued pension and severance costs (Note 11)	431,632	434,487	3,959,927
Non-current lease liabilities (Note 21)	114,219	–	1,047,881
Deferred tax liabilities (Note 17)	56,519	57,515	518,523
Other liabilities (Notes 4, 17, 20, 23, 24, 26 and 27)	132,966	150,943	1,219,871
Total long-term liabilities	909,090	719,880	8,340,275
Total liabilities	¥ 2,307,007	¥ 2,598,299	\$ 21,165,202
Equity attributable to shareholders of the Company (Note 18):			
Common stock:			
Authorized–1,000,000,000 shares issued:			
2020–455,000,000 shares	¥ 200,175	¥ 200,044	\$ 1,836,468
2019–544,000,000 shares			
Retained earnings (accumulated deficit)	1,031,231	1,528,463	9,460,835
Accumulated other comprehensive loss	(286,593)	(262,311)	(2,629,294)
Treasury stock, at cost:			
2020–1,422,054 shares	(5,007)		(45,936)
2019–2,735,038 shares		(9,537)	
Total equity attributable to shareholders of the Company	939,806	1,456,659	8,622,073
Equity attributable to noncontrolling interests	136,620	242,386	1,253,395
Total equity	¥ 1,076,426	¥ 1,699,045	\$ 9,875,468
Commitments and contingent liabilities (Notes 22, 23 and 24)			
Total liabilities and equity	¥ 3,383,433	¥ 4,297,344	\$ 31,040,670

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars (Note 1)
	2020	2019	2020
Sales and other income:			
Net sales	¥ 3,389,871	¥ 3,693,539	\$ 31,099,734
Interest and dividend income	4,245	6,249	38,945
Equity in earnings of affiliates (Notes 3 and 8)	-	12,901	-
Other income (Notes 4, 5, 15 and 20)	29,752	49,487	272,954
	3,423,868	3,762,176	31,411,633
Costs and expenses:			
Cost of sales (Notes 4, 9, 11, 13, 16, 21, 25 and 26)	2,472,002	2,783,564	22,678,917
Selling, general and administrative expenses (Notes 9, 11, 13, 14, 25 and 26)	787,409	864,690	7,223,936
Impairment loss on goodwill (Notes 4 and 9)	-	9,838	-
Interest expenses	5,409	10,563	49,624
Equity in losses of affiliates (Notes 3 and 8)	58,957	-	540,890
Other expenses (Notes 4, 5, 6, 11, 15, 20, and 24)	147,630	82,612	1,354,404
	3,471,407	3,751,267	31,847,771
Income (loss) from continuing operations, before income taxes and noncontrolling interests	(47,539)	10,909	(436,138)
Income taxes (Note 17):			
Current	19,423	30,793	178,192
Deferred	15,697	(15,241)	144,009
	35,120	15,552	322,201
Loss from continuing operations, before noncontrolling interests	(82,659)	(4,643)	(758,339)
Income (loss) from discontinued operations, before noncontrolling interests (Notes 3 and 20)	(13,794)	1,040,240	(126,551)
Net income (loss) before noncontrolling interests	(96,453)	1,035,597	(884,890)
Less: Net income attributable to noncontrolling interests	18,180	22,341	166,789
Net income (loss) attributable to shareholders of the Company	¥ (114,633)	¥ 1,013,256	\$ (1,051,679)

Per Share Data

	Yen		US dollars (Note 1)
Basic net earnings per share attributable to shareholders of the Company (Note 19)			
Loss from continuing operations	¥ (207.95)	¥ (43.72)	\$ (1.91)
Earnings (loss) from discontinued operations	¥ (28.44)	¥ 1,685.57	\$ (0.26)
Net earnings (loss)	¥ (236.39)	¥ 1,641.85	\$ (2.17)
Cash dividends per share	¥ 20.00	¥ 30.00	\$ 0.18

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars (Note 1)
	2020	2019	2020
Net income (loss) before noncontrolling interests	¥ (96,453)	¥ 1,035,597	\$ (884,890)
Other comprehensive income (loss), net of tax (Note 18)			
Net unrealized gains and losses on securities (Note 5)	(28)	40	(257)
Foreign currency translation adjustments	(17,265)	62,172	(158,394)
Pension liability adjustments (Note 11)	(9,213)	5,043	(84,523)
Net unrealized gains and losses on derivative instruments (Note 20)	173	999	1,587
Total other comprehensive income (loss)	(26,333)	68,254	(241,587)
Comprehensive income (loss) before noncontrolling interests	(122,786)	1,103,851	(1,126,477)
Less: Comprehensive income attributable to noncontrolling interests	16,129	20,187	147,973
Comprehensive income (loss) attributable to shareholders of the Company	¥ (138,915)	¥ 1,083,664	\$ (1,274,450)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Equity

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen							
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to non controlling interests	Total equity
Balance at March 31, 2018	¥ 499,999	¥ 357,153	¥ 223,615	¥ (295,572)	¥ (2,060)	¥ 783,135	¥ 227,599	¥ 1,010,734
Cumulative effect of application of ASU 2014-09			3,822			3,822	481	4,303
Cumulative effect of application of ASU 2016-01			37,147	(37,147)				
Cumulative effect of application of ASU 2016-16			(3,273)			(3,273)	(979)	(4,252)
Transfer to additional paid-in capital from common stock (Note 18)	(299,999)	299,999						
Transfer to retained earnings (accumulated deficit) from additional paid-in capital (Note 18)		(657,794)	657,794					
Change in ownership for noncontrolling interests and others	44	642				686	4,829	5,515
Dividends attributable to shareholders of the Company			(11,448)			(11,448)		(11,448)
Dividends attributable to noncontrolling interests							(9,731)	(9,731)
Comprehensive income:								
Net income			1,013,256			1,013,256	22,341	1,035,597
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 5)				20		20	20	40
Foreign currency translation adjustments				62,429		62,429	(257)	62,172
Pension liability adjustments (Note 11)				7,102		7,102	(2,059)	5,043
Net unrealized gains and losses on derivative instruments (Note 20)				857		857	142	999
Total comprehensive income						1,083,664	20,187	1,103,851
Purchase, disposal and retirement of treasury stock, net, at cost			(392,450)		(7,477)	(399,927)		(399,927)
Balance at March 31, 2019	200,044	–	1,528,463	(262,311)	(9,537)	1,456,659	242,386	1,699,045
Cumulative effect of application of ASU 2016-02 (Note 2)			(446)			(446)	(22)	(468)
Transfer to retained earnings (accumulated deficit) from additional paid-in capital (Note 18)		67,213	(67,213)					
Change in ownership for noncontrolling interests and others	131	(1,120)				(989)	(2,208)	(3,197)
Change due to tender offer for shares of 3 listed subsidiaries (Note 18)		(66,093)				(66,093)	(108,229)	(174,322)
Dividends attributable to shareholders of the Company			(10,112)			(10,112)		(10,112)
Dividends attributable to noncontrolling interests							(11,436)	(11,436)
Comprehensive income (loss):								
Net loss			(114,633)			(114,633)	18,180	(96,453)
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 5)				(8)		(8)	(20)	(28)

Consolidated Statements of Equity

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

Foreign currency translation adjustments		(13,485)	(13,485)	(3,780)	(17,265)
Pension liability adjustments (Note 11)		(11,005)	(11,005)	1,792	(9,213)
Net unrealized gains and losses on derivative instruments (Note 20)		216	216	(43)	173
Total comprehensive income (loss)			(138,915)	16,129	(122,786)
Purchase, disposal and retirement of treasury stock, net, at cost		(304,828)	4,530	(300,298)	(300,298)
Balance at March 31, 2020	¥ 200,175	- ¥1,031,231	¥ (286,593)	¥ (5,007)	¥ 939,806
				¥ 136,620	¥1,076,426

The accompanying notes are an integral part of these statements.

(Note) 3 listed subsidiaries are Toshiba Plant System & Services Corporation, NISHISHIBA ELECTRIC CO., LTD., and NuFlare Technology, Inc.

The impact on Other comprehensive income (loss), net of tax, due to the tender offer for the shares of 3 listed subsidiaries consists of Net unrealized gains and losses on securities of ¥16 million (\$147 thousand), Foreign currency translation adjustments of ¥186 million (\$1,706 thousand), Pension liability adjustments of ¥(3,077 million) (\$28,229 thousand), and Net unrealized gains and losses on derivative instruments of ¥10 million (\$92 thousand).

The tender offer for the shares of 3 listed subsidiaries is described in Note 18.

	Thousands of US dollars (Note 1)							
	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Treasury stock	Equity attributable to shareholders of the Company	Equity attributable to non controlling interests	Total equity
Balance at March 31, 2019	\$ 1,835,266	-	\$ 14,022,596	\$ (2,406,523)	\$ (87,495)	\$ 13,363,844	\$ 2,223,725	\$ 15,587,569
Cumulative effect of application of ASU 2016-02 (Note 2)			(4,092)			(4,092)	(202)	(4,294)
Transfer to retained earnings (accumulated deficit) from additional paid-in capital (Note 18)		616,633	(616,633)					
Change in ownership for noncontrolling interests and others	1,202	(10,275)				(9,073)	(20,257)	(29,330)
Change due to tender offer for shares of 3 listed subsidiaries (Note 18)		(606,358)				(606,358)	(992,927)	(1,599,285)
Dividends attributable to shareholders of the Company			(92,770)			(92,770)		(92,770)
Dividends attributable to noncontrolling interests							(104,917)	(104,917)
Comprehensive income (loss):								
Net loss			(1,051,679)			(1,051,679)	166,789	(884,890)
Other comprehensive income (loss), net of tax (Note 18):								
Net unrealized gains and losses on securities (Note 5)				(74)		(74)	(183)	(257)
Foreign currency translation adjustments				(123,715)		(123,715)	(34,679)	(158,394)
Pension liability adjustments (Note 11)				(100,963)		(100,963)	16,440	(84,523)
Net unrealized gains and losses on derivative instruments (Note 20)				1,981		1,981	(394)	1,587
Total comprehensive income (loss)						(1,274,450)	147,973	(1,126,477)
Purchase, disposal and retirement of treasury stock, net, at cost			(2,796,587)		41,559	(2,755,028)		(2,755,028)
Balance at March 31, 2020	\$ 1,836,468	-	\$ 9,460,835	\$ (2,629,294)	\$ (45,936)	\$ 8,622,073	\$ 1,253,395	\$ 9,875,468

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of US dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities			
Net income (loss) before noncontrolling interests	¥ (96,453)	¥ 1,035,597	\$ (884,890)
Adjustments to reconcile net income (loss) before noncontrolling interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	79,615	78,518	730,413
Provisions for pension and severance costs, less payments	(13,725)	(13,031)	(125,917)
Deferred income taxes	15,697	(12,641)	144,009
Equity in (earnings) losses of affiliates, net of dividends	67,318	(6,608)	617,596
Loss from sales, disposal and impairment of property, plant and equipment and intangible assets, net	6,871	23,276	63,037
(Gain) loss from sales and impairment of securities, net	484	(936,386)	4,440
Changes in operating assets and liabilities:			
(Increase) decrease in notes, accounts receivable and contract assets	38,891	(41,935)	356,798
Increase in inventories	(20,049)	(65,899)	(183,936)
Decrease in notes and accounts payable, trade	(156,220)	(10,396)	(1,433,211)
Increase (decrease) in accrued income and other taxes	15,541	(14,111)	142,578
Increase (decrease) in advance payments received	(33,582)	7,241	(308,092)
Others	(46,536)	81,230	(426,935)
Net cash provided by (used in) operating activities	(142,148)	124,855	(1,304,110)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	4,216	4,749	38,679
Proceeds from sale of securities	1,954	1,637	17,927
Acquisition of property, plant and equipment	(119,267)	(122,555)	(1,094,193)
Acquisition of intangible assets	(15,901)	(15,682)	(145,881)
Purchase of securities	(3,497)	(1,913)	(32,083)
(Increase) decrease in investments in affiliates	295	(30,381)	2,706
Proceeds from sale of Toshiba Memory Corporation stock	-	1,458,289	-
Others	9,686	11,290	88,863
Net cash provided by (used in) investing activities	(122,514)	1,305,434	(1,123,982)
Cash flows from financing activities			
Proceeds from long-term debt	160,910	4,605	1,476,239
Repayment of long-term debt	(352,691)	(198,906)	(3,235,697)
Decrease in short-term borrowings, net	(13,377)	(63,047)	(122,725)
Dividends paid	(23,319)	(22,249)	(213,936)
Purchase of treasury stock, net	(300,886)	(399,924)	(2,760,422)
Payments of tender offer for shares of 3 listed subsidiaries	(161,373)	-	(1,480,486)
Others	3,492	34,503	32,036
Net cash used in financing activities	(687,244)	(645,018)	(6,304,991)
Effect of exchange rate changes on cash and cash equivalents	(6,641)	1,592	(60,926)
Net increase (decrease) in cash and cash equivalents	(958,547)	786,863	(8,794,009)
Cash and cash equivalents at the beginning of the fiscal year	1,335,520	548,657	12,252,477
Cash and cash equivalents at the end of the fiscal year	376,973	1,335,520	3,458,468

Consolidated Statements of Cash Flows

Toshiba Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 and 2019

Supplemental disclosure of cash flow information

	Millions of yen		Thousands of US dollars
	2020	2019	2020
Cash paid during the fiscal year:			
Interest	¥ 5,571	¥ 10,383	\$ 51,110
Income taxes	21,478	70,263	197,046
Sale of Toshiba Memory Corporation stock:			
Assets transferred (net of cash and cash equivalents)	–	1,372,076	–
Liabilities relinquished	–	538,760	–

The accompanying notes are an integral part of these statements.

1. PRINCIPLES AND PROCEDURES OF ACCOUNTING TREATMENT, AND PRESENTATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Group issued American Depository Receipts in February 1962, and European Depository Receipts in February 1970. By doing so, the Group prepared and disclosed consolidated financial statements based on the terminology, forms and preparation methods required in connection with offering and placement of American Depository Receipts ("US GAAP Consolidated Financial Statements"). For this reason, the Group submitted an "Application for approval pursuant to handling guideline No. 86 for the Regulations of Consolidated Financial Statements" to the Minister of Finance on March 22, 1978, and obtained approval under the Ministry of Finance Certificate No. 494 on March 31 of the same year. Since then, the Group has prepared and disclosed US GAAP Consolidated Financial Statements.

The Group had been registered with the US Securities and Exchange Commission since the issuance of American Depository Receipts in February 1962; however, it is no longer registered after the expiration of the deposit contract in November 1978.

Significant differences between the accounting principles and the presentation methods adopted by the Group for the consolidated financial statements compared to the ones in Japan, are described as follows:

As used in the notes accompanying the consolidated financial statements, "the Company" represents Toshiba Corporation and "the Group" represents Toshiba Corporation and its consolidated subsidiaries, unless the context otherwise requires.

1) Format of consolidated statements of operations

Consolidated statements of operations are prepared in a single-step income statement, under which profit or loss is presented by deducting total costs and expenses from total sales and other income.

2) Consolidation of variable interest entities

In accordance with Accounting Standards Codification ("ASC") No. 810 "Consolidation" ("ASC No. 810"), the consolidated financial statements include the accounts of the variable interest entities ("VIEs") for which the Group is the primary beneficiary as described in Note 28.

3) Goodwill and other intangible assets

In accordance with ASC No.350 "Intangibles – Goodwill and Other", the Group does not amortize goodwill and other intangible assets with indefinite useful lives but tests it for impairment at least annually.

4) Allowance for compensated absences

In accordance with ASC No.710 "Compensation-General", the Group accrues a liability for amounts to be paid as a result of employees' rights to compensated absences.

5) Accrued pension and severance costs

Accrued pension and severance costs are recorded in accordance with ASC No. 715 "Compensation-Retirement Benefits". Settlements and curtailments of retirement benefit plans and the transfer to the Japanese government of the substitutional portion of employee pension are also accounted in accordance with this ASC.

6) Discontinued operations

In accordance with ASC No. 205-20 "Presentation of Financial Statements - Discontinued Operations", the financial position and the results of operations relating to discontinued operations are presented separately in the consolidated balance sheets and consolidated statements of operations as those of discontinued operations. Refer to Note 3 for the presentation of discontinued operations.

7) Income tax expenses or benefits

In accordance with ASC No. 740-20 "Intra-period Tax Allocation", the Group allocates total income tax expenses or benefits to different components of comprehensive income and shareholders' equity. Refer to Note 17 for the presentation of income taxes.

8) The amount of expenses for newly issued shares

The amount of expenses for newly issued shares after considering the tax effect is deducted from Additional paid-in capital.

9) Equity securities

In accordance with ASC No. 321 "Investments-Equity Securities", equity securities are measured at fair value and the changes are recognized in net income.

10) Leases

In accordance with ASC No. 842 "Leases", the Group recognizes right-of-use assets and lease liabilities in the consolidated balance sheets related to their agreements that are classified as operating leases.

US DOLLAR AMOUNTS

US dollar amounts are included solely for convenience of readers. These translations should not be construed as a representation that the yen could be converted into US dollars at this rate or any other rates. The amounts shown in US dollars are not intended to be computed in accordance with generally accepted accounting principles in the United States for the translation of foreign currency amounts. The rate of ¥109=US \$1, the approximate current rate of exchange at March 31, 2020, has been used throughout for the purpose of presentation of the US dollar amounts in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and VIEs for which the Group is the primary beneficiary in accordance with the ASC No. 810. All significant intra-entity transactions and account balances are eliminated on consolidation.

Investments in affiliates over which the Group has the ability to exercise significant influence are accounted for under the equity method of accounting. Net income (loss) attributable to shareholders of the Company includes its equity in net income (loss) of such affiliates after elimination of unrealized intra-entity gains. The proportionate share of the income or loss of the companies accounted for under the equity method is recognized from the most recent available financial statements.

2) USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that impact assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. These estimates and assumptions are based on best available information at the date of preparation of the consolidated financial statements, and take into account the effects of COVID-19, including the assumptions that production will recover by July 2020 and demand will remain low for at least 1 year.

The Group has identified significant areas where it believes assumptions and estimates are particularly critical to the consolidated financial statements. These are the determination of impairment of long-lived tangible and intangible assets, securities and goodwill, collectability of receivables, recoverability of deferred tax assets, uncertain tax positions, pension accounting, revenue recognition and other valuation allowances and reserves including contingencies for litigations. Note that actual results may differ from those estimates.

3) CASH EQUIVALENTS

All highly liquid investments with original maturities of 3 months or less at the date of purchase are considered to be cash equivalents.

4) FOREIGN CURRENCY TRANSLATION

The assets and liabilities of foreign consolidated subsidiaries and affiliates that operate in a local currency environment are translated into Japanese yen at applicable current exchange rates at the end of the fiscal year. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The effects of these translation adjustments are included in accumulated other comprehensive income (loss) and reported as a component of equity. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in other income or other expenses in the consolidated statements of operations.

5) ALLOWANCE FOR DOUBTFUL NOTES AND ACCOUNTS RECEIVABLE

An allowance for doubtful notes and accounts receivable is recorded based on a combination of the write-off history, aging analysis and an evaluation of any specific known troubled accounts. When all collection efforts are exhausted including legal recourse, the accounts or portions thereof are deemed to be uncollectible are charged against the allowance.

6) MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities contain both debt securities and equity securities. The Group classifies debt securities as available-for-sale which are measured at fair value, with unrealized gains and losses included in accumulated other comprehensive income (loss), net of tax. Equity securities are measured at fair value, with changes recorded as net income (loss). The Group elects to measure an equity security that does not have a readily determinable fair value under the cost method minus impairment, if any, and recognizes positive or negative changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Realized gains or losses on the sale of securities are based on the average cost of a particular security held at the time of sale.

Other investments without quoted market prices are stated at cost.

Decreases in the fair value of equity securities measured at cost are evaluated qualitatively for indicators of impairment. Any resulting impairments are recorded as a loss for the estimated decline in fair value. In addition, debt securities and other investments are regularly reviewed for other-than-temporary impairments in the carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the Group's intent and ability to retain marketable securities and investment securities for a period of time sufficient to allow for any anticipated recovery in market value. When such a decline exists, the Group recognizes an impairment loss to the extent of such decline.

7) INVENTORIES

Raw materials, finished products and work in process for products are stated at the lower of cost or net realizable value, cost being determined primarily by the average cost method. Finished products and work in process for contract items are stated at the lower of cost or estimated realizable value, cost being determined by accumulated production costs.

Certain inventory held by the Group is designated for long-term contracts and is included in current assets in accordance with the operating cycle for construction-type contracts.

8) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant renewals and additions, are carried at cost. Depreciation for property, plant and equipment is computed primarily by the straight-line method.

The estimated useful lives of buildings are 3 to 60 years, and those of machinery and equipment are 2 to 20 years. Maintenance and repairs, including minor renewals and betterments, are expensed as incurred.

9) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, other than goodwill and intangible assets with indefinite useful lives, are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. If the estimate of undiscounted cash flow is less than the carrying amount of the asset, an impairment loss is recorded based on the fair value of the asset. Fair value is determined by using the anticipated cash flows discounted at a rate commensurate with the risk involved. For assets held for sale, an impairment loss is further increased by costs to sell. Long-lived assets to be disposed of other than by means of sale, are considered to be held and used until disposed of.

10) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Goodwill is assigned to reporting units. If the carrying amount of a reporting unit exceeds its fair value, the implied fair value of goodwill is calculated. If the carrying amount of reporting units' goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized to the amount equal to that excess on the condition that it should not exceed the total amount of goodwill allocated to that reporting unit. The annual goodwill measurement date is generally January 1 for each reporting unit. In addition to the annual impairment test, an impairment test is performed if any situation that indicates a decline in enterprise fair value (for example, an adverse change in the business climate, etc.) arises.

Intangible assets with finite useful lives, consist primarily of core and current technology and software, are amortized using the straight-line method over their respective contractual periods or estimated useful lives.

11) ENVIRONMENTAL LIABILITIES

Liabilities for environmental remediation and other environmental costs are accrued when environmental assessments or remedial efforts are probable and the costs can be reasonably estimated, based on current law and existing technologies. Such liabilities are subsequently adjusted as further information develops or circumstances change. Costs of future obligations are not discounted to their present values.

12) INCOME TAXES

The provision for income taxes is computed based on the income (loss) from continuing operations, before income taxes and noncontrolling interests included in the consolidated statements of operations. Deferred income taxes are recorded to reflect the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, and are measured by applying currently enacted tax laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that a law regarding the change is enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Group recognizes the financial statement effects of tax positions when they are more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

13) ACCRUED PENSION AND SEVERANCE COSTS

The Group have various retirement benefit plans covering substantially all employees. Prior service costs resulting from amendments to the plans are amortized over the average remaining service period of the employees that are expected to receive the benefits. Unrecognized actuarial gains and losses that exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets are also amortized over the average remaining service period of the employees expected to receive the benefits.

14) NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Basic net earnings (loss) per share attributable to shareholders of the Company ("EPS") are computed based on the weighted-average number of shares of common stock outstanding during each period.

15) REVENUE RECOGNITION

The Group adopted ASC No.606 "Revenue from Contracts with Customers".

The key goods and services of the Group include mass-produced standard products (e.g., semiconductors, multi-function peripherals, and Point of Sale (POS) systems), made-to-order products under a construction-type or production-type contract with specifications unique to a customer (e.g., nuclear power generation systems, thermal power generation systems, public infrastructure and train, industrial systems) and services, such as maintenance services.

The Group recognizes revenue when (or as) the promised goods or services are transferred to customers, which occurs when (or as) the customers obtain control of the promised goods or services.

The revenue is calculated by deducting expected rebates from the promised consideration under the agreement with a customer.

16) PROVISION FOR CONTRACT LOSSES

A provision for contract losses is recorded in its entirety when the loss first becomes evident.

17) SHIPPING AND HANDLING COSTS

The Group includes shipping and handling costs, which totaled ¥35,899 million (\$329,349 thousand) and ¥40,042 million for the fiscal years ended March 31, 2020 and 2019 respectively, in selling, general and administrative expenses.

18) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses a variety of derivative financial instruments, which include forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options for the purpose of currency exchange rate and interest rate risk management. The Group's policies prohibit holding or issuing derivative financial instruments for speculative or trading purposes. Refer to Note 20 for descriptions of these financial instruments.

The Group recognizes all derivative financial instruments, such as forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options in the consolidated financial statements at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in equity as a component of accumulated other comprehensive income (loss), whether they qualify as a fair value hedge or a cash flow hedge. Changes in fair value of derivative financial instruments accounted for as fair value hedges are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in fair value of derivative financial instruments accounted for as cash flow hedges are recorded in accumulated other comprehensive income (loss), net of tax.

The Group utilizes forward exchange contracts and foreign-currency-denominated debt in order to hedge the risk of fluctuation of exchange rate on the investments in foreign subsidiaries. The income or loss on the hedging derivative or non derivative instrument in a hedge of a net investment in foreign subsidiaries is reported in other comprehensive income as a part of foreign currency translation adjustment to the extent it is effective as a hedge. The amounts of the hedge whose effectiveness cannot be recognized are recorded in income (loss). When all or partial investments in foreign subsidiaries are sold or when an entity is liquidated, the hedge amounts are recorded in income (loss).

19) LEASES

The Group determines whether a contract is or contains a lease on the contract start date. If the contract conveys the right to control the use of identified asset for period of time in exchange for consideration, the contract is or contains a lease.

For contracts that are or contain a lease, the Group elects the practical expedient to not separate the lease and non-lease components for all contracts other than real estate and vehicles.

The lease term is determined based on the Group's consideration of the specified lease term in the contract, options to extend a lease if the Group is reasonably certain it will extend the option, lessee termination options to the extent that the Group is reasonably certain it will not exercise such option, as well as lessor options to extend or terminate the lease.

The Group classifies a lease as a finance lease if it transfers all the risk and rewards incidental to ownership of an underlying asset to a lessee. All leases that are not classified as a finance lease are considered operating leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability.

The right-of-use asset is measured at cost and consists of the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the lease commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and estimates of the costs to the lessee in dismantling and removing the underlying asset and restoring the underlying asset or the site as required by the terms of the lease.

At the lease commencement date, the lease liability is measured at the present value of the future lease payments. The Group uses the rate implicit in the lease as a discount rate to determine the present value if it can readily identify the rate, otherwise its incremental borrowing rate.

Regarding finance lease amortization, the Group amortizes the right-of-use asset from the lease commencement date to the earlier of the end of the useful life or the lease term unless the Group is transferred ownership of the underlying asset by lessor or is reasonably certain to exercise the option to purchase the underlying asset.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Short term lease payments are recognized as an expense on a straight-line basis over the lease term.

20) SALES OF RECEIVABLES

The Group has transferred certain trade notes and accounts receivable under several securitization programs. When a transfer of financial assets is eligible to be accounted for as a sale under ASC No.860 "Transfers and Servicing" ("ASC No.860"), these securitization transactions are accounted for as a sale and the receivables sold under these facilities are excluded from the accompanying consolidated balance sheets.

21) ASSET RETIREMENT OBLIGATIONS

The Group records asset retirement obligations at fair value in the period incurred. The fair value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability increases due to the passage of time based on the time value of money until the obligation is settled. Subsequent to the initial recognition, the liability is adjusted for any revisions to the expected amount of the retirement obligation, and for accretion of the liability due to the passage of time.

22) ADOPTION OF NEW ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU No. 2016-02 "Leases". ASU No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities in the consolidated balance sheets, with some exceptions, related to their lease agreements that are classified as operating leases.

The Group adopted ASU No. 2016-02 effective from the first quarter, beginning April 1, 2019, and recognized the cumulative effect of initial application as an adjustment to the opening balance of retained earnings. In applying ASU No. 2016-02, for contracts that have expired or still effective as of the initial application date, the Group adopted the series of practical expedients that allows an entity to not need to reassess whether a lease contract contains a lease, an existing lease classification and the capitalization of any initial direct costs. The Group also elected to apply the short-term lease exemption.

As a result, right-of-use assets and lease liabilities recognized at April 1, 2019 were ¥174,005 million and ¥176,825 million, respectively. Right-of-use assets are included in non-current assets in the consolidated balance sheets, while lease liabilities are included in current and non-current liabilities. The Group assessed the impact on the opening balance of retained earnings, other items within profit or loss, and the consolidated statement of cash flows as immaterial.

23) RECENT PRONOUNCEMENTS

None.

24) RECLASSIFICATIONS

Certain reclassifications to the prior year's consolidated financial statements and related footnote amounts have been made to conform to the presentation for the current year.

3. DISCONTINUED OPERATIONS**Westinghouse Group's Nuclear Power business**

In the March 29, 2017 press release titled "Notice on Chapter 11 Filing by Westinghouse Electric Company and its Group Entities," the Company announced that Westinghouse Electric Company ("WEC"), WEC's US subsidiaries and affiliates, and Toshiba Nuclear Energy Holdings (UK) Limited, a holding company for Westinghouse Group operating companies outside the US (collectively, the "Filing Companies" or "WEC Group"), all of which were previously reported in the Energy Systems & Solutions segment, have resolved and then filed for a voluntary petition under Chapter 11 of the US Bankruptcy Code on March 29, 2017 (US time) with the Bankruptcy Court of New York. In addition, with the commencement of the filing, WEC Group was deconsolidated from the Group as WEC Group is no longer under the control of the Company.

The aforementioned Chapter 11 filing by the Filing Companies would meet the Group's objective to eliminate risks in the overseas nuclear power business related to AP1000 and corresponds to the disposal of a major business line and represents a strategic shift that will have a major effect on the Group's business operation and financial results.

Consequently, pursuant to ASC No.205-20, the results of operations of the component that was disposed of are presented separately in the consolidated statements of operations as those of discontinued operations.

The results of operations of the relevant component that was disposed of, reclassified as discontinued operations, are as follows.

Assets and liabilities of the component that was disposed of presented in the consolidated balance sheets as of March 31, 2020 and 2019 are immaterial.

Results of operations

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars	
	2020	2019	2020	
Sales and other income	¥ -	¥ 40,301	\$ -	
Net sales	-	-	-	
Other income	-	40,301	-	
Costs and expenses	-	(2,219)	-	
Cost of sales	-	-	-	
Selling, general and administrative expenses	-	(2,219)	-	
Other expenses	-	-	-	
Income from discontinued operations, before income taxes and noncontrolling interests	-	42,520	-	
Loss on sale of shares of discontinued operations, before income taxes and noncontrolling interests	-	(29,188)	-	
Income taxes	-	-	-	
Income from discontinued operations, before noncontrolling interests	-	13,332	-	
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	-	-	-	
Net income from discontinued operations attributable to shareholders of the Company	¥ -	¥ 13,332	\$ -	

Notes: For the fiscal year ended March 31, 2019, Other income includes reversal of the allowance for losses relating to the parent company guarantees and the allowance for doubtful notes and accounts receivable. Selling, general and administrative expenses is the reversal of allowance for doubtful notes and accounts receivable due mainly to the collection of a portion of operating receivables from the WEC Group. Loss on sale of shares of discontinued operations, before income taxes and noncontrolling interests is the sum of gain on sales of shares of LC Collateral SPV LLC of 5,937 million yen and loss on sales of shares of Toshiba Nuclear Energy Holdings (UK) Limited of 35,125 million yen.

There is no significant continuing involvement between the continuing operations of the Group and the aforementioned component that was disposed of.

Depreciation and amortization and capital expenditures relating to the relevant component that was disposed of, reclassified as discontinued operations, are immaterial.

Memory business

In order to secure the management resources necessary for further growth of the memory business (that was previously included in the Electronic Devices & Storage Solutions segment for reporting purposes) and to strengthen the Group's financial condition, the Company considered the introduction of third-party capital, and the transfer of a majority stake of the memory business. Toshiba Memory Corporation (TMC), a newly created subsidiary of the Company was established through a company split on April 1, 2017 to hold the memory business.

The Company resolved, at the Board of Directors meeting held on September 20, 2017, to transfer all shares of TMC to K.K. Pangea (the "Transferee Company"), a special purpose acquisition company formed by a consortium led by Bain Capital, and entered into a share purchase agreement with the Transferee Company (the "Share Transfer"), and concluded the share purchase agreement on September 28, 2017. These decisions to enter into share purchase agreement represented a strategic shift that had a major effect on the Group's business operations, financial position and results of operations, etc. Consequently, pursuant to ASC No.205-20, the results of operations of the component that was disposed of are presented separately in the consolidated statements of operations as those of discontinued operations.

The Company confirmed with the Transferee Company that all of the preconditions for the Share Transfer had been met, including obtaining the approval of the necessary competition law authorities, and completed the Share Transfer on June 1, 2018. The sale price was 2 trillion, 300 million yen, and the Group recorded a 965.5 billion yen gain on disposal relating to the Share Transfer in the first quarter of fiscal year ended March 31 2019. In addition to the Share Transfer, the Company re-invested a total of 350.5 billion yen in the Transferee Company: 109.6 billion yen in common stock with voting rights; and 240.9 billion yen in convertible preferred stock. The Company has pledged all the shares that the Company owns in the Transferee Company to financial institutions as collateral for loan agreements that the Transferee Company concluded with financial institutions to procure the funds to purchase the shares of TMC. As a result, while TMC was a wholly-owned subsidiary of the Company before the transfer, TMC was deconsolidated from the Group and the Group's remaining 40.2% common stock investment in TMC was accounted for under the equity method from June 1, 2018. These common stocks are classified as investments in affiliated companies accounted for under the equity method and these convertible preferred stocks are classified as the equity securities for which fair value cannot be readily determined. The above sale price was calculated by adjusting the differences between estimated net debt, working capital and accumulated capital expenditure of TMC as of May 31, 2018 that the Company had provided to the Transferee Company in accordance with the share purchase agreement and the estimated amount agreed within the parties in the share purchase agreement. In September 2018, the Company and the Transferee Company confirmed the differences between the estimated amounts and the actual amounts, calculated the final sale price, and made an adjustment for the difference with the sale price above, and an additional 4.7 billion yen was recorded as gain on disposal relating to the Share Transfer in the second quarter of fiscal year ended March 31, 2019.

The Transferee Company carried out an absorption-type merger through absorption TMC on August 1, 2018 and changed its name to Toshiba Memory Corporation. It also implemented a sole-share transfer making Toshiba Memory Corporation the wholly-owned subsidiary in the share transfer and establishing Toshiba Memory Holdings Corporation as the parent company on March 1, 2019.

On May 31, 2019, the Company entered into a contract with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Trust Bank, Limited to pledge the shares of Toshiba Memory Holdings Corporation as collateral for outstanding debt obligations including borrowings owing to financial institutions by Toshiba Memory Holdings Corporation. The shares were pledged on June 17, 2019. Furthermore, the contract concluded to secure the debt obligations including borrowings owing to financial institutions by Toshiba Memory Corporation was cancelled upon the signing of the aforementioned contract. Toshiba Memory Corporation changed its name to KIOXIA Corporation, and Toshiba Memory Holdings Corporation changed its name to KIOXIA Holdings Corporation on October 1, 2019.

The results of operations of the relevant component that was disposed of, reclassified as discontinued operations (before elimination of transactions with continuing operations of the Group), are as follows.

The results of operations include 13.8 billion yen (\$126.6 million) in indemnification expenses for the indemnification from the Company to KIOXIA Corporation in accordance with the share purchase agreement. The share purchase agreement states that the Company has an obligation for the indemnification for any losses incurred as the result of any breach of representations and warranties, the determination of a United States International Trade Commission (USITC) investigation, specific litigations and other patent claims, and any patent license agreements with certain counterparties specified in advance, and other conditions specified in the agreement.

Assets and liabilities of the component that was disposed of presented in the consolidated balance sheets as of March 31, 2020 and 2019 are immaterial.

Notes to Consolidated Financial Statements

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2020

Results of operations

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Sales and other income	¥ —	¥ 191,246	\$ —
Net sales	—	189,387	—
Other income	—	1,859	—
Costs and expenses	13,794	122,695	126,551
Cost of sales	—	92,613	—
Selling, general and administrative expenses	—	9,830	—
Other expenses	13,794	20,252	126,551
Income (loss) from discontinued operations, before income taxes and noncontrolling interests	(13,794)	68,551	(126,551)
Gain on sale of shares of discontinued operations, before income taxes and noncontrolling interests	—	970,237	—
Income taxes	—	11,092	—
Income (loss) from discontinued operations, before noncontrolling interests	(13,794)	1,027,696	(126,551)
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	—	(1)	—
Net income (loss) from discontinued operations attributable to shareholders of the Company	¥ (13,794)	¥ 1,027,697	\$ (126,551)

Notes: For the fiscal year ended March 31, 2019, the results of operations include the cumulative results of operations for the memory business for the two months from April 1, 2018 and 15.5 billion yen in indemnification expenses, included within Other expenses.

Because the company split related to the memory business of the Company on April 1, 2017 was implemented with a view to introducing third-party capital, and full controlling interest was not expected to be continued, the eligibility criteria for tax purposes was not met and the company split was to be treated as a non-qualified split. A non-qualified split was treated as if the transfer was conducted at the market value at the time of the split, and a difference between the market value and the carrying amount was taxable as gain or loss on the transfer. While the market values of assets and liabilities taken over in the company split were fixed in line with the conclusion of the share purchase agreement and tax expenses were recorded, a valuation allowance was recorded for deferred tax assets associated with the non-qualified split in fiscal year ended March 31, 2018. As a result, although the gain on sale was recognized in the current fiscal year for accounting purposes, a tax amount for the gain on the transfer for the difference between the market value and the carrying amount of the memory business at the time of the company split in fiscal year ended March 31, 2018 was already recognized for tax purposes. Consequently, a major disparity has arisen between the statutory effective tax rate of 30.6% in fiscal year ended March 31, 2019 and the income tax expense and income before income taxes and noncontrolling interests of the memory business.

The results of operations of the period subsequent to transfer of KIOXIA Group (KIOXIA Corporation and its consolidated subsidiaries) to an equity method affiliate are as follows.

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
The pretax loss	¥ (236,452)	¥ (721)	\$ (2,169,284)
Net income (loss)	(165,826)	8,106	(1,521,339)
The Group's equity in earnings of affiliates (loss)	(66,662)	3,259	(611,578)

Note: KIOXIA Corporation conducted Purchase Price Allocation procedures based on fair value as of the acquisition date (June 1, 2018), which it completed in fiscal year ended March 31, 2019.

Subsequent to the completion of the share transfer (June 1, 2018), the continuing operations of the Group and KIOXIA Group continue to sell and purchase the products to each other. The Group also continues to provide its brand license to KIOXIA Group. The continuing involvements after the disposal date is as follows.

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Sales and other income	¥ 138,122	¥ 121,053	\$ 1,267,174
Costs and expenses	31,098	111,806	285,303
Proceeds from collection of accounts and other receivables	139,163	173,711	1,276,725
Cash payments of notes and accounts payable	46,974	112,927	430,954

Depreciation and amortization and capital expenditures relating to the relevant component that was disposed of, reclassified as discontinued operations, are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Depreciation and amortization	¥ -	¥ -	\$ -
Capital expenditures	-	37,579	-

Notes to Consolidated Financial Statements

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2020

4. FAIR VALUE MEASUREMENTS

ASC No.820 "Fair Value Measurements" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows;

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar instruments in markets that are not active.

Inputs other than quoted prices that are observable.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Instruments whose significant inputs are unobservable.

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities that are measured at fair value on a recurring basis at March 31, 2020 and 2019 are as follows:

March 31, 2020	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	¥ 27,707	¥ 133	¥ -	¥ 27,840
Debt securities	-	3,520	0	3,520
Derivative assets:				
Forward exchange contracts	-	950	-	950
Currency swap agreements	-	0	-	0
Total assets	¥ 27,707	¥ 4,603	¥ 0	¥ 32,310
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	¥ -	¥ 1,792	¥ -	¥ 1,792
Interest rate swap agreements	-	307	-	307
Total liabilities	¥ -	¥ 2,099	¥ -	¥ 2,099

March 31, 2019	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	¥ 32,636	¥ 115	¥ -	¥ 32,751
Debt securities	-	2,558	0	2,558
Derivative assets:				
Forward exchange contracts	-	819	-	819
Currency swap agreements	-	0	-	0
Total assets	¥ 32,636	¥ 3,492	¥ 0	¥ 36,128
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	¥ -	¥ 1,015	¥ -	¥ 1,015
Interest rate swap agreements	-	590	-	590
Total liabilities	¥ -	¥ 1,605	¥ -	¥ 1,605

March 31, 2020	Thousands of US dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Equity securities	\$ 254,193	\$ 1,220	\$ –	\$ 255,413
Debt securities	–	32,294	0	32,294
Derivative assets:				
Forward exchange contracts	–	8,715	–	8,715
Currency swap agreements	–	0	–	0
Total assets	\$ 254,193	\$ 42,229	\$ 0	\$ 296,422
Liabilities:				
Derivative liabilities:				
Forward exchange contracts	\$ –	\$ 16,440	\$ –	\$ 16,440
Interest rate swap agreements	–	2,817	–	2,817
Total liabilities	\$ –	\$ 19,257	\$ –	\$ 19,257

Marketable securities

Level 1 securities represent marketable equity securities listed in active markets, which are valued based on quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 securities represent public bonds, investment trusts and marketable equity securities listed in less active markets, which are valued based on quoted market prices for identical assets in inactive markets. Level 3 securities represent corporate debt securities, and valued based on unobservable inputs as the markets for the assets are not active at the measurement date.

Derivative instruments

Derivative instruments primarily represent forward currency exchange contracts and interest rate swap agreements, which are classified within Level 2. They are valued based on inputs that can be corroborated with the observable inputs such as foreign currency exchange rate, LIBOR and others.

Analyses of the changes in Level 3 assets measured at fair value on a recurring basis for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31, 2020	Millions of yen	
	Marketable securities	
Balance at the beginning of the fiscal year	¥	0
Total gains or losses (realized or unrealized):		
Included in gains (losses):		–
Purchases		–
Sales		–
Issuances		–
Settlements		–
Balance at the end of the fiscal year	¥	0

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The Fiscal Year ended March 31, 2019	Millions of yen	
	Marketable securities	
Balance at the beginning of the fiscal year	¥	1,201
Total gains or losses (realized or unrealized):		
Included in gains (losses):		
Other expenses		(1)
Purchases		—
Sales		—
Issuances		—
Settlements		(200)
Transferred out of Level 3		(1,000)
Balance at the end of the fiscal year	¥	0

The Fiscal Year ended March 31, 2020	Thousands of US dollars	
	Marketable securities	
Balance at the beginning of the fiscal year	\$	0
Total gains or losses (realized or unrealized):		
Included in gains (losses):		—
Purchases		—
Sales		—
Issuances		—
Settlements		—
Balance at the end of the fiscal year	\$	0

At March 31, 2020 and 2019, Level 3 assets measured at fair value on a recurring basis consisted of corporate debt securities. Also, as observable market data became available, some of the public bonds and corporate debt securities were transferred out of Level 3 for the fiscal year ended March 31, 2019.

Assets and liabilities measured at fair value on a non-recurring basis

Assets that are measured at fair value on a non-recurring basis and the recognized losses at March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31, 2020	Millions of yen				Impairment losses					
	Fair value			Total						
	Level 1	Level 2	Level 3							
Assets:										
Long-lived assets held for use	¥	–	¥	–	¥	0	¥	0	¥	3,838
Total assets	¥	–	¥	–	¥	0	¥	0	¥	3,838

The Fiscal Year ended March 31, 2019	Millions of yen				Impairment losses					
	Fair value			Total						
	Level 1	Level 2	Level 3							
Assets:										
Long-lived assets held for use	¥	–	¥	–	¥	0	¥	0	¥	6,572
Goodwill		–		7,943		–		7,943		9,838
Total assets	¥	–	¥	7,943	¥	0	¥	7,943	¥	16,410

The Fiscal Year ended March 31, 2020	Thousands of US dollars				Impairment losses					
	Fair value			Total						
	Level 1	Level 2	Level 3							
Assets:										
Long-lived assets held for use	\$	–	\$	–	\$	0	\$	0	\$	35,211
Total assets	\$	–	\$	–	\$	0	\$	0	\$	35,211

The impaired long-lived assets held for use were classified within Level 3 as they were valued based on future assumptions such as discounted cash flows expected to be generated by the related assets with unobservable inputs for the fiscal years ended March 31, 2020 and 2019. The impaired long-lived assets is described in Note 16.

The impaired goodwill was classified within Level 2 as it was valued based on the stock market price and an analysis of comparable peer companies analysis for the fiscal year ended March 31, 2019. The impaired goodwill is described in Note 9.

The recognized impairment losses for the fiscal year ended March 31, 2020 are included in cost of sales in the consolidated statements of operations.

The recognized impairment losses for the fiscal year ended March 31, 2019 are included in cost of sales and impairment loss on goodwill in the consolidated statements of operations.

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5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

The aggregate cost, gross unrealized holding gains and losses, and aggregate fair value for marketable debt securities classified as available-for-sale securities by security type at March 31, 2020 and 2019 are as follows:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2020:				
Debt securities	¥ 3,500	¥ 63	¥ (43)	¥ 3,520
	¥ 3,500	¥ 63	¥ (43)	¥ 3,520
March 31, 2019:				
Debt securities	¥ 2,500	¥ 58	¥ –	¥ 2,558
	¥ 2,500	¥ 58	¥ –	¥ 2,558

	Thousands of US dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2020:				
Debt securities	\$ 32,110	\$ 578	\$ (394)	\$ 32,294
	\$ 32,110	\$ 578	\$ (394)	\$ 32,294

At March 31, 2020 and 2019, debt securities mainly consist of public bonds, corporate debt securities and investment trusts.

Contractual maturities of debt securities classified as available-for-sale at March 31, 2020 are as follows:

	Millions of yen		Thousands of US dollars	
	Cost	Fair value	Cost	Fair value
March 31, 2020				
Due within one year	¥ –	¥ –	\$ –	\$ –
Due after one year through five years	–	–	–	–
Due after five years through ten years	3,500	3,520	32,110	32,294
Due after ten years	0	0	0	0
	¥ 3,500	¥ 3,520	\$ 32,110	\$ 32,294

The realized and unrealized gains and losses of equity securities on marketable securities and other investments in the consolidated balance sheets for the fiscal year ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of US dollars	
	2020	2020	2020	2020
The Fiscal Year ended March 31, 2020				
Net gains (losses) recognized during the period on equity securities	¥ (3,341)	\$ (30,651)		
Less: Net gains (losses) recognized during the period on equity securities sold during the period	1,497	13,734		
Unrealized gains (losses) recognized during the reporting period on equity securities still held at March 31, 2020	¥ (4,838)	\$ (44,385)		

	Millions of yen	
	2019	2019
The Fiscal Year ended March 31, 2019		
Net gains (losses) recognized during the period on equity securities	¥ (3,681)	
Less: Net gains (losses) recognized during the period on equity securities sold during the period	816	
Unrealized gains (losses) recognized during the reporting period on equity securities still held at March 31, 2019	¥ (4,497)	

The aggregate cost of equity securities that do not have readily determinable fair value as of March 31, 2020 and 2019 totaled ¥281,147 million (\$2,579,330 thousand) and ¥279,291 million, respectively. These amounts include the investment amount of convertible preferred stock acquired through re-investment in Kioxia Holdings Corporation.

Impairment or change in observable price is not material for the fiscal years ended March 31, 2020 and 2019.

6. SECURITIZATIONS

The Group has transferred certain trade notes and accounts receivable under several securitization programs. These securitization transactions are accounted for as a sale in accordance with ASC No.860, because the Group has relinquished control of the receivables. Accordingly, the receivables transferred under these facilities are excluded from the accompanying consolidated balance sheets.

The Group recognized losses of ¥7 million (\$64 thousand) and ¥158 million on the transfers of receivables for the fiscal years ended March 31, 2020 and 2019, respectively.

Subsequent to the transfers, the Group retains collection and administrative responsibilities for the receivables transferred and retains a portion of the receivables for which proceeds are deferred. Related servicing assets and liabilities were immaterial to the Group's financial position. The fair value of deferred proceeds at the point of the transfer of the receivables is measured based on the economic assumptions including the estimation of uncollectible receivables, average collection period of receivables and discount rate, and it is classified within Level 3.

The table below summarizes certain cash flows received from and paid to banking institutions or special purpose entities ("SPEs") related to banking institutions on the above securitization transactions.

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Proceeds from new securitizations	¥ 15,100	¥ 109,411	\$ 138,532
Repurchase of delinquent or unqualified receivables	–	8	–

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the fiscal years ended March 31, 2020 and 2019 are as follows. Of these receivables, deferred proceeds for the receivables transferred as of March 31, 2020 and 2019 were ¥9,625 million (\$88,303 thousand) and ¥9,478 million, respectively and were recorded as notes receivable or other receivables.

	Millions of yen					
	Total principal amount of receivables		Amount 90 days or more past due		Net credit losses	
	March 31		March 31		The Fiscal Year ended March 31	
	2020	2019	2020	2019	2020	2019
Accounts receivable and contract assets	¥ 936,828	¥ 974,290	¥ 19,488	¥ 29,651	¥ 251	¥ 240
Notes receivable	74,222	93,096	27	–	11	8
Total managed portfolio	1,011,050	1,067,386	¥ 19,515	¥ 29,651	¥ 262	¥ 248
Securitized receivables	(11,822)	(24,062)				
Total receivables	¥ 999,228	¥ 1,043,324				

	Thousands of US dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2020		The Fiscal Year ended March 31, 2020
	\$	\$	\$
Accounts receivable and contract assets	8,594,752	178,789	2,303
Notes receivable	680,936	248	101
Total managed portfolio	9,275,688	\$ 179,037	\$ 2,404
Securitized receivables	(108,459)		
Total receivables	\$ 9,167,229		

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7. INVENTORIES

Inventories at March 31, 2020 and 2019 consist of the following:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Finished products	¥ 180,863	¥ 168,888	\$ 1,659,294
Work in process:			
Long-term contracts	73,525	78,407	674,541
Other	130,367	140,226	1,196,027
Raw materials	97,572	81,357	895,156
	¥ 482,327	¥ 468,878	\$ 4,425,018

8. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The Group's significant investments in affiliated companies accounted for under the equity method along with the percentage of the Group's ownership of voting shares at March 31, 2020 were: Kioxia Holdings Corporation (40.2%); Toshiba Mitsubishi-Electric Industrial Systems Corporation (50.0%); Guangdong Midea Air-Conditioning Equipment Co., Ltd. (20.0%); Guangdong Meizhi Compressor Ltd. (40.0%); and Dalian Toshiba Locomotive Electric Equipment Co., Ltd. (50.0%).

Summarized financial information of the affiliates accounted for by the equity method is shown as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Current assets	¥ 1,991,820	¥ 2,194,432	\$ 18,273,578
Other assets including property, plant and equipment	2,368,598	2,210,277	21,730,257
Total assets	¥ 4,360,418	¥ 4,404,709	\$ 40,003,835
Current liabilities	¥ 1,529,635	¥ 1,674,197	\$ 14,033,349
Long-term liabilities	1,713,680	1,402,909	15,721,835
Equity	1,117,103	1,327,603	10,248,651
Total liabilities and equity	¥ 4,360,418	¥ 4,404,709	\$ 40,003,835

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Sales	¥ 2,229,506	¥ 2,589,038	\$ 20,454,183
Net income (loss)	(143,421)	77,290	(1,315,789)

KHC Group's assets and liabilities, ¥2,862,169 million (\$26,258,431 thousand) and ¥2,185,568 million (\$20,051,083 thousand) respectively, are included in the above summarized balance sheet as of March, 31, 2020. KHC Group's assets and liabilities, ¥2,676,540 million and ¥1,809,038 million respectively, are included in the above summarized balance sheet as of March, 31, 2019. Also, KHC Group's net loss, ¥165,826 million (\$1,521,339 thousand), is included in the net loss for the fiscal year ended March 31, 2020. KHC Group's net income, ¥8,106 million, is included in the net income for the fiscal year ended March 31, 2019.

A summary of transactions and balances with the affiliates accounted for by the equity method is presented as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Sales	¥ 202,307	¥ 182,026	\$ 1,856,028
Purchases	65,567	126,552	601,532
Dividends	8,168	6,021	74,936

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Notes and accounts receivable, trade	¥ 58,319	¥ 64,333	\$ 535,037
Other receivables	4,293	3,746	39,385
Advance payments	6	227	55
Notes and accounts payable, trade	13,805	35,190	126,651
Other payables	19,403	7,711	178,009
Advance payments received	2,214	3,954	20,312

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Group tested goodwill for impairment in accordance with ASC No.350, applying a fair value based test and recorded impairment losses of ¥9,838 million on goodwill attributable to the Electronic Devices & Storage Solutions segment in the fiscal year ended March 31, 2019. This was due to a decrease in fair value compared with book value of the reporting unit as a result of significant decline in stock prices of Nuflare Technology inc., a consolidated subsidiary. The fair value was measured using the stock market price method and comparable peer company analysis. The measurement date was December 31, 2019.

The Group tested goodwill for impairment applying a fair value based test and has concluded that there was no impairment for the fiscal year ended March 31, 2020.

The Group recorded impairment losses on intangible assets excluding goodwill in the fiscal years ended March 31, 2020 and 2019. Impairment losses on intangible assets excluding goodwill have been included in the amount disclosed in Note 16.

The components of acquired intangible assets excluding goodwill at March 31, 2020 and 2019 are as follows:

March 31, 2020	Millions of yen		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 194,972	¥ 159,964	¥ 35,008
Technical license fees	199	175	24
Core and current technology	31,421	23,288	8,133
Customer relationship	18,186	10,939	7,247
Other	52,034	41,296	10,738
Total	¥ 296,812	¥ 235,662	¥ 61,150
Other intangible assets not subject to amortization:			
Brand name			¥ 1,328
Other			405
Total			1,733
			¥ 62,883

March 31, 2019	Millions of yen		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 192,714	¥ 165,413	¥ 27,301
Technical license fees	179	152	27
Core and current technology	31,474	20,154	11,320
Customer relationship	18,650	10,207	8,443
Other	51,371	42,277	9,094
Total	¥ 294,388	¥ 238,203	¥ 56,185
Other intangible assets not subject to amortization:			
Brand name			¥ 1,528
Other			407
Total			1,935
			¥ 58,120

March 31, 2020	Thousands of US dollars		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	\$ 1,788,744	\$ 1,467,560	\$ 321,174
Technical license fees	1,826	1,606	220
Core and current technology	288,266	213,651	74,615
Customer relationship	166,844	100,358	66,486
Other	477,376	378,862	98,514
Total	\$ 2,723,046	\$ 2,162,037	\$ 561,009
Other intangible assets not subject to amortization:			
Brand name			\$ 12,183
Other			3,716
Total			15,899
			\$ 576,908

Other intangible assets acquired during the fiscal year ended March 31, 2020 primarily consisted of software of ¥16,491 million (\$151,294 thousand). The weighted-average amortization period of software for the fiscal year ended March 31, 2020 was approximately 5.0 years.

The weighted-average amortization periods for other intangible assets were approximately 6.7 years and 6.6 years for the fiscal years ended March 31, 2020 and 2019, respectively.

Amortization expenses of other intangible assets subject to amortization for the fiscal years ended March 31, 2020 and 2019 are ¥14,898 million (\$136,679 thousand) and ¥13,701 million, respectively. The future amortization expense for each of the next 5 years relating to other intangible assets currently recorded in the consolidated balance sheet at March 31, 2020 is estimated as follows:

The Fiscal year ending March 31	Millions of yen		Thousands of US dollars
2021	¥	16,520	\$ 151,560
2022		11,855	108,761
2023		7,886	72,349
2024		6,175	56,651
2025		4,345	39,862

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Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 58,475	¥ 67,162	\$ 536,468
Impairment losses	—	(9,838)	—
Foreign currency translation adjustments	(1,681)	1,151	(15,422)
Balance at the end of the fiscal year	¥ 56,794	¥ 58,475	\$ 521,046

As of March 31, 2020 and 2019, goodwill allocated to Building Solutions is ¥10,905 million (\$100,046 thousand) and ¥11,223 million, Retail & Printing Solutions is ¥34,546 million (\$316,936 thousand) and ¥35,656 million, respectively. The rest was primarily allocated to Electronic Devices & Storage Solutions.

As of March 31, 2020 and 2019, accumulated impairment losses were ¥43,943 million (\$403,147 thousand) and ¥46,514 million, respectively.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2020 and 2019 consist of the following:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Loans and overdrafts, principally from banks, with weighted-average interest rate of 1.65% at March 31, 2020, and 1.65% at March 31, 2019:			
Secured	¥ —	¥ 19,000	\$ —
Unsecured	13,339	7,991	122,376
	¥ 13,339	¥ 26,991	\$ 122,376

Substantially all of the short-term borrowings are with banks which have written basic agreements with the Group to the effect that, with respect to all present or future loans with such banks, the Group shall provide collateral (including sums on deposit with such banks) or guaranties immediately upon the bank's request, and that any collateral furnished pursuant to such agreements or otherwise shall be applicable to all indebtedness to such banks.

As of March 31, 2020, the Group had unused committed lines of credit from short-term financing arrangements aggregating ¥258,000 million (\$2,366,972 thousand). The lines of credit will expire in March 2023.

Long-term debt at March 31, 2020 and 2019 consist of the following:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Loans, principally from banks, due 2020 to 2039 with weighted-average interest rate of 0.57% at March 31, 2020, and due 2019 to 2030 with weighted-average interest rate of 0.98% at March 31, 2019:			
Secured	¥ 1,280	¥ 151,360	\$ 11,743
Unsecured	180,388	185,185	1,654,935
Yen bonds, due 2020 with interest rates ranging from 1.06% to 1.68% at March 31, 2020, and due 2019 to 2020 with interest rates ranging from 0.57% to 1.68% at March 31, 2019			
Secured	–	–	–
Unsecured	29,997	59,978	275,202
Finance lease obligations	11,399	11,165	104,578
	223,064	407,688	2,046,458
Less-Portion due within one year	(49,310)	(330,753)	(452,385)
	¥ 173,754	¥ 76,935	\$ 1,594,073

Long-term debt at March, 2019 includes ¥180,000 million in subordinated loan.

The aggregate annual maturities of long-term debt, as of March 31, 2020 and 2019, excluding those of Finance lease obligations, are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
2020	¥ –	¥ 325,485	\$ –
2021	44,317	37,579	406,578
2022	519	–	4,761
2023	59,611	5,000	546,890
2024	4,363	6,000	40,028
Thereafter	–	22,481	–
2025	99,896	–	916,477
Thereafter	2,962	–	27,174
	¥ 211,668	¥ 396,545	\$ 1,941,908

The Group pledged stock held by the Group as collateral, for certain borrowings from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and other respective financial institutions, in accordance with the collateral pledge agreement which was signed on April 28th, 2017. As of March 31, 2019, the carrying amount of the pledged assets was ¥25,374 million of Marketable securities and other investments, and ¥76,025 million of Security investments in subsidiaries which are eliminated in the consolidated financial statements.

The collateral was released on October 18, 2019, following an agreement being reached with the financial institutions. As of March 31, 2020, assets held as collateral for borrowings are immaterial.

11. ACCRUED PENSION AND SEVERANCE COSTS

All employees who retire or are terminated from the Company and certain subsidiaries are usually entitled to lump-sum severance indemnities or pension benefits determined by reference to service credits allocated to employees each year according to the regulation of retirement benefit, length of service and conditions under which their employment terminates. The obligation for the severance indemnity benefit is provided for through accruals and funding of the defined benefit corporate pension plan.

The Company and certain subsidiaries in Japan have amended their pension plan under the agreement between employees and managements in January 2011, and introduced a cash balance plan from April 2011. This plan is designed that each plan participant has a notional account, which is accumulated based on salary standards, interest rates in financial markets and others.

The funding policy for the plans is to contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to the limitation on deductibility imposed by Japanese income tax laws.

In addition, for the purpose of supporting post-retirement life plans of employees and responding to diverse needs for retirement benefits, a defined contribution pension plan was introduced by the Company and some of its subsidiaries in Japan on October 1, 2015. Under this plan, a portion of the contribution to lump-sum retirement benefits was replaced by defined contribution pension plan and individual employees take control of their own fund management and direct investments.

The following figures include the effects of discontinued operations relating to the Memory business.

The changes in the benefit obligation and plan assets for the fiscal years ended March 31, 2020 and 2019 and the funded status at March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Change in benefit obligation:			
Benefit obligation at the beginning of the fiscal year	¥ 1,338,364	¥ 1,435,536	\$ 12,278,569
Service cost	39,483	40,947	362,229
Interest cost	6,114	7,924	56,092
Plan participants' contributions	72	179	661
Plan amendments	1,805	-	16,560
Actuarial loss	(19,560)	20,406	(179,450)
Benefits paid	(74,989)	(74,634)	(687,972)
Acquisitions and divestitures	-	(92,182)	-
Curtailments and settlements	(728)	(303)	(6,679)
Foreign currency exchange impact	(204)	491	(1,872)
Benefit obligation at the end of the fiscal year	¥ 1,290,357	¥ 1,338,364	\$ 11,838,138
Change in plan assets:			
Fair value of plan assets at the beginning of the fiscal year	¥ 903,877	¥ 948,811	\$ 8,292,450
Actual return on plan assets	(28,187)	11,421	(258,597)
Employer contributions	32,856	31,822	301,431
Plan participants' contributions	72	179	661
Benefits paid	(48,973)	(46,859)	(449,294)
Acquisitions and divestitures	-	(41,968)	-
Curtailments and settlements	(728)	-	(6,679)
Foreign currency exchange impact	(192)	471	(1,761)
Fair value of plan assets at the end of the fiscal year	¥ 858,725	¥ 903,877	\$ 7,878,211
Funded status	¥ (431,632)	¥ (434,487)	\$ (3,959,927)

Notes: 1) Major acquisitions and divestitures for the fiscal year ended March 31, 2019 represent the effects of the sale of the Memory business and PC business.

Amounts recognized in the consolidated balance sheets at March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Accrued pension and severance costs	¥ (431,632)	¥ (434,487)	\$ (3,959,927)

Amounts recognized in accumulated other comprehensive loss at March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Unrecognized actuarial loss	¥ 430,735	¥ 424,465	\$ 3,951,697
Unrecognized prior service cost	(6,226)	(10,394)	(57,119)
	¥ 424,509	¥ 414,071	\$ 3,894,578

The accumulated benefit obligation at March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Accumulated benefit obligation	¥ 1,211,675	¥ 1,307,001	\$ 11,116,284

The components of the net periodic pension and severance cost for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Service cost	¥ 39,483	¥ 40,947	\$ 362,229
Interest cost on projected benefit obligation	6,114	7,924	56,092
Expected return on plan assets	(21,307)	(21,243)	(195,477)
Amortization of prior service cost	(2,359)	(3,005)	(21,642)
Recognized actuarial loss	23,362	20,965	214,330
Curtailement and settlement loss recognized and others	248	303	2,275
Net periodic pension and severance cost	¥ 45,541	¥ 45,891	\$ 417,807

Notes: 1) Net periodic pension and severance cost for the fiscal year ended March 31, 2019 includes pension cost related to the income (loss) from discontinued operations of the Memory business in the amounts of ¥720 million.

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Other changes in plan assets and benefit obligation recognized in the other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Current year actuarial loss	¥ 29,942	¥ 30,228	\$ 274,697
Recognized actuarial loss	(23,362)	(20,965)	(214,330)
Prior service cost due to plan amendments	1,805	—	16,560
Amortization of prior service cost	2,359	3,005	21,642
	¥ 10,744	¥ 12,268	\$ 98,569

The estimated prior service cost and actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic pension and severance cost over the next year are summarized as follows:

The Fiscal Year ending March 31	Millions of yen	Thousands of US dollars
	2021	2021
Prior service cost	¥ (983)	\$ (9,018)
Actuarial loss	24,933	228,743

The Group expects to contribute ¥21,022 million (\$192,862 thousand) to its defined benefit plans, which includes the cash balance plan, in the fiscal year ending March 31, 2021.

The following benefit payments are expected to be paid:

The Fiscal Year ending March 31	Millions of yen	Thousands of US dollars
2021	¥ 70,033	\$ 642,505
2022	75,781	695,239
2023	78,782	722,771
2024	82,446	756,385
2025	83,589	766,872
2026 - 2030	411,102	3,771,578

Weighted-average assumptions used to determine benefit obligations as of March 31, 2020 and 2019 and net periodic pension and severance cost for the fiscal years then ended are as follows:

March 31	2020	2019
	Discount rate	0.6%
Rate of compensation increase	3.1%	3.2%

The Fiscal Year ended March 31	2020	2019
	Discount rate	0.5%
Expected long-term rate of return on plan assets	2.4%	2.4%
Rate of compensation increase	3.2%	3.5%

The Group determines the expected long-term rate of return in consideration of the target allocation of the plan assets, the current expectation of long-term returns on the assets and actual returns on plan assets.

The Group's investment policies and strategies are to assure adequate plan assets to provide for future payments of pension and severance benefits to participants, with reasonable risks. The Group designs the basic target allocation of the plan assets to mirror the best portfolio based on estimation of mid-term and long-term return on the investments.

The Group periodically reviews the actual return on the investments and adjusts the portfolio to achieve the assumed long-term rate of return on the investments. The Group targets its investments in equity securities at 25% or more of total investments, and investments in equity securities, debt securities and life insurance company general accounts at 70% or more of total investments.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the Group has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, municipal bonds and corporate bonds. Prior to investing, the Group has investigated the quality of the issue, including rating, interest rate, and repayment dates and has appropriately diversified the investments. Pooled funds are selected using strategies consistent with the equity securities and debt securities described above. Hedge funds are selected following a variety of strategies and fund managers, and the Group has appropriately diversified the investments. Real estate is selected for the eligibility of investment and expected return and other relevant factors, and the Group has appropriately diversified the investments. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest and return of capital.

The three levels of input used to measure fair value are more fully described in Note 4. The plan assets that are measured at fair value at March 31, 2020 and 2019 by asset category are as follows:

March 31, 2020	Millions of yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 26,750	¥ –	¥ –	¥ 26,750
Equity securities:				
Japanese companies	80,967	–	–	80,967
Foreign companies	42,648	–	–	42,648
Pooled funds	–	109,839	–	109,839
Debt securities:				
Government bonds	111,761	–	–	111,761
Municipal bonds	–	939	–	939
Corporate bonds	–	15,880	–	15,880
Pooled funds	–	164,067	–	164,067
Other assets:				
Hedge funds	–	–	138,384	138,384
Real estate	–	–	79,859	79,859
Life insurance company general accounts	–	85,610	–	85,610
Other assets	–	2,021	–	2,021
Total	¥ 262,126	¥ 378,356	¥ 218,243	¥ 858,725

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March 31, 2020	Thousands of US dollars			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 245,413	\$ –	\$ –	\$ 245,413
Equity securities:				
Japanese companies	742,817	–	–	742,817
Foreign companies	391,266	–	–	391,266
Pooled funds	–	1,007,697	–	1,007,697
Debt securities:				
Government bonds	1,025,330	–	–	1,025,330
Municipal bonds	–	8,615	–	8,615
Corporate bonds	–	145,688	–	145,688
Pooled funds	–	1,505,202	–	1,505,202
Other assets:				
Hedge funds	–	–	1,269,578	1,269,578
Real estate	–	–	732,651	732,651
Life insurance company general accounts	–	785,413	–	785,413
Other assets	–	18,541	–	18,541
Total	\$ 2,404,826	\$ 3,471,156	\$ 2,002,229	\$ 7,878,211

Notes: 1) Pooled funds in equity securities invest in listed equity securities consisting of approximately 10% Japanese companies and 90% foreign companies.

2) Government bonds include approximately 90% for Japanese government bonds, and 10% for foreign government bonds.

3) Pooled funds in debt securities invest in approximately 25% for Japanese government bonds, 34% for foreign government bonds, and 41% for municipal bonds and corporate bonds.

March 31, 2019	Millions of yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 20,820	¥ –	¥ –	¥ 20,820
Equity securities:				
Japanese companies	117,287	–	–	117,287
Foreign companies	74,036	–	–	74,036
Pooled funds	–	95,465	–	95,465
Debt securities:				
Government bonds	114,171	–	–	114,171
Municipal bonds	–	976	–	976
Corporate bonds	–	10,541	–	10,541
Pooled funds	–	167,862	–	167,862
Other assets:				
Hedge funds	–	–	151,229	151,229
Real estate	–	–	74,099	74,099
Life insurance company general accounts	–	78,828	–	78,828
Other assets	–	(1,437)	–	(1,437)
Total	¥ 326,314	¥ 352,235	¥ 225,328	¥ 903,877

Notes: 1) Pooled funds in equity securities invest in listed equity securities consisting of approximately 11% Japanese companies and 89% foreign companies.

2) Government bonds include approximately 87% for Japanese government bonds, and 13% for foreign government bonds.

3) Pooled funds in debt securities invest in approximately 25% for Japanese government bonds, 39% for foreign government bonds, and 36% for municipal bonds and corporate bond.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not necessarily indicate the risks or ratings of the assets.

Level 1 plan assets represent marketable equity securities, and government bonds, which are valued based on quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 plan assets represent pooled funds that invest in equity securities and debt securities, corporate bonds and life insurance company general accounts. Pooled funds, which are classified as Level 2 asset, are valued at their net asset values that are calculated by the sponsor of the fund. Corporate bonds are valued based on quoted market prices for identical assets in inactive markets. Life insurance company general accounts are valued based on contracts. Level 3 plan assets represent pooled funds that invest in debt securities, hedge funds and real estate, which are valued based on unobservable inputs as the markets for the assets are not active at the measurement date.

An analysis of the changes in Level 3 plan assets measured at fair value for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31, 2020	Millions of yen			
	Pooled funds	Hedge funds	Real estate	Total
Balance at the beginning of the fiscal year	¥ –	¥ 151,229	¥ 74,099	¥ 225,328
Actual return:				
Relating to assets sold	–	19,240	28	19,268
Relating to assets still held	–	(18,768)	439	(18,329)
Purchases, issuances and settlements	–	(13,317)	5,293	(8,024)
Balance at the end of the fiscal year	¥ –	¥ 138,384	¥ 79,859	¥ 218,243

The Fiscal Year ended March 31, 2019	Millions of yen			
	Pooled funds	Hedge funds	Real estate	Total
Balance at the beginning of the fiscal year	¥ –	¥ 171,624	¥ 59,615	¥ 231,239
Actual return:				
Relating to assets sold	–	4,790	(4)	4,786
Relating to assets still held	–	(342)	621	279
Purchases, issuances and settlements	–	(24,843)	13,867	(10,976)
Balance at the end of the fiscal year	¥ –	¥ 151,229	¥ 74,099	¥ 225,328

The Fiscal Year ended March 31, 2020	Thousands of US dollars			
	Pooled funds	Hedge funds	Real estate	Total
Balance at the beginning of the fiscal year	\$ –	\$ 1,387,422	\$ 679,807	\$ 2,067,229
Actual return:				
Relating to assets sold	–	176,513	253	176,766
Relating to assets still held	–	(172,183)	4,028	(168,155)
Purchases, issuances and settlements	–	(122,174)	48,560	(73,614)
Balance at the end of the fiscal year	\$ –	\$ 1,269,578	\$ 732,648	\$ 2,002,226

Some of the Company's subsidiaries provide certain health care and life insurance benefits to retired employees. Such benefits were immaterial for the consolidated financial statements of the Company.

Defined contribution pension cost for the fiscal years ended March 31, 2020 and 2019 were ¥7,816 million (\$71,706 thousand) and ¥8,972 million, respectively. These figures does not include effects of the discontinued operations relating to the Memory business.

12. REVENUE

The key goods and services of the Group include the following products and related maintenance services: nuclear power generation systems; thermal power generation systems; elevators; light fixtures; commercial air-conditioners; public infrastructure; train, industrial systems; Point of Sale (POS) systems; multi-function peripherals; semiconductors; hard disk drives; and digital solutions. The Group recognizes revenue when (or as) the promised goods or services are transferred to customers, which occurs when (or as) the customers obtain control of the promised goods or services.

Revenue from sales of mass-produced standard products (e.g., semiconductors, multi-function peripherals, and POS systems) is recognized at the transaction price when control of the products has transferred to customers, namely, when the delivery of the products has been completed.

Revenue from made-to-order products under a construction-type or production-type contract with specifications unique to a customer (e.g., nuclear power generation systems, thermal power generation systems, public infrastructure and train, industrial systems), is recognized for the amount of the transaction price in relation to the progress of the work. However, if reliable estimates of the costs to completion or progress of work cannot be reasonably made, revenue is recognized only to the extent of costs incurred that are expected to be collectable until the transfer of ownership is completed.

Sales of equipment that require both production and installation services, are generally identified as a single performance obligation, and the Group recognizes revenue over the period from the completion of the installation of the equipment to the acceptance after operation test by a customer.

Revenue from the provision of services, such as maintenance services, is generally identified as a performance obligation separate from the sale of equipment, and revenue is recognized on a straight-line basis over the term of the contract, or when the provision of services has been completed.

Certain products, primarily mass-produced standard products, are sold to customers with rebates (e.g., cash-back) depending on the circumstances of the transaction (e.g. volumes, amounts, etc.). In those cases, the transaction price is calculated by deducting expected rebates from the promised consideration under the agreement with a customer. The variable consideration related to sales with rebates is included in the transaction price when the uncertainty associated with rebates is resolved to the extent that it is highly probable that there will not be a significant reversal of cumulative revenue.

For contracts containing more than one performance obligation, such as the sale of equipment and related maintenance services, the transaction price is allocated to each performance obligation based on a relative standalone selling price. When the observable price of the good or service is available, such price is determined as the standalone selling price of that good or service. If an observable price is not available, the transaction price is allocated to each performance obligation based on an estimated standalone selling price.

The Group applies the practical expedients as prescribed in ASC 606: Revenue from Contracts with Customers and does not adjust significant financing components for the effects of the time value of money when the expected length of time between revenue recognition and collection of all contractual payments is one year or less.

The Group principally recognizes unbilled amounts due from customers related to made-to-order products under a construction-type or production-type contract with specifications unique to a customer as contract assets that are included in "Notes, accounts receivable and contract assets" and "Long-term receivables" in the consolidated balance sheets. The contract assets as of March 31, 2020 and March 31, 2019 are ¥278,921 million (\$2,558,908 thousand) and ¥281,334, respectively. The Group also recognizes the amount of consideration received from customers before control of goods or services transfers to customers as contract liabilities that are included in "Advance payments received" and "Other current liabilities" in the consolidated balance sheets. The contract liabilities as of March 31, 2020 and March 31, 2019 are ¥279,905 million (\$2,567,936 thousand) and ¥314,746, respectively. The amount of ¥158,761 million (\$1,456,523 thousand) included in the contract liabilities as of March 31, 2019 is recognized as revenue for the fiscal year ended March 31, 2020.

The total amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as of March 31, 2020 is ¥1,884,876 million (\$17,292,440 thousand), and approximately 40% of which is expected to be recognized as revenue within one year.

The amount of remaining performance obligations of contracts that have original expected duration of one year or less is not included in the amount above.

Revenue by good or service and by region is described in Note 29.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and amounted to ¥158,946 million (\$1,458,220 thousand) and ¥167,481 million for the fiscal years ended March 31, 2020 and 2019, respectively.

14. ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to ¥6,720 million (\$61,651 thousand) and ¥8,517 million for the fiscal years ended March 31, 2020 and 2019, respectively.

15. OTHER INCOME AND OTHER EXPENSES

THE LOSS ON COMPLETION OF TRANSFER OF AGREEMENT RELATED TO US LIQUEFIED NATURAL GAS (LNG)

The transfer of US liquefied natural gas (LNG) agreement to Total Gas & Power Asia Private Limited, a subsidiary of the French energy major Total S.A, was completed on August 30, 2019 (US CDT) . As a result, ¥89,155 million (\$817,936 thousand), including costs related to sales, was recorded as a loss for the fiscal year ended March 31, 2020.

LOSSES ON SALES OF SECURITIES

The losses on sales of securities for the fiscal year ended March 31, 2020, were immaterial.

The losses on sales of securities for the fiscal year ended March 31, 2019, were ¥8,000 million. These losses included the sales of Toshiba Client Solutions Co., Ltd of ¥6,008 million.

THE GAIN ON THE TRANSFER OF BUSINESS OF TOSHIBA GENERAL HOSPITAL

The gain on the transfer of business of Toshiba General Hospital of ¥23,882 million was recorded for the fiscal year ended March 31, 2019.

THE LOSS ON WITHDRAW FROM THE NUCLEAR POWER PLANT CONSTRUCTION PROJECT IN THE UK

The loss on the withdraw from the Nuclear Power Plant Construction Project in the UK of ¥11,027 million was recorded for the fiscal year ended March 31, 2019.

16. IMPAIRMENT OF LONG-LIVED ASSETS

Due to a decrease in profitability of the following business, the Group recorded impairment losses to the related assets.

Impairment losses recorded in the fiscal year ended March 31, 2020 consisted of ¥3,838 million (\$35,211 thousand) in the System LSI business. Impairment losses recorded in the fiscal year ended March 31, 2019 consisted of ¥5,375 million in the System LSI business, and ¥1,197 million in the Hydrogen Energy business.

These impairment losses are included in cost of sales in the consolidated statements of operations.

Impairment losses in the Electric Power Sales business and Hydrogen Energy business are included in Energy Systems & Solutions, those in the System LSI business are included in Electronic Devices & Storage Solutions.

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17. INCOME TAXES

The Group is subject to a number of different income taxes which, in the aggregate, result in an effective statutory tax rate in Japan of approximately 30.6% for the fiscal years ended March 31, 2020 and 2019, respectively.

The components of income tax expense allocated to continuing operations and discontinued operations for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Continuing operations:			
Current	¥ 19,423	¥ 30,793	\$ 178,192
Deferred	15,697	(15,241)	144,009
	¥ 35,120	¥ 15,552	\$ 322,201
Discontinued operations:			
Current	–	¥ 8,314	–
Deferred	–	2,600	–
	–	10,914	–
	¥ 35,120	¥ 26,466	\$ 322,201

A reconciliation table between the reported income tax expense and the amount computed by multiplying the income from continuing operations, before income taxes and noncontrolling interests by the applicable statutory tax rate is as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Expected income tax expense	¥ (14,556)	¥ 3,339	\$ (133,541)
Increase (decrease) in taxes resulting from:			
Tax credits	(3,080)	(2,562)	(28,257)
Non-deductible expenses for tax purposes	2,749	9,622	25,220
Net change in valuation allowance	44,123	9,208	404,798
Tax rate difference relating to foreign subsidiaries	(8,145)	(8,241)	(74,725)
Deferred tax liabilities on undistributed earnings of foreign subsidiaries and affiliates	17,976	(3,008)	164,917
Impairment of goodwill	–	2,541	–
Decrease in unrecognized tax benefits related to uncertain tax positions	(8,167)	–	(74,927)
Other	4,220	4,653	38,716
Income tax expense	¥ 35,120	¥ 15,552	\$ 322,201

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Deferred tax assets:			
Inventories	¥ 18,183	¥ 16,671	\$ 166,817
Accrued pension and severance costs	12,606	34,282	115,651
Tax loss carryforwards	211,387	151,933	1,939,330
Pension liability adjustment	115,102	115,020	1,055,982
Accrued expenses	85,714	116,621	786,367
Depreciation and amortization	47,427	60,123	435,110
Loss from valuation of securities	39,316	51,567	360,697
Operating lease liabilities	42,251	–	387,624
Other	65,819	73,770	603,844
Gross deferred tax assets	637,805	619,987	5,851,422
Valuation allowance for deferred tax assets	(508,236)	(518,209)	(4,662,716)
Deferred tax assets	¥ 129,569	¥ 101,778	\$ 1,188,706
Deferred tax liabilities:			
Property, plant and equipment	¥ (1,358)	¥ (2,466)	\$ (12,459)
Unrealized gains on securities	(3,791)	(5,629)	(34,780)
Undistributed earnings of foreign subsidiaries and affiliates	(19,942)	(21,171)	(182,954)
Goodwill and other intangible assets	(9,126)	(10,866)	(83,725)
Operating lease right-of-use assets	(42,359)	–	(388,615)
Other	(25,176)	(20,158)	(230,971)
Gross deferred tax liabilities	(101,752)	(60,290)	(933,504)
Net deferred tax assets	¥ 27,817	¥ 41,488	\$ 255,202

The net change in the total valuation allowance for the fiscal years ended March 31, 2020 and 2019 was an decrease of ¥9,973 million (\$91,495 thousand) and an increase of ¥18,683 million, respectively.

The increase of ¥14,615 million (\$134,083 thousand) at beginning-of-the-fiscal-year balance of the valuation allowance was due to a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2020. The decrease of ¥24,834 million at the beginning-of-the-fiscal-year balance of the valuation allowance was due to a change in judgment about the realizability of the related deferred tax assets in future years for the fiscal year ended March 31, 2019.

The Group's tax loss carryforwards for the corporate and local taxes at March 31, 2020 amounted to ¥594,291 million (\$5,452,211 thousand) and ¥1,086,879 million (\$9,971,367 thousand), respectively, the majority of which will expire during the period from the fiscal year ending March 2021 through 2030. The Group utilized tax loss carryforwards of ¥5,412 million (\$49,651 thousand) and ¥7,268 million to reduce current corporate taxes and ¥10,291 million (\$94,413 thousand) and ¥4,764 million to reduce current local taxes during the fiscal years ended March 31, 2020 and 2019, respectively.

The amount of benefits due to use of tax loss carryforwards included in income tax expense for the fiscal years ended March 31, 2020 and 2019 were ¥1,764 million (\$16,183 thousand) and ¥2,469 million, respectively.

Realization of tax loss carryforwards and other deferred tax assets is dependent on the Group generating sufficient taxable income prior to their expiration or the Group exercising certain available tax strategies. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less the valuation allowance, will be realized. The amount of such net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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A reconciliation table of the beginning and ending amount of unrecognized tax benefits is as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 4,125	¥ 4,308	\$ 37,844
Additions for tax positions of the current fiscal year	2	14	18
Additions for tax positions of prior fiscal years	8,194	263	75,174
Reductions for tax positions of prior fiscal years	(8,283)	(243)	(75,991)
Lapse of statute of limitations or closed audits	(401)	(19)	(3,679)
Foreign currency translation adjustments	(226)	(198)	(2,072)
Balance at the end of the fiscal year	¥ 3,411	¥ 4,125	\$ 31,294

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥2,958 million (\$27,138 thousand) and ¥3,073 million at March 31, 2020 and 2019, respectively.

The Group recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of operations. Both interest and penalties accrued in the consolidated balance sheets as of March 31, 2020 and 2019, and interest and penalties included in income taxes in the consolidated statements of operations for the fiscal years ended March 31, 2020 and 2019 were immaterial.

The Group believes its estimates and assumptions of unrecognized tax benefits are reasonable and based on each of the items of which the Group is aware of at March 31, 2020, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Group files income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Group is no longer subject to regular income tax examinations by the tax authority for years before the fiscal year ended March 31, 2015 with a few exceptions. In other major foreign subsidiaries, they are no longer subject to regular income tax examinations by tax authorities for years before the fiscal year ended March 31, 2016 with a few exceptions.

18. EQUITY

COMMON STOCK

The total number of authorized shares of the Company is 1,000,000,000. The total number of shares issued for the fiscal years ended March 31, 2020 and 2019 are 455,000,000 and 544,000,000, respectively.

RETAINED EARNINGS (ACCUMULATED DEFICIT)

Retained earnings (accumulated deficit) as at March 31, 2020 and 2019 include a legal reserve. The Company's and its Japanese subsidiaries' legal reserve are ¥23,083 million (\$211,771 thousand) and ¥21,448 million, respectively. The Corporation Law of Japan requires that an amount equal to 10% of the distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law of Japan also requires that additional paid-in capital and the legal reserve are available for transfer to retained earnings for distributions by the resolution of the shareholders.

The amount of retained earnings available for distributions is based on the Company's retained earnings determined in accordance with generally accepted accounting principles in Japan and the Corporation Law of Japan. Retained earnings at March 31, 2020 do not reflect current year-end distribution of ¥4,535 million which will be paid from June 4, 2020.

Retained earnings (accumulated deficit) at March 31, 2020 included the Group's share in undistributed earnings of equity method investees in the amount of ¥273,060 million (\$2,505,138 thousand).

ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss for the fiscal year ended March 31, 2020 are as follows:

	Millions of yen				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at the beginning of the fiscal year	¥ 20	¥ (20,085)	¥ (241,772)	¥ (474)	¥ (262,311)
Other comprehensive income (loss) arising during year	(8)	(13,238)	(25,772)	(66)	(39,084)
Amounts reclassified from accumulated other comprehensive loss	–	(247)	14,767	282	14,802
Net current year change	(8)	(13,485)	(11,005)	216	(24,282)
Balance at the end of the fiscal year	¥ 12	¥ (33,570)	¥ (252,777)	¥ (258)	¥ (286,593)

(Note)

The impact on Net current year change, due to the tender offer for the shares of 3 listed subsidiaries consists of Net unrealized gains and losses on securities of ¥16 million (\$147 thousand), Foreign currency translation adjustments of ¥186 million (\$1,706 thousand), Pension liability adjustments of ¥(3,077 million) (\$28,229 thousand), and Net unrealized gains and losses on derivative instruments of ¥10 million (\$92 thousand).

	Thousands of US dollars				
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	Total
Balance at the beginning of the fiscal year	\$ 183	\$ (184,266)	\$ (2,218,092)	\$ (4,349)	\$ (2,406,524)
Other comprehensive income (loss) arising during year	(74)	(121,450)	(236,440)	(606)	(358,570)
Amounts reclassified from accumulated other comprehensive loss	–	(2,265)	135,477	2,587	135,799
Net current year change	(74)	(123,715)	(100,963)	1,981	(222,771)
Balance at the end of the fiscal year	\$ 109	\$ (307,981)	\$ (2,319,055)	\$ (2,368)	\$ (2,629,295)

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The changes in accumulated other comprehensive loss for the fiscal year ended March 31, 2019 are as follows:

	Millions of yen				Total
	Net unrealized gains and losses on securities	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains and losses on derivative instruments	
Balance at the beginning of the fiscal year	¥ 37,147	¥ (82,514)	¥ (248,874)	¥ (1,331)	¥ (295,572)
Cumulative effect of application of ASU 2016-01 (Note)	(37,147)	–	–	–	(37,147)
Other comprehensive income (loss) arising during year	20	6,689	(5,614)	(86)	1,009
Amounts reclassified from accumulated other comprehensive loss	–	55,740	12,716	943	69,399
Net current year change	(37,127)	62,429	7,102	857	33,261
Balance at the end of the fiscal year	¥ 20	¥ (20,085)	¥ (241,772)	¥ (474)	¥ (262,311)

(Note) Cumulative effect of application of ASU 2016-01 "Financial Instruments overall Recognition and Measurement of Financial Assets and Financial Liabilities" is disclosed.

Amounts reclassified from accumulated other comprehensive loss for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of	Affected line item in Consolidated Statements of Operations
	2020	2019	2020	
Net unrealized gains and losses on securities	¥	¥	\$	
	-	-	-	Other income and other expenses
	-	-	-	Income taxes
	-	-	-	Income (loss) from discontinued operations, before noncontrolling interests
	-	-	-	Net income (loss) before noncontrolling interests
	-	-	-	Less: Net income attributable to noncontrolling interests
	-	-	-	Net income (loss) attributable to shareholders of the Company
Foreign currency translation adjustments				
	(247)	10,809	(2,265)	Other income and other expenses
	-	-	-	Income taxes
	-	44,931	-	Income (loss) from discontinued operations, before noncontrolling interests
	(247)	55,740	(2,265)	Net income (loss) before noncontrolling interests
	-	-	-	Less: Net income attributable to noncontrolling interests
	(247)	55,740	(2,265)	Net income (loss) attributable to shareholders of the Company
Pension liability adjustments				
	21,251	18,246	194,963	Net periodic pension and severance cost (Note 1)
	(6,503)	(5,583)	(59,660)	Income taxes
	-	12	-	Income (loss) from discontinued operations, before noncontrolling interests
	14,748	12,675	135,303	Net income (loss) before noncontrolling interests
	(19)	(41)	(174)	Less: Net income attributable to noncontrolling interests
	14,767	12,716	135,477	Net income (loss) attributable to shareholders of the Company
Net unrealized gains and losses on derivative instruments				
	347	1,504	3,183	Interest, other income and other expenses
	(106)	(460)	(972)	Income taxes
	241	1,044	2,211	Net income (loss) before noncontrolling interests
	(41)	101	(376)	Less: Net income attributable to noncontrolling interests
	282	943	2,587	Net income (loss) attributable to shareholders of the Company
Total reclassifications-net of tax and noncontrolling interests	¥ 14,802	¥ 69,399	\$ 135,799	

Notes: 1) Details of the computation of net periodic pension and severance cost are disclosed in Note 11.

2) Increase (decrease) of amounts reclassified from accumulated other comprehensive loss indicates decrease (increase) of income in Consolidated Statements of Operations.

Notes to Consolidated Financial Statements

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2020

Tax effect allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2020 and 2019 are shown as follows:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2020:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	¥ (12)	¥ 4	¥ (8)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	-	-	-
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(14,265)	1,027	(13,238)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	(247)	-	(247)
Pension liability adjustments:			
Pension liability adjustments arising during year	(31,723)	5,951	(25,772)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	21,279	(6,512)	14,767
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	(195)	129	(66)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	406	(124)	282
Other comprehensive loss	¥ (24,757)	¥ 475	¥ (24,282)
For the year ended March 31, 2019:			
Net unrealized gains and losses on securities:			
Cumulative effect of application of ASU 2016-01	¥ (45,164)	¥ 8,017	¥ (37,147)
Unrealized gains arising during year	29	(9)	20
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	-	-	-
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	5,455	1,234	6,689
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	55,649	91	55,740
Pension liability adjustments:			
Pension liability adjustments arising during year	(9,194)	3,580	(5,614)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	18,322	(5,606)	12,716
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	(237)	151	(86)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	1,359	(416)	943
Other comprehensive loss	¥ 26,219	¥ 7,042	¥ 33,261

	Thousands of US dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2020:			
Net unrealized gains and losses on securities:			
Unrealized gains arising during year	\$ (110)	\$ 36	\$ (74)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	-	-	-
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(130,872)	9,422	(121,450)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	(2,265)	-	(2,265)
Pension liability adjustments:			
Pension liability adjustments arising during year	(291,036)	54,596	(236,440)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	195,220	(59,743)	135,477
Net unrealized gains and losses on derivative instruments:			
Unrealized gains arising during year	(1,789)	1,183	(606)
Less: reclassification adjustment for gains included in net income (loss) attributable to shareholders of the Company	3,725	(1,138)	2,587
Other comprehensive loss	\$ (227,127)	\$ 4,356	\$ (222,771)

TENDER OFFER FOR SHARES OF THREE LISTED SUBSIDIARIES AND APPROPRIATION OF OTHER CAPITAL SURPLUS IN THE COMPANY'S STANDALONE BALANCE SHEET

Following the resolution at its board of directors meeting held on November 13, 2019 to acquire the shares of common stock of Toshiba Plant System & Services Corporation ("TPSC") through a tender offer, the Company commenced the tender offer from November 14, 2019 to December 25, 2019. As a result, the total number of tendered share certificates was above the planned minimum quantity for the tender offer and the Company purchased all of the tendered share certificates on January 7, 2020. The Company requested all shareholders that had not accepted the tender offer to sell all common stocks of TPSC and acquired them on January 29, 2020. Consequently, TPSC became a subsidiary wholly owned by the Company.

Toshiba Infrastructure Systems & Solution Corporation, a subsidiary of Toshiba Corporation ("TISS"), resolved at its board of directors meeting held on November 13, 2019 to acquire the shares of NISHISHIBA ELECTRIC CO., LTD. ("NISHISHIBA ELECTRIC") through a tender offer and commenced the tender offer from November 14, 2019 to December 25, 2019. As a result, the total number of tendered share certificates was above the planned minimum quantity for the tender offer and TISS purchased all of the tendered share certificates on January 7, 2020. TISS requested that all shareholders that had not accepted the tender offer to sell all common stocks of NISHISHIBA ELECTRIC and acquired them on March 1, 2020. Consequently, NISHISHIBA ELECTRIC became a subsidiary wholly owned by TISS.

Toshiba Electronic Devices & Storage Corporation, a subsidiary of Toshiba Corporation ("TDSC"), resolved at its board of directors meeting held on November 13, 2019 to acquire the shares of NuFlare Technology, Inc. ("NFT") through a tender offer and commenced the tender offer from November 14, 2019 to January 16, 2020. As a result, the total number of tendered share certificates was above the planned minimum quantity for the tender offer and TDSC purchased all of the tendered share certificates on January 23, 2020. NFT held a special shareholder's meeting that included among its measures for deliberation changes to the NFT's article of incorporation that would eliminate provisions on share unit numbers with condition on consolidation of the common shares of NFT and its effectuation. Given the aforementioned resolution was made at the special shareholder's meeting, NFT became TDSC's fully owned subsidiary, because TDSC purchased the remaining fractional shares with the approval of Tribunal on April 28, 2020.

The difference between the acquisition costs of these shares and the non-controlling interests is recorded as Additional paid-in capital.

As a result of the above, additional paid-in capital on the consolidated balance sheet became negative and the negative value within additional paid-in capital was transferred to retained earnings.

REPURCHASE AND RETIREMENT OF TREASURY STOCK

The Company resolved, at its Board of Directors Meeting held on November 8, 2018, matters related to the purchase of treasury stock of the Company (acquired ¥300,221 million (\$2,754,321 thousand) and ¥399,777 million of treasury stock, pursuant to such resolution, in the fiscal year ended March 31, 2020 and 2019, respectively), pursuant to the Corporation Law of Japan. In addition, the Company retired the acquired shares of treasury stock on June 24, 2019, September 12, 2019 and November 19, 2019 (retired ¥304,827 million (\$2,796,578 thousand)) in the fiscal year ended March 31, 2020 and on December 25, 2018 and March 28, 2019 (retired ¥392,449 million in the fiscal year ended March 31, 2019). With regards to the retirement of treasury stock, the acquisition cost of the treasury stock is subtracted from retained earnings.

19. NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The following reconciliation table of the numerators and denominators sets forth the computation of basic net earnings (loss) per share attributable to shareholders of the Company for the fiscal years ended March 31, 2020 and 2019.

In addition, 10 shares of the Company were converted into 1 share effective as of October 1, 2018. Accordingly, the weighted-average number of shares of common stock in the calculation is assumed to have been consolidated at the beginning of fiscal year ended March 31, 2019.

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Loss from continuing operations attributable to shareholders of the Company	¥ (100,839)	¥ (26,984)	\$ (925,128)
Income (loss) from discontinued operations attributable to shareholders of the Company	(13,794)	1,040,240	(126,551)
Net income (loss) attributable to shareholders of the Company	¥ (114,633)	¥ 1,013,256	\$ (1,051,679)

The Fiscal Year ended March 31	Thousands of shares	
	2020	2019
Weighted-average number of shares of common stock outstanding for the year	484,923	617,142

The Fiscal Year ended March 31	Yen		US dollars
	2020	2019	2020
Loss from continuing operations per share attributable to shareholders of the Company:			
–Basic	¥ (207.95)	¥ (43.72)	\$ (1.91)
Earnings (loss) from discontinued operations per share attributable to shareholders of the Company:			
–Basic	¥ (28.44)	¥ 1,685.57	\$ (0.26)
Net earnings (loss) per share attributable to shareholders of the Company:			
–Basic	¥ (236.39)	¥ 1,641.85	\$ (2.17)

Diluted net earnings per share attributable to shareholders of the Company for the fiscal years ended March 31, 2020 and 2019 have been omitted because the Company did not have common stock outstanding with potential dilutive effects.

20. FINANCIAL INSTRUMENTS

(1) DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates internationally, giving rise to exposure to market risks from fluctuations in foreign currency exchange and interest rates. In the normal course of its risk management efforts, the Group employs a variety of derivative financial instruments, which are consisted primarily of forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options to reduce its exposures. The Group has policies and procedures for risk management and the approval, reporting and monitoring of derivative financial instruments. The Group's policies prohibit holding or issuing derivative financial instruments for speculative or trading purposes.

The Group is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but the Group does not anticipate any credit-related loss from nonperformance by the counterparties because the counterparties are financial institutions of high credit standing and contracts are diversified across a number of major financial institutions.

The Group has entered into forward exchange contracts with financial institutions as hedges against fluctuations in foreign currency exchange rates on monetary assets and liabilities denominated in foreign currencies. The forward exchange contracts related to accounts receivable and payable, and commitments on future trade transactions denominated in foreign currencies, mature primarily within a few years of the balance sheet date.

Interest rate swap agreements and currency swap agreements are used to limit the Group's exposure to losses in relation to underlying debt instruments and accounts receivable and payable denominated in foreign currencies resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature between 2020 and 2024.

The Group employs forward exchange contracts and foreign-currency-denominated debt, which reduce fluctuations in foreign currency exchange rate on investments in foreign subsidiaries.

Most forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options are designated as either cash flow hedges or net investment hedges as discussed below, depending on its characteristic such as: accounts receivable and payable denominated in foreign currencies, investments in foreign subsidiaries or commitments on future trade transactions and the interest rate characteristics of the underlying debt.

Cash Flow Hedge

The forward exchange contracts utilized by the Group effectively reduce fluctuation in cash flow from commitments on future trade transactions denominated in foreign currencies.

The interest rate swap agreements utilized by the Group effectively convert a portion of its floating-rate debt to a fixed-rate basis.

The Group expects to reclassify ¥75 million (\$688 thousand) of net income on derivative financial instruments from accumulated other comprehensive loss to net income (loss) attributable to shareholders of the Company during the next 12 months due to the collection of accounts receivable denominated in foreign currencies and the payments of accounts payable denominated in foreign currencies and variable interest associated with the floating-rate debts.

Net Investment Hedge

The forward exchange contracts and foreign-currency-denominated debt utilized by the Group effectively reduce fluctuation in foreign exchange rate on investments in foreign subsidiaries.

The change in fair value of these contracts are recorded in accumulated other comprehensive income (loss) as a part of foreign currency translation adjustments.

There was no foreign-currency-denominated debt for hedging investments in foreign subsidiaries at March 31, 2020.

Derivatives Not Designated as Hedging Instruments

The Group has entered into certain forward exchange contracts and currency swap agreements to offset the earnings impact related to fluctuations in foreign currency exchange rates on monetary assets and liabilities denominated in foreign currencies and in interest rates on debt instruments. Although some of these contracts have not been designated as hedges as required in order to apply hedge accounting, the contracts are effective from an economic perspective. The changes in the fair value of those contracts are recorded in earnings immediately.

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Toshiba Corporation and Consolidated Subsidiaries
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The Group's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements and currency swap agreements at March 31, 2020 and 2019 are summarized as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Forward exchange contracts:			
To sell foreign currencies	¥ 154,143	¥ 142,150	\$ 1,414,156
To buy foreign currencies	20,376	32,668	186,936
Interest rate swap agreements	76,000	282,000	697,248
Currency swap agreements	–	47	–

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments and the location in the consolidated balance sheets at March 31, 2020 and 2019 are summarized as follows:

March 31	Location at balance sheet	Millions of yen		Thousands of US dollars
		2020	2019	2020
Derivatives designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	¥ 135	¥ 99	\$ 1,239
	Other assets	13	–	119
Liabilities:				
Forward exchange contracts	Other Liabilities	–	(2)	–
Interest rate swap agreements	Other current liabilities	(18)	(418)	(165)
	Other liabilities	(289)	(172)	(2,651)
Derivatives not designated as hedging instruments:				
Assets:				
Forward exchange contracts	Prepaid expenses and other current assets	692	720	6,349
	Other assets	110	–	1,009
Currency swap agreements	Prepaid expenses and other current assets	0	0	0
Liabilities:				
Forward exchange contracts	Other current liabilities	(1,541)	(1,010)	(14,138)
	Other liabilities	(251)	(3)	(2,303)

March 31	Millions of yen			
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivative financial instruments:				
Liabilities:				
Long-term debt, including current portion	¥ (211,665)	¥ (196,822)	¥ (396,523)	¥ (394,068)

March 31	Thousands of US dollars	
	2020	2019
	Carrying amount	Fair value
Nonderivative financial instruments:		
Liabilities:		
Long-term debt, including current portion	\$ (1,941,881)	\$ (1,805,706)

The above table excludes the financial instruments for which fair value approximate their carrying amounts and those related to leasing activities. The table also excludes marketable securities and other investments which are disclosed in Note 4.

In assessing the fair value of these financial instruments, the Group uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at that time. For certain instruments, including cash and cash equivalents, notes and accounts receivable-trade, short-term borrowings, notes and accounts payable-trade and accounts payable-other and accrued expenses, it is assumed that the carrying amount approximated fair value for the majority of these instruments because of their short maturities. Quoted market prices are used for a number of marketable securities and other investments. For long-term debt, fair value is estimated using market quotes or discounted value of future cash flows when market quotes are not available, and is classified within Level 2 or Level 3. Other techniques, such as estimated discounted value of future cash flows, and replacement cost, are used to determine fair value for the remaining financial instruments. These fair values are not necessarily the amounts that could be realized in a current market exchange.

The effect of derivative instruments on the consolidated statements of operations for the fiscal year ended March 31, 2020 is as follows:

Cash flow hedge:

	Millions of yen			
	Amount of gain (loss) recognized in OCI		Amount of gain (loss) reclassified from OCI into income (loss)	
	Amount recognized	Financial Statement Classification	Amount recognized	
Forward exchange contracts	¥ 64	Other income	¥ 85	
Interest rate swap agreements	(130)	Interest expenses	(367)	

Derivatives not designated as hedging instruments:

	Millions of yen	
	Amount of gain (loss) recognized in income (loss)	
	Financial Statement Classification	Amount recognized
Forward exchange contracts	Other income	¥ 7,657
	Income from discontinued operations, before noncontrolling interests	—

Cash flow hedge:

	Thousands of US dollars			
	Amount of gain (loss) recognized in OCI		Amount of gain (loss) reclassified from OCI into income (loss)	
	Amount recognized	Financial Statement Classification	Amount recognized	
Forward exchange contracts	\$ 587	Other income	\$ 780	
Interest rate swap agreements	(1,193)	Interest expenses	(3,367)	

Notes to Consolidated Financial Statements

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2020

Derivatives not designated as hedging instruments:

	Thousands of US dollars	
	Amount of gain (loss) recognized in income (loss)	
	Financial Statement Classification	Amount recognized
Forward exchange contracts	Other expenses	\$ 70,248
	Income from discontinued operations, before noncontrolling interests	—

The effect of derivative instruments on the consolidated statements of operations for the fiscal year ended March 31, 2019 is as follows:

Cash flow hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Financial Statement Classification	Amount of gain (loss) reclassified from OCI into income (loss)	Financial Statement Classification	Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded due to effectiveness testing)
	Amount recognized		Amount recognized		Amount recognized
Forward exchange contracts	¥ (26)	Other expenses	¥ (108)	Other income	¥ 579
Interest rate swap agreements	111	Interest expenses	(834)	—	—

Net investment hedge:

	Millions of yen				
	Amount of gain (loss) recognized in OCI	Financial Statement Classification	Amount of gain (loss) reclassified from OCI into income (loss)	Financial Statement Classification	Amount of gain (loss) recognized in income (loss) (Ineffective portion and amount excluded from effectiveness testing)
	Amount recognized		Amount recognized		Amount recognized
Forward exchange contracts	¥ —	Other expenses	¥ (130)	—	—
Foreign-currency-denominated debt	—	Other income	35	—	—

Derivatives not designated as hedging instruments:

	Millions of yen	
	Amount of gain (loss) recognized in income (loss)	
	Financial Statement Classification	Amount recognized
Forward exchange contracts	Other income	¥ (2,152)
	Income from discontinued operations, before noncontrolling interests	(4,331)

21. LEASES

The Group leases certain machinery and equipment under finance leases. And, the Group also leases certain machinery and equipment, buildings, and land under operating leases. There are no restrictions or covenants imposed by leases, for example, those relating to dividends or incurring additional financial obligations.

The costs of machinery and equipment under finance leases from affiliates of the Company and the related accumulated amortization as of March 31, 2020 and 2019 are immaterial.

Right-of-use assets

The carrying amount of finance lease right-of-use assets which is included in the carrying amount of property, plant and equipment as of March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Finance leases			
Machinery and equipment	¥ 27,995	¥ 27,242	\$ 256,835
Accumulated depreciation	(17,466)	(18,008)	(160,239)
	¥ 10,529	¥ 9,234	\$ 96,596

Lease expenses

The lease expenses for the fiscal years ended March 31, 2020 are as follows:

The Fiscal Year ended March 31	Millions of yen	Thousands of US dollars
	2020	2020
Depreciation of finance lease right-of-use assets	¥ 5,469	\$ 50,174
Interest expenses of finance lease liabilities	651	5,973
Finance lease expenses	6,120	56,147
Operating lease expenses	48,481	444,780
Total lease expenses	¥ 54,601	\$ 500,927

Other information relating to leases

Other information relating to leases for the fiscal year ended March 31, 2020 are as follows:

The Fiscal Year ended March 31	Millions of yen	Thousands of US dollars
	2020	2020
Cash paid relating to finance lease liabilities		
Cash flows from operating activities	¥ 651	\$ 5,972
Cash flows from financing activities	6,654	61,046
Cash paid relating to operating lease liabilities		
Cash flows from operating activities	49,464	453,798
Right-of-use assets arising from recognising lease liabilities (noncash)		
Finance leases	6,352	58,275
Operating leases	38,379	352,101
Weighted-average remaining lease term (in years)		
Finance leases	3.03	
Operating leases	5.20	
Weighted-average discount rate		
Finance leases	1.94%	
Operating leases	1.50%	

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Toshiba Corporation and Consolidated Subsidiaries
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Maturity analysis of lease liabilities

Minimum lease payments for the Group's finance and operating leases as of March 31, 2020 are as follows:

The Fiscal Year ending March 31	Millions of yen		Thousands of US dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
2021	¥ 5,168	¥ 46,687	\$ 47,413	\$ 428,321
2022	3,261	33,608	29,917	308,330
2023	1,843	24,377	16,908	223,642
2024	917	20,212	8,413	185,431
2025	333	14,524	3,055	133,248
Thereafter	262	26,308	2,404	241,358
Total minimum lease payments	11,784	165,716	108,110	1,520,330
Amounts representing interest	(385)	(6,968)	(3,532)	(63,926)
Present value of net minimum lease payments	11,399	158,748	104,578	1,456,404
Less—current portion	4,996	44,529	45,835	408,523
	¥ 6,403	¥ 114,219	\$ 58,743	\$ 1,047,881

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments for the purchase of property, plant and equipment, and long-term service at fixed and variable prices outstanding at March 31, 2020 and 2019, totaled approximately ¥39,203 million (\$359,661 thousand) and ¥1,063,710 million, respectively.

Most of the above-mentioned commitments relate to the agreement to purchase liquid natural gas in the US. On August 30, 2019 (US CDT), the Group completed the transfer with Total Gas & Power Asia Private Limited, the Singaporean arm of Total S.A., the French major energy company, which transfers all the issued shares of the Toshiba America LNG Corporation, a consolidated subsidiary of the Group, to Total Gas & Power Asia Private Limited.

The amount of commitments expected to be paid in each year of the following five fiscal years and thereafter is as follows:

The Fiscal Year ending March 31	Millions of yen		Thousands of US dollars	
2021	¥ 34,788		\$ 319,156	
2022	4,415		40,505	
2023	—		—	
2024	—		—	
2025	—		—	
Thereafter	—		—	
Total of commitments	¥ 39,203		\$ 359,661	

23. GUARANTEES

GUARANTEES OF UNCONSOLIDATED AFFILIATES AND THIRD PARTY DEBT

The Group guarantees debt as well as certain financial obligations of unconsolidated affiliates and third parties to support the sale of the Group's products and services. Expiration dates vary from 2020 to 2037 and from 2019 to 2037 as of March 31, 2020 and 2019, respectively or the guarantees terminate on payment and/or cancellation of the obligation. A payment by the Group would be triggered by the failure of the guaranteed party to fulfill its obligation under the guarantee. The maximum potential payments under these guarantees were ¥4,411 million (\$40,468 thousand) and ¥6,525 million as of March 31, 2020 and 2019, respectively.

The carrying amounts of the liabilities for the Group's obligations under the guarantees described above as of March 31, 2020 and 2019 were immaterial.

WARRANTY

Estimated warranty costs are accrued for at the time a product is sold to a customer. Estimates for warranty costs are made based primarily on historical warranty claim experience.

The following is a reconciliation table of the product warranty accrual for the fiscal years ended March 31, 2020 and 2019:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 25,379	¥ 32,979	\$ 232,835
Warranties issued	16,006	12,889	146,844
Settlements made	(15,267)	(17,715)	(140,064)
Amounts of PC Business deconsolidated	–	(2,942)	–
Foreign currency translation adjustments	(264)	168	(2,422)
Balance at the end of the fiscal year	¥ 25,854	¥ 25,379	\$ 237,193

24. LEGAL PROCEEDINGS

In February 2015, the Company received an order from the Securities and Exchange Surveillance Commission, based on Article 26 of the Financial Instruments and Exchange Act, requiring submission of a report. The Company was then subject to inspection regarding projects that used percentage-of-completion accounting. Later, after establishing the Independent Investigation Committee and conducting the investigation, it was found that the Company had continuously carried out inappropriate accounting and, therefore, the Company filed amendments of the past Annual Securities Reports and other reports. Holders of American Depositary Receipts ("ADRs") filed a class action lawsuit against the Company in the State of California, in the US in relation to the inappropriate financial reporting by the Company. The Company filed a petition with the court for rejection of the lawsuit on the grounds that securities laws of the US do not apply to the above-mentioned securities, among other reasons, and the decision to reject the lawsuit was made as of May 20, 2016 (US time). The plaintiffs lodged an appeal against the judgement on July 25, 2016 (US time), and the appellate instance reversed the judgement of the district court on July 17, 2018 (US time) and issued a judgement to remand the case to the district court to enable the plaintiffs to submit a revised complaint. However, the Company filed an appeal against the judgement with the US Supreme Court on October 15, 2018 (US time). But the request was rejected on June 24, 2019 and returned to the district court.

Damage compensation claims have been demanded against the Company in Japan as well with the plaintiffs claiming to have suffered damage due to inappropriate financial reporting by the Company. The Company accrued the reasonably estimated amount expected to be paid for the damage compensation. Certain of these claims have been pending with several courts including seeking payment by (1) foreign institutional investors of approximately ¥14,220 million (\$130,459 thousand) in June 2016, ¥21,759 million (\$199,624 thousand) and ¥44,741 million (\$410,468 thousand) in April 2017, ¥9,227 million (\$84,651 thousand) in June 2017, ¥33,000 million (\$302,752 thousand) and ¥837 million (\$7,679 thousand) in September 2017, ¥414 million (\$3,798 thousand) in October 2017, and ¥4,051 million (\$37,165 thousand) in April 2018, (2) Japan Trustee Services Bank, Ltd., of approximately ¥1,262 million (\$11,578 thousand) in May 2016, ¥11,993 million (\$110,028 thousand) in August 2016 and, ¥572 million (\$5,248 thousand) in September 2017, (3) the Master Trust Bank of Japan, Ltd., of approximately ¥5,105 million (\$46,835 thousand) and ¥13,114 million (\$120,312 thousand) in March 2017, (4) Trust & Custody Services Bank, Ltd., of approximately ¥14,026 million (\$128,679 thousand) in March 2017.

The Group has global business operations and is involved from time to time in disputes, including lawsuits and other legal proceedings and investigations by relevant authorities. Due to differences in judicial systems and the uncertainties inherent in such proceedings, the Group may be subject to a ruling requiring payment of amounts far exceeding its expectations. Any judgment or decision unfavorable to the Group could have a materially adverse effect on the Group's business, results of operations or financial condition. However based on the information currently available to the Group, Management believes that such legal procedures would not have a material adverse effect on the financial position or the results of operations of the Group.

25. BUSINESS STRUCTURAL REFORM

The Fiscal Year ended March 31, 2020

The Group announced the "Toshiba Next Plan" on November 8, 2018. However, in light of the subsequent acceleration of market deterioration and other factors, on May 13, 2019, the Group decided to implement business structural reforms at Toshiba Device & Storage Co., Ltd. with the aim of further strengthening its business management structure by building a personnel structure commensurate with sales and business size.

As part of this initiative, the Company implemented an early retirement incentive plan on September 30, 2019, in principle, for employees in the System Device Division, the Common Staff Division, the Sales Division, and certain subsidiaries in these divisions.

Changes in the liability balance related to exit and disposal activities for the fiscal year ended March 31, 2020 are shown in the table below.

These expenses are short term in nature, being completed within one year from the initiation of activities.

	Millions of Yen			
	Retirement-related expenses	Contract termination costs	Others	Total
Liability balance as of March 31, 2019	¥ 4,457	¥ 385	¥ 782	¥ 5,624
Restructuring charge incurred during the year	7,378	111	936	8,425
Non-cash expenditures	(70)	(203)	(531)	(804)
Payments and settlements with cash payout	(9,562)	(85)	(593)	(10,240)
Foreign currency translation adjustments	(44)	(32)	(17)	(93)
Liability balance as of March 31, 2020	¥ 2,159	¥ 176	¥ 577	¥ 2,912

	Thousands of US dollars			
	Retirement-related expenses	Contract termination costs	Others	Total
Liability balance as of March 31, 2019	\$ 40,890	\$ 3,532	\$ 7,174	\$ 51,596
Restructuring charge incurred during the year	67,688	1,019	8,587	77,294
Non-cash expenditures	(642)	(1,862)	(4,872)	(7,376)
Payments and settlements with cash payout	(87,725)	(780)	(5,440)	(93,945)
Foreign currency translation adjustments	(404)	(294)	(155)	(853)
Liability balance as of March 31, 2020	\$ 19,807	\$ 1,615	\$ 5,294	\$ 26,716

Expenses for exit and disposal activities by major segments for the fiscal year ended March 31, 2020 are as follows. These expenses were recorded at ¥1,486 million (\$13,633 thousand) in cost of sales, and at ¥6,939 million (\$63,661 thousand) in selling, general and administrative expenses in the Consolidated Statements of Operations.

Segments	Millions of Yen			
	Retirement-related expenses	Contract termination costs	Others	Total
Electronic Devices & Storage Solutions	¥ 4,785	¥ –	¥ –	¥ 4,785
Others (Note)	2,593	111	936	3,640
Total	¥ 7,378	¥ 111	¥ 936	¥ 8,425

Note: Others include Energy Systems & Solutions and Other Solutions.

Segments	Thousands of US dollars			
	Retirement-related expenses	Contract termination costs	Others	Total
Electronic Devices & Storage Solutions	\$ 43,899	\$ –	\$ –	\$ 43,899
Others (Note)	23,789	1,018	8,588	33,395
Total	\$ 67,688	\$ 1,018	\$ 8,588	\$ 77,294

The Fiscal Year ended March 31, 2019

Based on the presentation announced on November 8, 2018, "Toshiba Next Plan", the Group has implemented four measures to improve core earning power, which are: structural reform, procurement reform, sales reform and process reform. As part of the structural reformation activities, the Group announced on the same day "Toshiba Group to implement Early Retirement Incentive Programs as part of Structural Reform". As such, the Company and some of its consolidated subsidiaries in Japan have implemented an early voluntary retirement incentive program, which provided a special severance payment on top of a standard retirement payment on the condition that applicants will leave by the end of March 2019 ("early retirement incentive program").

Energy Systems & Solutions

Toshiba Energy Systems & Solutions Corporation ("ESS") has implemented the early retirement incentive program aimed at building the appropriate allocation of personnel. These activities also cover some of ESS's subsidiaries, as ESS responds to the global trend of decarbonization by strengthening its service business in the coal-fired thermal power plant business, and shifting to the renewable energy business from the coal-fired thermal power plant construction business as new coal-fired thermal power plant construction activities are shrinking.

Other Segments

The Group has implemented the early incentive program to create a staff organization appropriate for the level of sales generated, in response to a reduction in the Group's sales, a downsized business scale and changes in the business portfolio.

Changes in the liability balance related to exit and disposal activities for the fiscal year ended March 31, 2019 are shown in the table below.

These expenses are short term in nature, being completed within one year from the initiation of activities.

	Millions of Yen			
	Retirement-related expenses	Contract termination costs	Others	Total
Liability balance as of March 31, 2018	¥ 4,111	¥ 417	¥ 1,011	¥ 5,539
Restructuring charge incurred during the year	12,517	2,223	601	15,341
Non-cash expenditures	(176)	(69)	(188)	(433)
Payments and settlements with cash payout	(11,975)	(2,180)	(614)	(14,769)
Foreign currency translation adjustments	(20)	(6)	(28)	(54)
Liability balance as of March 31, 2019	¥ 4,457	¥ 385	¥ 782	¥ 5,624

Expenses for exit and disposal activities by major segments for the fiscal year ended March 31, 2019 are as follows. These expenses were recorded at ¥683 million in cost of sales, and at ¥14,658 million in selling, general and administrative expenses in the Consolidated Statements of Operations.

Segments	Millions of Yen			
	Retirement-related expenses	Contract termination costs	Others	Total
Energy Systems & Solutions	¥ 4,706	¥ 1,886	¥ 229	¥ 6,821
Others (Note)	7,811	337	372	8,520
Total	¥ 12,517	¥ 2,223	¥ 601	¥ 15,341

Note: Others include Infrastructure Systems & Solutions, Building Solutions, Electronic Devices & Storage Solutions, Retail & Printing Solutions, and Digital Solutions.

26. ENVIRONMENTAL LIABILITIES

The Japanese environmental regulation, "Law Concerning Special Measure against poly chlorinated biphenyl ("PCB") waste" requires PCB waste holders to dispose of all PCB waste by March 2027. The Group accrued ¥8,849 million (\$81,183 thousand) and ¥10,985 million at March 31, 2020 and 2019, respectively, for environmental remediation and restoration costs for products or equipment with PCB which some Group's operations in Japan have retained.

27. ASSET RETIREMENT OBLIGATIONS

The Group records asset retirement obligations in accordance with ASC No. 410 "Asset Retirement and Environmental Obligations."

Asset retirement obligation was related primarily to the restoration obligations associated with the real estate lease agreement.

The changes in the carrying amount of asset retirement obligations for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of
	2020	2019	US dollars
Balance at the beginning of the fiscal year	¥ 9,108	¥ 6,210	\$ 83,560
Accretion expense	122	95	1,119
Liabilities settled	(760)	(216)	(6,972)
Liabilities incurred	606	3,171	5,560
Revisions in estimated cash flows	(224)	(108)	(2,055)
Foreign currency translation adjustments	(6)	(44)	(56)
Balance at the end of the fiscal year	¥ 8,846	¥ 9,108	\$ 81,156

28. VARIABLE INTEREST ENTITIES

The Group recognizes entities, in accordance with ASC No.810, as VIEs that have either (a) equity investors whose voting right is limited and not having an ability to control it effectively or (b) insufficient equity to permit the entity to finance its activities without additional subordinated financial support. The Group retains variable interests through equity investments, loans and guarantees. In evaluating whether the Group is the primary beneficiary of a VIE, the Group assesses if the Group has both (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, and if so consolidate the VIE.

Consolidated Variable Interest Entities

VIEs, of which the Group is the primary beneficiary, are involved in Energy Systems & Solutions, and most of those are entities involved in the Nuclear Power Systems Business Unit. The Group has both the power to direct the activities that most significantly affect those VIEs' economic performance and the obligation to absorb losses or the right to receive benefits from the VIEs.

As of March 31, 2020, the total assets of VIE on the consolidated balance sheets was ¥752 million (\$6,899 thousand), and the total liabilities of VIE on the consolidated balance sheets was immaterial. The assets consisted primarily of cash and cash equivalents. As of March 31, 2019, the total assets and liabilities of VIEs on the consolidated balance sheets were ¥2,029 million and ¥3,084 million, respectively. The assets consisted primarily of cash and cash equivalents. The liabilities consisted primarily of Other liabilities.

Unconsolidated Variable Interest Entities

VIEs, of which the Group is not the primary beneficiary but retains significant variable interests, are involved in Others.

For Other VIEs, the Group still retains significant variable interests in a business entity since the Group owns the common stock and convertible preferred stock in Kioxia Holdings Corporation. The Group concluded that it is not the primary beneficiary of the VIE because the Group does not have the power to direct the activities that most significantly affect the VIE's economic performance. The Group accounts for the VIE under the equity method.

On August 30, 2019, the Company transferred a US company, FLNG Liquefaction 3, LLC ("FLIQ3") to Total Gas & Power Asia Private Limited, a Singaporean affiliate of Total S.A, the major energy player. As a result, the Company does not retain any VIEs related to the natural gas liquefaction as of March 31, 2020.

As of March 31, 2020 and 2019, the total assets of those VIEs, carrying amounts of assets and liabilities that relate to the Group's variable interests in the VIEs and the Group's maximum exposures to losses as a result of the Group's involvement with the VIEs are summarized as follows:

With regards to FLIQ3, since the Group is only a party to the LTA and does not have the access to the financial information about the VIE, only maximum exposures to losses are included in the following summary table. The maximum exposures to losses are included in commitments and the unconditional purchase obligation disclosed in Note 22.

March 31, 2020	Millions of yen	
	Other VIEs	
Total assets of VIEs	¥	2,862,169
Carrying amounts of assets that relate to the Group's variable interests in the VIEs		315,666
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs		25,018
Maximum exposures to losses		290,648

March 31, 2019	Millions of yen		
	VIEs involved in Energy Systems & Solutions		Other VIEs
Total assets of VIEs	¥	–	¥ 2,676,540
Carrying amounts of assets that relate to the Group's variable interests in the VIEs		–	380,267
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs		–	13,415
Maximum exposures to losses		1,041,474	366,852

March 31, 2020	Thousands of US dollars	
	Other VIEs	
Total assets of VIEs	\$	26,258,431
Carrying amounts of assets that relate to the Group's variable interests in the VIEs		2,896,018
Carrying amounts of liabilities that relate to the Group's variable interests in the VIEs		229,523
Maximum exposures to losses		2,666,495

Carrying amounts of assets that relate to the Group's variable interests in the VIEs consisted primarily of investments in affiliates. The Group's maximum exposures to losses, which primarily include Deferred tax assets, are generally not the losses anticipated to be incurred as the result of the Group's involvement with the VIEs normal course of business, and are considered to significantly exceed these anticipated losses.

29. SEGMENT INFORMATION

The segments reported below are the components of the Group for which discrete financial information is available and whose results are regularly reviewed by the management of the Group to make decisions about allocation of resources and assess performance.

The Group evaluates the performance of its business segments based on segment operating income (loss). The Group's segment operating income (loss) is derived by deducting the segment's cost of sales, selling, general and administrative expenses and impairment loss on goodwill from net sales. Legal settlement costs etc. are not included in calculating segment operating income (loss).

According to the revision of business group structure by the reorganization as of April 1, 2019, the business segments were reorganized from 6 to 7 segments, (1) Energy Systems & Solutions, (2) Infrastructure Systems & Solutions, (3) Retail & Printing Solutions, (4) Storage & Electronic Devices Solutions, (5) Industrial ICT Solutions and (6) Others into 7 segments, (1) Energy Systems & Solutions, (2) Infrastructure Systems & Solutions, (3) Building Solutions, (4) Retail & Printing Solutions, (5) Electronic Devices & Storage Solutions, (6) Digital Solutions and (7) Others from the year ending March 31 2019

Principal products that belong to each segment are as follows.

Before the Organizational Reforms

(1) Energy Systems & Solutions:	Nuclear power generation systems, Thermal power generation systems, etc.
(2) Infrastructure Systems & Solutions:	Elevators, Light fixtures, Air-conditioners, and Building & facility solutions, etc.
(3) Retail & Printing Solutions:	POS systems, Multi-function peripherals, etc.
(4) Storage & Electronic Devices Solutions:	Semiconductors, Hard disk drives, etc.
(5) Industrial ICT Solutions:	Cloud Solutions, etc.
(6) Others:	Personal computers, etc.

After the Organizational Reforms

(1) Energy Systems & Solutions:	Nuclear power generation systems, Thermal power generation systems, etc.
(2) Infrastructure Systems & Solutions:	Public Infrastructure, Train, Industrial Systems, etc.
(3) Building Solutions:	Elevators, Light fixtures, Air-conditioners
(4) Retail & Printing Solutions:	POS systems, Multi-function peripherals, etc.
(5) Electronic Devices & Storage Solutions:	Semiconductors, Hard disk drives, etc.
(6) Digital Solutions:	Digital Solutions, etc.
(7) Others:	Logistics ,Battery etc.

In line with the review of the business group structure due to the reorganization as of April 1, 2019, the business segments have been changed to 7 segments, "Energy Systems & Solutions," "Infrastructure Systems & Solutions," "Building Solutions," "Retail & Printing Solutions," "Electronic Devices & Storage Solutions," "Digital Solutions" and "Others" from the fiscal year ending March 31, 2020.

BUSINESS SEGMENTS

Financial information by segments as of and for the fiscal years ended March 31, 2020 and 2019 are as follows:

As of and for the fiscal year ended March 31, 2020

Millions of yen

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Building Solutions	Retail & Printing Solutions	Electronic Devices & Storage Solutions	Digital Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales										
(1) Unaffiliated customers	¥ 555,594	¥ 698,759	¥ 565,619	¥ 488,336	¥ 736,664	¥ 198,921	¥ 145,978	¥3,389,871	¥ -	¥3,389,871
(2) Intersegment	13,234	36,232	4,513	2,059	8,887	53,439	175,524	293,888	(293,888)	-
Total	¥ 568,828	¥ 734,991	¥ 570,132	¥ 490,395	¥ 745,551	¥ 252,360	¥ 321,502	¥3,683,759	¥ (293,888)	¥3,389,871
Segment operating income (loss)	¥ 31,798	¥ 47,715	¥ 29,056	¥ 14,477	¥ 13,415	¥ 16,779	¥ (29,730)	¥ 123,510	¥ 6,950	¥ 130,460
Identifiable assets	¥ 652,057	¥ 703,249	¥ 368,933	¥ 330,411	¥ 510,596	¥ 146,845	¥ 732,325	¥3,444,416	¥ (60,983)	¥3,383,433
Depreciation and amortization	10,841	11,710	11,117	13,808	19,644	3,767	8,728	79,615	-	79,615
Capital expenditures	14,839	16,126	20,532	12,525	43,891	3,277	19,506	130,696	-	130,696

As of and for the fiscal year ended March 31, 2019

Millions of yen

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Building Solutions	Retail & Printing Solutions	Electronic Devices & Storage Solutions	Digital Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales										
(1) Unaffiliated customers	¥ 635,382	¥ 686,517	¥ 547,671	¥ 482,853	¥ 917,495	¥ 202,054	¥ 221,567	¥ 3,693,539	¥ -	¥ 3,693,539
(2) Intersegment	17,336	46,936	9,319	2,543	15,478	51,005	190,895	333,512	(333,512)	-
Total	¥ 652,718	¥ 733,453	¥ 556,990	¥ 485,396	¥ 932,973	¥ 253,059	¥ 412,462	¥ 4,027,051	¥ (333,512)	¥ 3,693,539
Segment operating income (loss)	¥ (24,012)	¥ 30,262	¥ 16,925	¥ 20,242	¥ 12,492	¥ 8,099	¥ (33,801)	¥ 30,207	¥ 5,240	¥ 35,447
Identifiable assets	¥ 782,892	¥ 686,897	¥ 373,822	¥ 309,195	¥ 485,087	¥ 126,276	¥ 1,593,664	¥ 4,357,833	¥ (60,489)	¥ 4,297,344
Depreciation and amortization	10,447	11,754	11,664	12,827	18,279	3,464	10,083	78,518	-	78,518
Capital expenditures	12,251	11,988	12,915	13,315	41,608	3,861	11,422	107,360	-	107,360

As of and for the fiscal year ended March 31, 2020

Thousands of US dollars

	Energy Systems & Solutions	Infrastructure Systems & Solutions	Building Solutions	Retail & Printing Solutions	Electronic Devices & Storage Solutions	Digital Solutions	Others	Total	Corporate and Eliminations	Consolidated
Net sales										
(1) Unaffiliated customers	\$ 5,097,193	\$ 6,410,633	\$ 5,189,165	\$ 4,480,147	\$ 6,758,385	\$ 1,824,963	\$ 1,339,248	\$31,099,734	\$ -	\$31,099,734
(2) Intersegment	121,413	332,404	41,404	18,890	81,532	490,266	1,610,311	2,696,220	(2,696,220)	-
Total	\$ 5,218,606	\$ 6,743,037	\$ 5,230,569	\$ 4,499,037	\$ 6,839,917	\$ 2,315,229	\$ 2,949,559	\$33,795,954	\$ (2,696,220)	\$31,099,734
Segment operating income (loss)	\$ 291,725	\$ 437,752	\$ 266,569	\$ 132,817	\$ 123,073	\$ 153,936	\$ (272,753)	\$ 1,133,119	\$ 63,762	\$ 1,196,881
Identifiable assets	\$ 5,982,174	\$ 6,451,826	\$ 3,384,706	\$ 3,031,294	\$ 4,684,367	\$ 1,347,202	\$ 6,718,578	\$31,600,147	\$ (559,477)	\$31,040,670
Depreciation and amortization	99,459	107,431	101,991	126,679	180,220	34,560	80,073	730,413	-	730,413
Capital expenditures	136,138	147,945	188,367	114,908	402,670	30,064	178,954	1,199,046	-	1,199,046

Notes: 1) Transfer prices between segments are determined by mutual agreement of both segments taking into consideration the market price in reference to the general terms and conditions.

2) Business results in the segment information are presented on the basis of the organizational structure as of March 31, 2020.

3) Corporate assets, included in Corporate and Eliminations of Identifiable assets, are mainly marketable securities of the Company.

4) In October 2018, the Company transferred 80.1% of its shares in Toshiba Client Solutions Co., Ltd("TCS") to Sharp Corporation. TCS was deconsolidated from the Group. With this, PC business was excluded from the list of the Group's businesses.

A reconciliation table between the total of the segment operating income and the income from continuing operations, before income taxes and noncontrolling interests for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
The total of the segment operating income	¥ 123,510	¥ 30,207	\$ 1,133,119
Corporate and Eliminations	6,950	5,240	63,762
Sub Total	¥ 130,460	¥ 35,447	\$ 1,196,881
Interest and dividend income	4,245	6,249	38,945
Equity in earnings of affiliates	-	12,901	-
Other income	29,752	49,487	272,954
Interest expenses	(5,409)	(10,563)	(49,624)
Equity in losses of affiliates	(58,957)	-	(540,890)
Other expenses	(147,630)	(82,612)	(1,354,404)
Income (loss) from continuing operations, before income taxes and noncontrolling interests	¥ (47,539)	¥ 10,909	\$ (436,138)

Notes to Consolidated Financial Statements

Toshiba Corporation and Consolidated Subsidiaries
March 31, 2020

Net sales by goods or services for the fiscal year ended March 31, 2020 and 2019 are as follows;

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Energy Systems & Solutions			
Nuclear Power Systems	¥ 140,033	¥ 169,069	\$ 1,284,706
Thermal & Hydro Power Systems	222,504	279,734	2,041,321
Transmission & Distribution Systems	217,619	213,133	1,996,505
Others (Note)	(11,328)	(9,218)	(103,926)
Total	568,828	652,718	5,218,606
Infrastructure Systems & Solutions			
Public Infrastructure	423,235	409,084	3,882,890
Railways and Industrial Systems	382,943	395,098	3,513,239
Others (Note)	(71,187)	(70,729)	(653,092)
Total	734,991	733,453	6,743,037
Building Solution			
Building and Facilities	573,751	560,782	5,263,771
Others (Note)	(3,619)	(3,792)	(33,202)
Total	570,132	556,990	5,230,569
Retail & Printing Solutions			
POS systems, Multi-function peripherals, etc.	490,395	485,396	4,499,037
Electronic Devices & Storage Solutions			
Semiconductor	295,791	354,801	2,713,679
HDDs & Others	449,760	578,172	4,126,238
Total	745,551	932,973	6,839,917
Digital Solutions			
Digital Solutions, etc.	252,360	253,059	2,315,229
Others	321,502	412,462	2,949,560
Eliminations	(293,888)	(333,512)	(2,696,221)
Consolidated	¥ 3,389,871	¥ 3,693,539	\$ 31,099,734

Note: Eliminations related to internal sales are included.

GEOGRAPHIC INFORMATION

Net sales

Net sales by region based on the location of the customer for the fiscal years ended March 31, 2020 and 2019 are as follows:

The Fiscal Year ended March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Japan	¥ 2,002,532	¥ 2,091,625	\$ 18,371,853
Overseas	¥ 1,387,339	¥ 1,601,914	\$ 12,727,881
Asia	755,514	937,850	6,931,321
North America	315,636	328,637	2,895,743
Europe	210,486	229,179	1,931,064
Others	105,703	106,248	969,753
Total	¥ 3,389,871	¥ 3,693,539	\$ 31,099,734

Property, plant and equipment

Property, plant and equipment by region at March 31, 2020 and 2019 are as follows:

March 31	Millions of yen		Thousands of US dollars
	2020	2019	2020
Japan	¥ 449,232	¥ 284,459	\$ 4,121,395
Overseas	¥ 126,578	¥ 101,261	\$ 1,161,266
Asia	81,187	73,507	744,835
North America	26,934	17,824	247,101
Europe	13,447	9,376	123,367
Others	5,010	554	45,963
Total	¥ 575,810	¥ 385,720	\$ 5,282,661

Notes: 1) There are no individually material countries which should be separately disclosed.

2) There are no material sales to a single unaffiliated customer.

3) Property, plant and equipment by region at March 31, 2020 include right-of-use assets of operating leases.

30. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Group's consolidated subsidiaries and related parties

Transactions between the Group's consolidated subsidiaries and related parties as of and for the fiscal years ended March 31, 2020 and 2019 are as follows.

As of and for the fiscal year ended March 31, 2020

Type	Name or name of Company	Location	Capital or investments in capital (Millions of yen)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Kioxia Corporation	Minato-Ku, Tokyo	¥ 223,400	Manufacturing industry	40.20% (Indirect ownership)
	Kioxia Holdings Corporation	Minato-Ku, Tokyo	¥ 10,000	Holding company of Kioxia Corporation	40.20%

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Affiliated company	Kioxia Corporation	Payment for indemnity	Payment for indemnity based on share purchase agreement (Note 1)	¥ 13,290	Accounts payable, other and accrued expenses	¥ 11,112
	Kioxia Holdings Corporation	Provision of collateral	Provision of collateral (Note 2)	—	—	—

As of and for the fiscal year ended March 31, 2019

Type	Name or name of Company	Location	Capital or investments in capital (Millions of yen)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Kioxia Corporation	Minato-Ku, Tokyo	¥ 473,400	Manufacturing industry	40.20% (Indirect ownership)
	Kioxia Holdings Corporation	Minato-Ku, Tokyo	¥ 10,000	Holding company of Kioxia Corporation	40.20%

Type	Name or name of Company	Relationship	Transaction	Amounts (Millions of yen)	Accounts	Ending balance (Millions of yen)
Affiliated company	Kioxia Corporation	Payment for indemnity	Payment for indemnity based on share purchase agreement (Note 1)	¥ 15,519	Accounts payable, other and accrued expenses	¥ 4,989
	Kioxia Holdings Corporation	Provision of collateral	Provision of collateral (Note 2)	—	—	—

As of and for the fiscal year ended March 31, 2020

Type	Name or name of Company	Location	Capital or investments in capital (Thousands of US dollars)	Business description	Holding ratio of voting rights (Owned)
Affiliated company	Kioxia Corporation	Minato-Ku,Tokyo	\$ 2,049,541	Manufacturing industry	40.20% (Indirect ownership)
	Kioxia Holdings Corporation	Minato-Ku,Tokyo	\$ 91,743	Holding company of Kioxia Corporation	40.20%

Type	Name or name of Company	Relationship	Transaction	Amounts (Thousands of US dollars)	Accounts	Ending balance (Thousands of US dollars)
Affiliated company	Kioxia Corporation	Payment for indemnity	Payment for indemnity based on share purchase agreement (Note 1)	\$ 121,927	Accounts payable, other and accrued expenses	\$ 101,945
	Kioxia Holdings Corporation	Provision of collateral	Provision of collateral (Note 2)	-	-	-

Notes: 1) The indemnification clause in the share purchase agreement of Toshiba Memory Corporation (currently Kioxia Corporation) states that the Company has an obligation for the indemnification for any losses incurred as the result of any breach of representations and warranties, the determination of a United States International Trade Commission (USITC) investigation, specific litigations and other patent claims, and any patent license agreements with certain counterparties specified in advance.

2) All the shares of Kioxia Holdings Corporation owned by the Company amounting to 83,956 million yen are provided to financial institutions as collateral for loan agreements that Kioxia Holdings Corporation concludes with financial institutions.

31. SUBSEQUENT EVENTS

The Group has evaluated subsequent events up to June 30, 2020 in accordance with ASC No.855 "Subsequent Events".

Sale of Marketable Securities

On April 1, 2020 the Company sold certain marketable securities, resulting in a gain of approximately 4.2 billion yen (\$39 million) recorded in the first quarter of FY 2020.

Borrowings

In consideration of the possibility of a worsening economic and business situation especially with regards to the impact of COVID-19, the company secured additional cash in the amount of 150.0 billion yen (\$1,376 million) in April 2020.

Sale and Deconsolidation of Toshiba Logistics Co., Ltd

The customer base of Toshiba Logistics Co., Ltd ("TLOG") and its subsidiaries has changed as a result of recent changes in the Group's business portfolio. TLOG and its subsidiaries now provide services not only to the Group but also to other companies and will be affected by these business results. In order to improve its profitability by optimizing its operations and reducing exposure to business risk, the Company signed a share purchase agreement on May 26, 2020 to transfer 66.6% of its shares in TLOG to SBS Holdings, Inc. ("SBSHD"). The company anticipates the completion of all necessary procedures by October 1, 2020. The transfer price is approximately 20.0 billion yen (\$183 million), and the gain on sale from this business transfer of approximately 23.0 billion yen (\$211 million) will be recorded in the period the transaction closes. Subsequent to the share transfer, the Company will continue to hold a 33.4% interest in TLOG. TLOG will be deconsolidated from the Group, and will become an affiliated company, accounted for as an equity method investment.

Sales price adjustment for transfer of shares in Toshiba Client Solutions Co., Ltd. (now renamed Dynabook Inc.).

The Company transferred 80.1% of its shares in Toshiba Client Solutions Co., Ltd ("TCS") to Sharp Corporation on October 1, 2018, and TCS was deconsolidated from the Group. On June 18, 2020, the Company agreed to a sales price adjustment primarily due to differences between the targeted and actual working capital of TCS. The Company also received notification of the exercise of a call option to transfer 19.9% of TCS shares to Sharp Corporation on June 30, 2020. As a result, a gain of approximately 7.1 billion yen (\$65 million) was recorded in the first quarter of FY 2020.



INDEPENDENT AUDITOR'S REPORT

Toshiba Corporation
Representative Executive Officer
President and Chief Executive Officer
Nobuaki Kurumatani

Opinion

We have audited the consolidated financial statements of Toshiba Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in “US Dollar Amounts” within the notes to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kentaro Iwao
Designated Engagement Partner
Certified Public Accountant

Shinichi Kishi
Designated Engagement Partner
Certified Public Accountant

Takeshi Tadokoro
Designated Engagement Partner
Certified Public Accountant

Masahide Kato
Designated Engagement Partner
Certified Public Accountant

/s/PricewaterhouseCoopers Aarata LLC

July 30, 2020

● **Forward-looking statements**

- The information contained herein shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration, or qualification under the securities laws of any such jurisdiction. This presentation contains forward-looking statements concerning future plans, strategies and the performance of Toshiba Group.
- These forward-looking statements are not historical facts, rather they are based on management's assumptions and beliefs in light of the economic, financial and other data currently available. Since Toshiba Group promotes business in various market environments in many countries and regions, its activities are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore wishes to caution readers that actual results might differ materially from its expectations.

● **Regarding items reported in this Financial Report**

- Any corrections made to this Financial Report will be published on our website, as referenced above.

● **Product names may be trademarks of the respective companies.**