

TOSHIBA

Leading Innovation >>>



2017 | Annual Report

For the Year Ended March 31, 2017

TOSHIBA TEC CORPORATION

Financial Highlights

Years ended March 31

| Consolidated | Millions of yen | | | | | Thousands of U.S. dollars |
|--|-----------------|----------|----------|-----------|----------|------------------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2017 |
| Net sales | ¥403,693 | ¥498,894 | ¥524,577 | ¥532,818 | ¥497,611 | \$4,435,431 |
| Ordinary income (loss) | 14,867 | 20,920 | 10,391 | (2,298) | 12,534 | 111,721 |
| Net income (loss) attributable to owners of parent | 6,212 | 7,448 | (1,149) | (103,449) | 7,758 | 69,151 |
| Total assets | 388,512 | 393,136 | 416,769 | 281,615 | 269,393 | 2,401,221 |
| Net assets | 176,558 | 186,033 | 203,108 | 70,359 | 76,047 | 677,841 |
| | Yen | | | | | U.S. dollars |
| Per share data: | | | | | | |
| Net income (loss) attributable to owners of parent-Basic | ¥22.64 | ¥27.14 | ¥(4.18) | ¥(376.69) | ¥28.24 | \$0.25 |
| Net assets | 549.42 | 578.90 | 623.35 | 208.93 | 238.07 | 2.12 |
| Non-Consolidated | Millions of yen | | | | | Thousands of U.S. dollars |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2017 |
| Net sales | ¥233,686 | ¥261,258 | ¥265,840 | ¥261,496 | ¥260,894 | \$2,325,466 |
| Ordinary income (loss) | 5,302 | 10,362 | 12,668 | (1,186) | 39,375 | 350,967 |
| Net income (loss) | 3,901 | 2,355 | 9,376 | (115,933) | 36,402 | 324,467 |
| Capital stock | 39,970 | 39,970 | 39,970 | 39,970 | 39,970 | 356,271 |
| Total assets | 244,368 | 257,506 | 293,447 | 189,623 | 214,940 | 1,915,857 |
| Net assets | 127,428 | 127,812 | 136,109 | 18,301 | 54,759 | 488,092 |
| | Yen | | | | | U.S. dollars |
| Per share data: | | | | | | |
| Net income (loss)-Basic | ¥14.22 | ¥8.58 | ¥34.15 | ¥(422.15) | ¥132.51 | \$1.18 |
| Cash dividends | 8.00 | 8.00 | 13.00 | – | 2.00 | 0.02 |
| Net assets | 463.99 | 465.23 | 495.26 | 66.21 | 198.93 | 1.77 |

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥112.19=US\$1.00, the exchange rate prevailing on March 31, 2017.

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Business Review for the Consolidated Fiscal Year 2016

Regarding the global economy in the consolidated fiscal year 2016, the US and Europe experienced a gradual recovery, and in Asia the economy was generally firm. In the Japanese economy, despite a gradual recovery in exports and capital investment, a lack of vigor in personal consumption, among other factors, kept the economy from achieving a full-fledged recovery.

Under such circumstances, the Toshiba Tec Group has been diligently working to become “a global one-stop solutions company” under the three pillars of its business strategy, namely “growth of global retail business”, “expansion of solutions and service business”, and “establishment of a steadily profitable organization through cost reduction and productivity improvement”.

Net sales were ¥497,611 million (down 7% compared to the previous consolidated fiscal year), partially due to the effect of exchange rates. Meanwhile, with regard to income/loss, exchange rates were a factor that reduced profits, but owing to factors such as increased profitability on higher sales of POS systems for the domestic market, a decline in depreciation and amortization in the global commerce solutions business, and the effect of a decline in selling, general and administrative expenses, operating income was ¥14,649 million (up ¥13,048 million year-on-year), ordinary income was ¥12,534 million (ordinary loss of ¥2,298 million during the previous consolidated fiscal year) and net income attributable to owners of parent was ¥7,758 million (net loss attributable to owners of parent of ¥103,449 million during the previous consolidated fiscal year).

Furthermore, Toshiba Tec Corporation has not paid dividends since the interim dividend for the previous consolidated fiscal year. However, with the significant recovery in business performance in the fiscal year 2016 and because the conditions were met for making dividend payments owing to various capital policies, Toshiba Tec Corporation will resume dividend payments from the year-end dividend for the fiscal year 2016, with a year-end dividend of ¥2 per share.

The business highlights for each report segment in the consolidated fiscal year 2016 are described below.

Retail Solutions Business

The retail solutions business, which deals with POS systems for domestic and overseas markets, and MFPs, Automatic Identification systems and related products for the Japanese market, was committed to developing new products appropriate to market needs, expanding sales of core products, promoting area marketing, along with reinforcing cost competitiveness to improve the profit structure, in what continues to be a highly competitive business environment.

In POS systems for the Japanese market, sales increased owing to favorable sales, mainly of POS systems for mass retailers and restaurants.

As for POS systems for overseas markets, sales declined owing in part to the effect of exchange rates, but excluding the effect of exchange rates, sales were on par with the previous year.

Sales of MFP for the Japanese market decreased, attributable in part to a lower number of units sold.

Regarding Automatic Identification systems for the Japanese market, although sales of supply products declined, sales were on par with the previous year, owing to growth in the number of units sold of mobile printers for the logistics and other industries.

As a result, net sales from the retail solutions business were ¥320,773 million (down 1% compared to the previous consolidated fiscal year). Meanwhile, operating income was ¥11,260 million (an operating loss of ¥11,480 million during the previous consolidated fiscal year), due to factors such as increased profitability on higher sales of POS systems for the domestic market, a decline in depreciation and amortization in the global commerce solutions business, and the effect of a decline in selling, general and administrative expenses.

Printing Solutions Business

The printing solutions business, which deals with MFPs for overseas markets, Automatic Identification systems and related products for overseas markets, and inkjets for domestic and overseas markets, focused efforts on expanding sales of strategic products, while pioneering vertical markets and new business fields, and expanding sales through the promotion of an alliance strategy, against a difficult business background marked by tough competition.

Concerning MFPs for overseas markets, despite a focus on expanding sales of strategic products, sales declined, owing in part to intensified competition and the effect of exchange rates.

In Automatic Identification systems for overseas markets, sales decreased owing to factors including a reactionary decline due to a concentration of large-scale projects in the previous consolidated fiscal year in the US, and the effect of exchange rates.

Sales of inkjets increased due to higher sales to customers in Japan, North America, and Asia.

As a result, net sales from the printing solutions business were ¥189,148 million (down 14% compared to the previous consolidated fiscal year). Operating income was ¥3,389 million (down 74% year-on-year), owing partially to the effects of exchange rates, lower sales, and higher selling, general and administrative expenses.

Note: Automatic Identification (AI) system refers to systems that contain hardware and software to automatically retrieve, identify and manage from barcodes and IC tags.

Forecasts for Fiscal Year 2017

With regard to the global economy, a gradual recovery is expected to continue in the US and Europe, and in Asia the economy is expected to be generally firm, centered on China. In Japan, although personal consumption is expected to continue to lack vigor, a gradual recovery is expected, caused by a gradual recovery in exports and capital investment.

Under such circumstances, the Toshiba Tec Group will unite as one, and diligently work to become “a global one-stop solutions company” under the three pillars of its business strategy, namely “growth of global retail business”, “expansion of solutions and service business”, and “establishment of a steadily profitable organization through cost reduction and productivity improvement”.

Main measures on a segment basis for fiscal year 2017 ending March 31, 2018 are as follows:

Retail Solutions Business

In the retail solutions business, efforts will be made to increase business, through expanded sales of POS systems that are leading products in both domestic and overseas markets and of MFPs and Automatic Identification systems as well as related products that are major ones in the Japanese market. Concurrent efforts will be also made toward the provision of total solutions, including the development and release of new ones appropriate to market needs, the deployment of sales and marketing structures tailored to specific regions, the enhancement of service and supply businesses, and the optimization of sales and service networks.

Printing Solutions Business

In the printing solutions business, efforts will be made to enhance profitability, through expanded sales of MFPs, Automatic Identification systems and related products in overseas markets and of inkjet heads that are important products in both domestic and overseas markets. Also, efforts will be made to develop and release strategic new products, deploy sales and marketing structures tailored to specific regions, optimize sales and service networks, and strengthen business in emerging markets.

Consolidated Balance Sheet

As of March 31, 2017 and 2016

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------------|---------------------------------------|
| | 2017 | 2016 | 2017 |
| Current assets | | | |
| Cash and deposits (Note 14) | ¥46,129 | ¥22,217 | \$411,169 |
| Notes and accounts receivable-trade | 63,769 | 76,470 | 568,402 |
| Merchandise and finished goods | 32,849 | 38,468 | 292,798 |
| Work in process | 1,629 | 1,960 | 14,520 |
| Raw materials and supplies | 6,100 | 6,428 | 54,372 |
| Deferred tax assets (Note 12) | 7,560 | 4,913 | 67,386 |
| Other | 32,900 | 47,009 | 293,253 |
| Allowance for doubtful accounts | (2,572) | (2,774) | (22,925) |
| Total current assets | 188,367 | 194,694 | 1,679,000 |
| Non-current assets | | | |
| Property, plant and equipment: | | | |
| Buildings and structures | 25,480 | 27,875 | 227,115 |
| Accumulated depreciation | (19,038) | (20,995) | (169,694) |
| Buildings and structures, net | 6,441 | 6,880 | 57,412 |
| Machinery, equipment and vehicles | 43,742 | 42,957 | 389,892 |
| Accumulated depreciation | (36,279) | (35,451) | (323,371) |
| Machinery, equipment and vehicles, net | 7,462 | 7,506 | 66,512 |
| Tools, furniture and fixtures | 47,441 | 48,204 | 422,863 |
| Accumulated depreciation | (41,536) | (43,659) | (370,229) |
| Tools, furniture and fixtures, net | 5,904 | 4,544 | 52,625 |
| Land | 1,640 | 2,119 | 14,618 |
| Lease assets | 11,220 | 11,805 | 100,009 |
| Accumulated depreciation | (4,874) | (5,093) | (43,444) |
| Lease assets, net | 6,346 | 6,711 | 56,565 |
| Construction in progress | 1,272 | 3,583 | 11,338 |
| | 29,068 | 31,345 | 259,096 |
| Intangible assets: | | | |
| Goodwill | 6,053 | 8,633 | 53,953 |
| Customer relationships | 639 | 710 | 5,696 |
| Other | 7,624 | 7,596 | 67,956 |
| | 14,317 | 16,940 | 127,614 |
| Investments and other assets: | | | |
| Investment securities (Note 16) | 5,350 | 4,881 | 47,687 |
| Asset for retirement benefits (Note 4) | 2,204 | 1,325 | 19,645 |
| Deferred tax assets (Note 12) | 16,731 | 17,227 | 149,131 |
| Other | 14,008 | 15,262 | 124,860 |
| Allowance for doubtful accounts | (655) | (61) | (5,838) |
| | 37,640 | 38,635 | 335,502 |
| Total non-current assets | 81,026 | 86,921 | 722,221 |
| Total assets | ¥269,393 | ¥281,615 | \$2,401,221 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

| LIABILITIES AND NET ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
| | 2017 | 2016 | 2017 |
| Current liabilities | | | |
| Notes and accounts payable-trade | ¥61,860 | ¥71,175 | \$551,386 |
| Short-term loans payable (Note 3) | 1,048 | 3,407 | 9,341 |
| Lease obligations (Note 3) | 4,033 | 4,435 | 35,948 |
| Accounts payable - other | 24,044 | 29,557 | 214,315 |
| Accrued expenses | 13,816 | 13,234 | 123,148 |
| Income taxes payable (Note 12) | 5,485 | 3,643 | 48,890 |
| Other (Note 12) | 32,786 | 33,149 | 292,236 |
| Total current liabilities | 143,076 | 158,604 | 1,275,301 |
| Non-current liabilities | | | |
| Lease obligations (Note 3) | 5,172 | 5,954 | 46,100 |
| Net defined benefit liability (Note 4) | 35,066 | 38,687 | 312,559 |
| Other (Note 3 and 12) | 10,030 | 8,010 | 89,402 |
| Total non-current liabilities | 50,269 | 52,652 | 448,070 |
| Total liabilities | 193,346 | 211,256 | 1,723,380 |
| Shareholders' equity | | | |
| Capital stock | | | |
| Authorized-1,000,000 thousand shares | | | |
| Issued- 288,146 thousand shares | 39,970 | 39,970 | 356,271 |
| Capital surplus | 11 | 52,970 | 98 |
| Retained earnings | 19,722 | (41,006) | 175,791 |
| Treasury stock, at cost: | | | |
| 13,414 thousand shares in 2017 | (5,488) | - | (48,917) |
| 13,505 thousand shares in 2016 | - | (5,523) | - |
| Total shareholders' equity | 54,217 | 46,411 | 483,261 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 1,581 | 1,476 | 14,092 |
| Deferred gains or losses on hedges | (6) | 71 | (53) |
| Foreign currency translation adjustments | 8,927 | 11,740 | 79,570 |
| Minimum pension liability adjustments | (720) | (461) | (6,418) |
| Remeasurements of defined benefit plans | 1,407 | (1,857) | 12,541 |
| Total accumulated other comprehensive income | 11,189 | 10,969 | 99,733 |
| Subscription rights to shares | 104 | 116 | 927 |
| Non-controlling interests | 10,537 | 12,862 | 93,921 |
| Total net assets | 76,047 | 70,359 | 677,841 |
| Total liabilities and net assets | ¥269,393 | ¥281,615 | \$2,401,221 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Income

Years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|------------|---------------------------------------|
| | 2017 | 2016 | 2017 |
| Net sales | ¥497,611 | ¥532,818 | \$4,435,431 |
| Cost of sales (Notes 4 and 8) | 298,128 | 315,732 | 2,657,349 |
| Gross profit | 199,483 | 217,085 | 1,778,082 |
| Selling, general and administrative expenses (Notes 4, 6, 8 and 19) | 184,833 | 215,483 | 1,647,500 |
| Operating income | 14,649 | 1,601 | 130,573 |
| Non-operating income: | | | |
| Interest | 250 | 345 | 2,228 |
| Dividends income | 95 | 93 | 847 |
| Gain on sales of investment securities | – | 97 | – |
| Foreign exchange gains | 616 | – | 5,491 |
| Other | 459 | 273 | 4,091 |
| Total non-operating income | 1,421 | 810 | 12,666 |
| Non-operating expenses: | | | |
| Interest expenses | 639 | 962 | 5,696 |
| Loss on sales and retirement of non-current assets | 173 | 35 | 1,542 |
| Foreign exchange losses | – | 837 | – |
| Loss on valuation of derivatives | 629 | 542 | 5,607 |
| Foreign withholding taxes | 571 | 55 | 5,090 |
| Other | 1,522 | 2,277 | 13,566 |
| Total non-operating expenses | 3,536 | 4,711 | 31,518 |
| Ordinary profit (loss) | 12,534 | (2,298) | 111,721 |
| Extraordinary income: | | | |
| Gain on sales of shares of subsidiaries | 2,114 | – | 18,843 |
| Total extraordinary income | 2,114 | – | 18,843 |
| Extraordinary expenses: | | | |
| Impairment loss (Note 9) | – | 85,023 | – |
| Restructuring cost (Note 10) | 1,002 | 1,440 | 8,931 |
| Loss on transfer of business (Note 11) | – | 325 | – |
| Total extraordinary expenses | 1,002 | 86,788 | 8,931 |
| Income (loss) before income taxes | 13,646 | (89,087) | 121,633 |
| Income taxes (Note 12): | | | |
| Current | 8,623 | 12,514 | 76,861 |
| Deferred | (1,461) | 965 | (13,023) |
| Total | 7,162 | 13,479 | 63,838 |
| Net income (loss) | 6,484 | (102,566) | 57,795 |
| Net income (loss) attributable to: | | | |
| Non-controlling interests | (1,274) | 882 | (11,356) |
| Owners of parent | ¥7,758 | ¥(103,449) | \$69,151 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Per share data (Note 23) | | | |
| Net income (loss) attributable to owners of parent-Basic | ¥28.24 | ¥(376.69) | \$0.25 |
| Cash dividends | ¥2.00 | – | \$0.02 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|------------|---------------------------------------|
| | 2017 | 2016 | 2017 |
| Net income (loss) | ¥6,484 | ¥(102,566) | \$57,795 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 106 | (38) | 945 |
| Deferred gains or losses on hedges | (77) | 67 | (686) |
| Foreign currency translation adjustments | (3,232) | (7,268) | (28,808) |
| Minimum pension liability adjustments | (332) | 202 | (2,959) |
| Remeasurements of defined benefit plans | 3,266 | (2,290) | 29,111 |
| Total other comprehensive income (Note 7) | (269) | (9,327) | (2,398) |
| Comprehensive income (loss) | ¥6,214 | ¥(111,894) | \$55,388 |
| Comprehensive income (loss) attributable to: | | | |
| Owners of parent | 7,978 | (111,884) | 71,112 |
| Non-controlling interests | (1,764) | (9) | (15,723) |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Years ended March 31, 2017 and 2016

| | Millions of yen | | | | |
|--|----------------------|-----------------|-------------------|-------------------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at April 1, 2016 | ¥39,970 | ¥52,970 | ¥(41,006) | ¥(5,523) | ¥46,411 |
| Changes during the year | | | | | |
| Net income attributable to owners of parent | - | - | 7,758 | - | 7,758 |
| Purchase of treasury stock | - | - | - | (10) | (10) |
| Disposal of treasury stock | - | 11 | - | 45 | 57 |
| Deficit disposition | - | (52,970) | 52,970 | - | - |
| Net changes of items other than shareholders' equity | - | - | - | - | - |
| Balance at March 31, 2017 | ¥39,970 | ¥11 | ¥19,722 | ¥(5,488) | ¥54,217 |

| | Millions of yen | | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|------------------------------------|--|---------------------------------------|---|--|-------------------------------|---------------------------|------------------|
| | Accumulated other comprehensive income | | | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Minimum pension liability adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at April 1, 2016 | ¥1,476 | ¥71 | ¥11,740 | ¥(461) | ¥(1,857) | ¥10,969 | ¥116 | ¥12,862 | ¥70,359 |
| Changes during the year | | | | | | | | | |
| Net income attributable to owners of parent | - | - | - | - | - | - | - | - | 7,758 |
| Purchase of treasury stock | - | - | - | - | - | - | - | - | (10) |
| Disposal of treasury stock | - | - | - | - | - | - | - | - | 57 |
| Deficit disposition | - | - | - | - | - | - | - | - | - |
| Net changes of items other than shareholders' equity | 104 | (77) | (2,812) | (258) | 3,264 | 220 | (11) | (2,325) | (2,116) |
| Balance at March 31, 2017 | ¥1,581 | ¥(6) | ¥8,927 | ¥(720) | ¥1,407 | ¥11,189 | ¥104 | ¥10,537 | ¥76,047 |

| | Thousands of U.S. dollars | | | | |
|--|---------------------------|-----------------|-------------------|-------------------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at April 1, 2016 | \$356,271 | \$472,145 | \$(365,505) | \$(49,229) | \$413,682 |
| Changes during the year | | | | | |
| Net income attributable to owners of parent | - | - | 69,151 | - | 69,151 |
| Purchase of treasury stock | - | - | - | (89) | (89) |
| Disposal of treasury stock | - | 98 | - | 401 | 508 |
| Deficit disposition | - | (472,145) | 472,145 | - | - |
| Net changes of items other than shareholders' equity | - | - | - | - | - |
| Balance at March 31, 2017 | \$356,271 | \$98 | \$175,791 | \$(48,917) | \$483,261 |

| | Thousands of U.S. dollars | | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|------------------------------------|--|---------------------------------------|---|--|-------------------------------|---------------------------|------------------|
| | Accumulated other comprehensive income | | | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Minimum pension liability adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at April 1, 2016 | \$13,156 | \$633 | \$104,644 | \$(4,109) | \$(16,552) | \$97,772 | \$1,034 | \$114,645 | \$627,141 |
| Changes during the year | | | | | | | | | |
| Net income attributable to owners of parent | - | - | - | - | - | - | - | - | 69,151 |
| Purchase of treasury stock | - | - | - | - | - | - | - | - | (89) |
| Disposal of treasury stock | - | - | - | - | - | - | - | - | 508 |
| Deficit disposition | - | - | - | - | - | - | - | - | - |
| Net changes of items other than shareholders' equity | 927 | (686) | (25,065) | (2,300) | 29,094 | 1,961 | (98) | (20,724) | (18,861) |
| Balance at March 31, 2017 | \$14,092 | \$(53) | \$79,570 | \$(6,418) | \$12,541 | \$99,733 | \$927 | \$93,921 | \$677,841 |

| | Millions of yen | | | | |
|--|----------------------|-----------------|-------------------|-------------------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at April 1, 2015 | ¥39,970 | ¥52,965 | ¥64,364 | ¥(5,542) | ¥151,759 |
| Changes during the year | | | | | |
| Cash Dividends (Note 22) | - | - | (1,922) | - | (1,922) |
| Net loss attributable to owners of parent | - | - | (103,449) | - | (103,449) |
| Purchase of treasury stock | - | - | - | (18) | (18) |
| Disposal of treasury stock | - | 5 | - | 37 | 42 |
| Net changes of items other than shareholders' equity | - | - | - | - | - |
| Balance at March 31, 2016 | ¥39,970 | ¥52,970 | ¥(41,006) | ¥(5,523) | ¥46,411 |

| | Accumulated other comprehensive income | | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|------------------------------------|--|---------------------------------------|---|--|-------------------------------|---------------------------|------------------|
| | Millions of yen | | | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Minimum pension liability adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at April 1, 2015 | ¥1,513 | ¥3 | ¥18,014 | ¥(568) | ¥440 | ¥19,404 | ¥116 | ¥31,828 | ¥203,108 |
| Changes during the year | | | | | | | | | |
| Cash Dividends (Note 22) | - | - | - | - | - | - | - | - | (1,922) |
| Net loss attributable to owners of parent | - | - | - | - | - | - | - | - | (103,449) |
| Purchase of treasury stock | - | - | - | - | - | - | - | - | (18) |
| Disposal of treasury stock | - | - | - | - | - | - | - | - | 42 |
| Net changes of items other than shareholders' equity | (37) | 67 | (6,274) | 106 | (2,297) | (8,435) | (0) | (18,965) | (27,401) |
| Balance at March 31, 2016 | ¥1,476 | ¥71 | ¥11,740 | ¥(461) | ¥(1,857) | ¥10,969 | ¥116 | ¥12,862 | ¥70,359 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Numbers of shares in issue: 288,146 thousand shares in the fiscal year ended March 31, 2017.

Consolidated Statement of Cash Flows

Years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
| | 2017 | 2016 | 2017 |
| Cash flows from operating activities | | | |
| Income (loss) before income taxes | ¥13,646 | ¥(89,087) | \$121,633 |
| Depreciation and amortization | 13,955 | 19,496 | 124,387 |
| Impairment loss (Note 9) | – | 85,023 | – |
| Increase (decrease) in allowance for doubtful accounts | 618 | (1,807) | 5,509 |
| Increase in net defined benefit liability | 410 | 602 | 3,655 |
| Interest and dividends income | (345) | (439) | (3,075) |
| Interest expenses | 639 | 962 | 5,696 |
| Loss on sales and retirement of property, plant and equipment | 173 | 35 | 1,542 |
| Gain on sales of investment securities | (2,114) | (97) | (18,843) |
| Restructuring cost (Note 10) | 1,002 | 1,440 | 8,931 |
| Loss on transfer of business | – | 325 | – |
| Changes in assets and liabilities: | | | |
| Decrease in notes and accounts receivable-trade | 7,816 | 1,708 | 69,668 |
| Decrease (increase) in inventories | 4,815 | (2,348) | 42,918 |
| Decrease in notes and accounts payable-trade | (4,165) | (15,665) | (37,125) |
| Other, net | 7,961 | 12,335 | 70,960 |
| Subtotal | 44,413 | 12,484 | 395,873 |
| Interest and dividends income received | 338 | 443 | 3,013 |
| Interest expenses paid | (723) | (875) | (6,444) |
| Income taxes paid | (7,012) | (7,484) | (62,501) |
| Net cash provided by operating activities | 37,016 | 4,567 | 329,940 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | (6,356) | (8,724) | (56,654) |
| Proceeds from sales of property, plant and equipment | 649 | 1,176 | 5,785 |
| Purchases of intangible assets | (2,534) | (5,376) | (22,587) |
| Proceeds from transfer of business | – | 600 | – |
| Purchases of investment securities | (399) | (19) | (3,556) |
| Proceeds from sales of investment securities | 4 | 167 | 36 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14) | – | (1,279) | – |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 14) | 1,747 | 20 | 15,572 |
| Net decrease (increase) in short-term loans receivable | (2) | 3,362 | (18) |
| Payments of long-term loans receivable | (29) | (13) | (258) |
| Collections of long-term loans receivable | 13 | 15 | 116 |
| Other, net | 32 | 279 | 285 |
| Net cash used in investing activities | (6,876) | (9,789) | (61,289) |
| Cash flows from financing activities | | | |
| Net increase (decrease) in short-term loans payable | (2,256) | 1,028 | (20,109) |
| Proceeds from long-term loans payable | – | 3 | – |
| Repayments of long-term loans payable | (3) | (3) | (27) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | – | (19,120) | – |
| Repayments of finance lease obligations | (2,823) | (3,046) | (25,163) |
| Purchase of treasury stock | (10) | (18) | (89) |
| Cash dividends paid | (4) | (1,925) | (36) |
| Cash dividends paid to non-controlling shareholders | (397) | (899) | (3,539) |
| Other, net | 57 | 40 | 508 |
| Net cash used in financing activities | (5,439) | (23,941) | (48,480) |
| Effect of exchange rate change on cash and cash equivalents | (1,231) | (3,141) | (10,972) |
| Net increase (decrease) in cash and cash equivalents | 23,468 | (32,304) | 209,181 |
| Cash and cash equivalents at beginning of period | 22,660 | 54,964 | 201,979 |
| Cash and cash equivalents at end of period (Note 14) | ¥46,129 | ¥22,660 | \$411,169 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of TOSHIBA TEC CORPORATION (the “Company”) have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Solely for the convenience of the readers, the consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥112.19 = US\$1.00 prevailing as of March 31, 2017. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollar at the above or any other rate of exchange. As permitted by the Financial Instruments and Exchange Act of Japan, fractions below ¥1 million are rounded off.

2. Summary of Significant Accounting Policies

(A) Basis of Consolidation and Accounting of Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, “Companies”). For the years ended March 31, 2017 and 2016, the accounts of 82 and 86 subsidiaries, respectively are consolidated. All significant inter-company transactions and accounts are eliminated in consolidation.

The difference between the cost of investments in subsidiaries and the fair value of the net assets acquired at the dates of acquisition is recognized as goodwill in the consolidated balance sheet and principally amortized by the straight-line method over 5 to 15 years.

The Company has no unconsolidated subsidiary and the affiliated companies to which the equity method of accounting has been applied for the years ended March 31, 2017 and 2016.

From the perspective of immateriality, the investments in the remaining unconsolidated subsidiaries and the affiliated companies are stated at cost.

Because they are not important as a whole, Advanced Supply Manufacturing Corporation and another company are excluded from the scope of equity method.

Certain subsidiaries have the fiscal year end which differs from that of the Company. As a result, adjustments have been made for any significant transactions as needed in consolidation that took place during the period between the fiscal year end of the subsidiaries and the fiscal year end of the Company.

(B) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated cash flow statement consists of cash-in-hand, deposits readily convertible into cash, and short-term investments with low risk of price fluctuations and with a maturity of three months or less at the time of acquisition.

(C) Investment Securities

Marketable securities classified as “Investment securities” are recorded at fair value, and net unrealized gains or losses after tax effect adjustments are presented as “Valuation difference on available-for-sale-securities” as a component of “Accumulated

other comprehensive income” under “Net assets” in the consolidated balance sheets. Cost of securities sold is determined by the moving average method.

Non-marketable securities classified as “Investment securities” are carried at cost, which is determined by the moving average method.

(D) Inventories

Finished goods, merchandises and semi-finished components are principally stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. Work-in-process and raw materials are principally stated at the lower of cost, determined by the moving average method, or net realizable value. Supplies are principally stated at the latest purchase cost method.

(E) Property, Plant and Equipment and Depreciation excluding leases

Property, plant and equipment are depreciated by the straight-line method over their estimated useful lives.

The useful lives of principal property, plant and equipment are summarized as follows:

| | |
|-----------------------------------|----------------|
| Buildings and structures | 15 to 38 years |
| Machinery, equipment and vehicles | 5 to 13 years |
| Tools, furniture and fixtures | 2 to 7 years |

(F) Intangible Assets and Amortization excluding leases

Intangible assets except for software developed for sales in the market are amortized by the straight-line method. Amortization for software developed for sales in the market is recorded at the greater of either an amortizable amount based on the estimated sales revenue or an amortizable amount based on a straight-line method over remaining valid sales period. Software for internal use is amortized by the straight-line method over its estimated useful life.

(G) Leases

The Companies lease certain equipment under non-cancelable lease agreements referred to as finance leases. Depreciation of lease assets is calculated by the straight-line method over the lease period with no residual value.

(H) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivable from companies in financial difficulty.

(I) Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss.

Assets and liabilities of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, and revenue and expense items are translated into Japanese yen at average exchange rates during the period. Differences arising from such translation are included in foreign currency translation adjustments and Non-controlling interests in consolidated subsidiaries as a separate component of “Net assets”.

(J) Retirement Benefits

The estimated amount of retirement benefits for employees is attributed to each period by the benefit formula method.

Prior service cost is amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition.

Actuarial gain or loss are amortized on a straight-line basis over a period (mainly 10 years), which is shorter than the average remaining years of service of the eligible employees, from the fiscal year following the fiscal year in which differences arise.

Unrecognized actuarial gain or loss and unrecognized prior service cost, net of tax, are recognized as "Remeasurement of defined benefit plans" in "Accumulated other comprehensive income" of "Net assets".

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at the current fiscal year end, approximate net defined benefit liability at year-end.

(K) Income Taxes, Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the temporary differences are expected to reverse. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

The Company and its wholly owned domestic subsidiaries file their consolidated tax return in Japan.

(L) Consumption Taxes

Consumption taxes withheld from sales and paid upon purchasing goods and services by the Companies are not included in revenues and expenses.

(M) Derivative Financial Instruments

The Company and certain subsidiaries have entered into forward foreign exchange contracts to reduce the risk of fluctuation in exchange rate in the foreign currency transactions related to accounts receivable and payable denominated in foreign currency.

Derivative financial instruments are reported at fair value with unrealized gain or loss recognized in income, except for those which meet the criteria for the deferral hedge accounting under which unrealized gains or losses are deferred as "Deferred gains or losses on hedges" in "Accumulated other comprehensive income" of "Net assets".

Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(N) Change in presentation

(Consolidated Balance Sheet)

"Accounts receivable – other" separately presented for the year ended March 31, 2016, is included in "Other" under "Current assets" since those amounts are less than the amount of 5% of total assets. To reflect this change in the presentation, the previous consolidated financial statement and related foot note amounts are reclassified.

As a result of this change, "Accounts receivable – other" of ¥20,168 million separately presented under "Current assets" in the previous consolidated financial statements is reclassified as "Other".

"Accrued expenses" included in "Other" under "Current liabilities" for the year ended March 31, 2016, is separately presented under "Current liabilities" since those amounts exceed the amount of 5% of total liabilities and net assets. To reflect this change in the presentation, the previous consolidated financial statements and related foot note amounts are reclassified.

As a result of this change, "Accrued expenses" of ¥13,234 million included in "Other" under "Current liabilities" in the previous consolidated financial statements is separately presented as "Accrued expenses".

(Consolidated Statement of Income)

"Foreign withholding taxes" included in "Other" under "Non-operating expenses" for the year ended March 31, 2016, is separately presented since those amounts exceed the amount of 10% of total Non-operating expenses. To reflect this change in the presentation, the previous consolidated financial statements and related foot note amounts are reclassified.

As a result of this change, "Other" collectively presented in the previous consolidated financial statements is reclassified as "Foreign withholding taxes" and "Other" under "Non-operating expenses".

(Consolidated Statement of Cash Flows)

"Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation" included in "Other" under "Cash flows from investing activities" for the year ended March 31, 2016, is separately presented since its quantitative materiality increased. To reflect this change in the presentation, the previous consolidated financial statements and related foot note amounts are reclassified.

As a result of this change, "Other" collectively presented in the previous consolidated financial statements are reclassified as "Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation" and "Other".

(O) Additional Information

The company adopted Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016), effective from April 1, 2016.

3. Short-Term Loans Payable and Long-Term Debt

The short-term loans payable and long-term debt (including lease obligations) at March 31, 2017 and 2016, consist of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|---------|---------------------------|
| | 2017 | 2016 | 2017 |
| Short-term loans payable | ¥1,048 | ¥3,407 | \$9,341 |
| Long-term loans payable | 11 | 16 | 98 |
| | ¥1,059 | ¥3,423 | \$9,439 |
| Lease obligations | 9,206 | 10,390 | 82,057 |
| Less current portion | (4,033) | (4,435) | (35,948) |
| | ¥5,172 | ¥5,954 | \$46,100 |

The average interest rate for short-term loans outstanding at March 31, 2017 and 2016 is 1.29% and 1.26%, respectively.

The average interest rate for long-term loans outstanding at March 31, 2017 and 2016 is 2.49% and 2.52%, respectively.

The average interest rate for lease obligations is omitted because the Companies recorded the amount of lease payments inclusive of interest in the Consolidated Balance Sheet.

The aggregate annual maturities of lease obligations (excluding the current portion) outstanding at March 31, 2017 are as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|-------------------------|-----------------|------------------------------|
| 2019 | ¥1,293 | \$11,525 |
| 2020 | 1,293 | 11,525 |
| 2021 | 1,293 | 11,525 |
| 2022 | 1,293 | 11,525 |
| | ¥5,172 | \$46,100 |

4. Retirement Benefits

1. Summary of Retirement Benefit Plans

The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans.

In defined benefit plans which are fully funded, the benefits are determined by reference to qualification and length of service and paid on a lump-sum or annuity basis.

In defined benefit plans which are fully unfunded, the benefits are determined by reference to assessment and qualification and paid on a lump-sum basis.

In addition, a part of subsidiaries use a simplified method for the calculation of defined benefit liability and retirement benefit cost of their defined benefit pension plans and lump-sum payment plans.

The Company and its certain domestic subsidiaries have adopted defined contribution pension plans since October 1, 2015.

It replaces a part of the fund for lump-sum retirement benefit plans to a defined contribution pension plan, under which the employees manage the fund by themselves. The Company pays the amount equivalent to the employer's contributions defined in the treatment of the defined contribution pension plan as an advance payment of retirement benefits to the employees who do not want to participate in the defined contribution pension plan.

2. Defined Benefit Plans

1) The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2016 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|------------------------------|
| | 2017 | 2016 | 2017 |
| Balance at the beginning of the year | ¥91,438 | ¥88,869 | \$815,028 |
| Service cost | 3,597 | 3,649 | 32,062 |
| Interest cost | 868 | 1,021 | 7,737 |
| Actuarial gain or loss | (2,738) | 2,141 | (24,405) |
| Retirement benefit paid | (3,779) | (4,083) | (33,684) |
| Other | (234) | (159) | (2,086) |
| Balance at the end of the year | ¥89,152 | ¥91,438 | \$794,652 |

2) The changes in plan assets during the years ended March 31, 2017 and 2016 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|------------------------------|
| | 2017 | 2016 | 2017 |
| Balance at the beginning of the year | ¥54,077 | ¥54,333 | \$482,013 |
| Expected return on plan assets | 1,151 | 1,243 | 10,259 |
| Actuarial gain or loss | 418 | (2,072) | 3,726 |
| Contributions by the Company | 3,281 | 3,370 | 29,245 |
| Retirement benefits paid | (2,515) | (2,349) | (22,417) |
| Other | (123) | (447) | (1,096) |
| Balance at the end of the year | ¥56,290 | ¥54,077 | \$501,738 |

3) The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2017 | 2016 | 2017 |
| Funded retirement benefit obligation | ¥53,405 | ¥55,581 | \$476,023 |
| Plan assets | (56,290) | (54,077) | (501,738) |
| | ¥(2,885) | ¥1,504 | \$(25,715) |
| Unfunded retirement benefit obligation | ¥35,747 | ¥35,856 | \$318,629 |
| Net liability for retirement benefits in the balance sheet | ¥32,861 | ¥37,361 | \$292,905 |
| Net defined benefit liability | ¥35,066 | ¥38,687 | \$312,559 |
| Asset for retirement benefits | (2,204) | (1,325) | (19,645) |
| Net liability for retirement benefits in the balance sheet | ¥32,861 | ¥37,361 | \$292,905 |

4) The components of retirement benefit expense for the years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------|------------------------------|
| | 2017 | 2016 | 2017 |
| Service cost | ¥3,597 | ¥3,649 | \$32,062 |
| Interest cost | 868 | 1,021 | 7,737 |
| Expected return on plan assets | (1,151) | (1,243) | (10,259) |
| Amortization of actuarial loss | 897 | 92 | 7,995 |
| Amortization of prior service cost | 662 | 835 | 5,901 |
| Retirement benefit expenses | ¥4,874 | ¥4,355 | \$43,444 |

5) Retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|----------|------------------------------|
| | 2017 | 2016 | 2017 |
| Prior service cost | ¥662 | ¥921 | \$5,901 |
| Actuarial gain (loss) | 4,054 | (4,207) | 36,135 |
| | ¥4,716 | ¥(3,286) | \$42,036 |

6) Retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|----------|------------------------------|
| | 2017 | 2016 | 2017 |
| Unrecognized prior service cost | ¥333 | ¥(329) | \$2,968 |
| Unrecognized actuarial loss | 1,676 | (2,390) | 14,939 |
| | ¥2,009 | ¥(2,719) | \$17,907 |

7) The plan assets

1. The plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016

| | 2017 | 2016 |
|---|------|------|
| Bonds | 34% | 39% |
| Alternatives | 27% | 25% |
| Stocks | 21% | 23% |
| Life insurance company general accounts | 9% | 9% |
| Other | 9% | 4% |
| Total | 100% | 100% |

Note: "Alternatives" are mainly investments in hedge funds and real estates.

2. How to set the expected long-term rate of return on plan assets

The Companies set the expected long-term rate of return in consideration of target portfolio of plan assets, expected long-term rate of return and past performance.

8) The assumptions used in actuarial calculation

| | 2017 | 2016 |
|--|-------------|-------------|
| Discount rate | Mainly 1.2% | Mainly 1.2% |
| Expected long term rate of return on plan assets | Mainly 2.5% | Mainly 2.5% |
| Expected salary increase rate | Mainly 5.3% | Mainly 5.3% |

3. Defined Contribution Plans

Amounts which the Companies contributed to their defined contribution plans for the years ended March 31, 2017 and 2016 are ¥1,657 million (\$14,770thousand) and ¥1,993 million, respectively.

5. Contingent Liabilities

Contingent liabilities at March 31, 2017 and 2016 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
| | 2017 | 2016 | 2017 |
| Trade notes discounted | ¥128 | ¥112 | \$1,141 |
| Guarantees on employees' housing loans | 92 | 134 | 820 |

6. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended at March 31, 2017 and 2016 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|---------|---------------------------|
| | 2017 | 2016 | 2017 |
| Personnel expenses | ¥78,542 | ¥95,613 | \$700,080 |
| Retirement benefit expenses | 4,552 | 4,986 | 40,574 |
| Research and development expenses | 24,913 | 24,998 | 222,061 |

7. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2017 and 2016 are follows:

Reclassification adjustment and income tax relating to other comprehensive income

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2017 | 2016 | 2017 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | | | |
| Amount incurred | ¥152 | ¥(9) | \$1,355 |
| Amount of recycling | (0) | (98) | (0) |
| Amount before tax effect adjustments | 152 | (108) | 1,355 |
| Tax effect adjustments | (46) | 70 | (410) |
| Valuation difference on available-for-sale securities | ¥106 | ¥(38) | \$945 |
| Deferred gains or losses on hedges | | | |
| Amount incurred | ¥(9) | ¥102 | \$(80) |
| Amount of recycling | (102) | (5) | (909) |
| Amount before tax effect adjustments | (112) | 96 | (998) |
| Tax effect adjustments | 34 | (29) | 303 |
| Deferred gains or losses on hedges | ¥(77) | ¥67 | \$(686) |
| Foreign currency translation adjustments | | | |
| Amount incurred | ¥(3,241) | ¥(7,268) | \$(28,888) |
| Amount of recycling | 9 | – | 80 |
| Amount before tax effect adjustments | (3,232) | (7,268) | (28,808) |
| Tax effect adjustments | – | – | – |
| Foreign currency translation adjustments | ¥(3,232) | ¥(7,268) | \$(28,808) |
| Minimum pension liability adjustments | | | |
| Amount incurred | ¥(541) | ¥354 | \$(4,822) |
| Tax effect adjustments | 208 | (151) | 1,854 |
| Minimum pension liability adjustments | ¥(332) | ¥202 | \$(2,959) |
| Retirement benefit liability adjustments | | | |
| Amount incurred | ¥3,156 | ¥(4,213) | \$28,131 |
| Amount of recycling | 1,559 | 927 | 13,896 |
| Amount before tax effect adjustments | 4,716 | (3,286) | 42,036 |
| Tax effect adjustments | (1,450) | 995 | (12,925) |
| Retirement benefit liability adjustments | ¥3,266 | ¥(2,290) | \$29,111 |
| Total other comprehensive income | ¥(269) | ¥(9,327) | \$(2,398) |

8. Research and Development Expenses

Research and development costs included in administrative expenses and manufacturing cost for the years ended March 31, 2017 and 2016 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2017 | 2016 | 2017 |
| | ¥28,161 | ¥27,584 | \$251,012 |

9. Impairment Loss

Year ended March 31, 2017

Not applicable

Year ended March 31, 2016

The Companies are grouping the assets by the minimum unit that generates almost independent cash flows based on the classification for management accounting purpose.

The Companies recognized impairment loss in an amount of ¥85,023 million under “Extraordinary expenses” for the year ended March 31, 2016.

The detail is as follows.

1. Impairment loss of Toshiba Global Commerce Solutions Holdings Corporation and its subsidiaries

| Usage | Type | Amount (Millions of yen) | Place |
|---------------------|-----------------------------------|-----------------------------|----------------|
| – | Goodwill | ¥24,489 | USA and others |
| Assets for business | Buildings and structures | 799 | USA and others |
| | Machinery, equipment and vehicles | 629 | |
| | Tools, furniture and fixtures | 239 | |
| | Construction in progress | 553 | |
| | Customer relationships | 32,071 | |
| | Other intangible assets | 25,774 | |

For Global Commerce Solution Business, the Company recognized impairment loss of ¥84,557 million.

After the acquisition of Global Commerce Solution Business in August 2012, the Company made efforts in development of the business and creation of synergy, however in October 2015, it was found that an investment restraint tendency of the main customers became remarkable, and uncertainties increased in the future of the demand. As a result of reviewing a medium-term business plan including the setup timing and the cost of the new operation system based on above situations conservatively, and having carried out the impairment test, the Company recognized impairment loss of ¥65,781 million in the second quarter ended September 30, 2015.

In addition, as a result of having carried out the impairment test after having reviewed sales plan due to the reviews of projects for new customers, the Company recognized impairment loss of ¥18,776 million on non-current assets including customer related assets (customer list) and operation system for the business in the fourth quarter ended March 31, 2016.

The recoverable value is measured in terms of value in use and calculated by discounting future cash flows at 10.0%.

2. Impairment loss of Mifuku factory

| Usage | Type | Amount (Millions of yen) | Place |
|---------------------|--------------------------|-----------------------------|---------------------|
| Assets for business | Buildings and structures | ¥465 | Izunokuni, Shizuoka |

As a result of appraisal Mifuku factory by an independent real estate appraiser at the time of sales and purchase agreement on the real estate, the carrying amounts of these assets were reduced to the recoverable amount, and impairment loss of ¥465 million was recognized under “Extraordinary expenses”.

10. Restructuring Cost

The contents of Restructuring Cost for the year ended March 31, 2017 and 2016 are extra retirement benefit payments and the costs associated with the disposal of overseas operations.

11. Loss on Transfer of Business

Year ended March 31, 2017

Not applicable

Year ended March 31, 2016

The content is a loss on the business transfer of TEC PRECISION CO., LTD. to Kyoden Co., Ltd.

12. Income Taxes and Deferred Tax Assets and Liabilities

1. Main items of deferred tax assets and liabilities for the years ended March 31, 2017 and 2016 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2017 | 2016 | 2017 |
| Deferred tax assets: | | | |
| Elimination of consolidated unrealized gains | ¥1,615 | ¥1,529 | \$14,395 |
| Intangible assets | 23,922 | 27,255 | 213,228 |
| Provision for bonuses | 2,829 | 1,935 | 25,216 |
| Net liability for retirement benefits | 9,731 | 10,888 | 86,737 |
| Loss carried forward | 15,539 | 9,566 | 138,506 |
| Other | 5,095 | 7,834 | 45,414 |
| Total gross deferred tax assets | ¥58,734 | ¥59,010 | \$523,523 |
| Valuation allowance | (34,442) | (36,869) | (306,997) |
| Total deferred tax assets | ¥24,292 | ¥22,141 | \$216,526 |
| Deferred tax liabilities: | | | |
| Reserve for advanced depreciation of non-current assets | ¥(246) | ¥(246) | \$(2,193) |
| Valuation difference on available-for-sale securities | (670) | (630) | (5,972) |
| Other | (4,849) | (2,970) | (43,221) |
| Total deferred tax liabilities | ¥(5,766) | ¥(3,847) | \$(51,395) |
| Net deferred tax assets | ¥18,525 | ¥18,294 | \$165,122 |

Note: Net deferred tax assets are included as below on consolidated balance sheet for the years ended March 31, 2017 and 2016.

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------|-----------------|---------|---------------------------|
| | 2017 | 2016 | 2017 |
| Current assets - | | | |
| Deferred tax assets | ¥7,560 | ¥4,913 | \$67,386 |
| Non-current assets - | | | |
| Deferred tax assets | 16,731 | 17,227 | 149,131 |
| Current liabilities - | | | |
| Other | (44) | (57) | (392) |
| Non-current liabilities - | | | |
| Other | (5,721) | (3,789) | (50,994) |

2. Difference between statutory tax rate and effective tax rate
The following table summarizes the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2017 and 2016.

| | 2017 | 2016 |
|---|-------|------|
| Statutory tax rate | 30.9% | |
| Effect of: | | |
| Different tax rates applied to income of foreign subsidiaries | (7.1) | |
| Expenses permanently not deductible for income tax purposes | 1.1 | |
| Income permanently not taxable for income tax purpose | (0.3) | Note |
| Corporation tax special credit for research expenditures | (4.4) | |
| Changes in valuation allowance | 20.2 | |
| Amortization of goodwill of foreign subsidiaries | 5.4 | |
| Other, net | 6.7 | |
| Effective tax rates | 52.5% | |

Note: The information for the year ended March 31, 2016 is omitted, because the Company recorded loss before income taxes.

3. Effect of a change in the corporate income tax rate
The "Act for Partial Amendment of Act for Partial Amendment of the Consumption Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security," and the "Act for Partial Amendment of Act for Partial Amendment of the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security," were enacted by the Diet on November 18, 2016.
As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities is changed.
The effect of the change of the effective statutory tax rate is minor.

13. Leases

(A) Finance Lease as a lessee

Finance Lease transactions, except for those which meet the conditions that the ownership of the leased assets was transferred to the lessee.

- The content of lease assets: Mainly machinery and equipment
- Depreciation method of lease assets:
Please refer to Note 2 Summary of Significant Accounting Policies (G) Leases.

(B) Operating Lease as a lessee

Future minimum lease payments for non-cancelable operating leases are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|--------|---------------------------|
| | 2017 | 2016 | 2017 |
| Payment due within 1 year | ¥2,937 | ¥873 | \$26,179 |
| Payment due in more than 1 year | 8,923 | 2,848 | 79,535 |
| | ¥11,860 | ¥3,722 | \$105,714 |

(C) Finance Lease as a lessor

1. Details of investment lease

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|------|---------------------------|
| | 2017 | 2016 | 2017 |
| 1) Investment lease - current assets | | | |
| Lease revenues receivable | ¥1,379 | ¥344 | \$12,292 |
| Interests receivable | (53) | (18) | (472) |
| | ¥1,325 | ¥326 | \$11,810 |

2) Investment lease - others

| | | | |
|---------------------------|--------|------|----------|
| Lease revenues receivable | ¥2,613 | ¥407 | \$23,291 |
| Interests receivable | (338) | (21) | (3,013) |
| | ¥2,275 | ¥385 | \$20,278 |

2. Expected collectible amounts of lease revenues receivable are as follows :

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------|-----------------|------|---------------------------|
| | 2017 | 2016 | 2017 |
| Within 1 year | ¥1,379 | ¥344 | \$12,292 |
| Between 1 to 2 years | 691 | 195 | 6,159 |
| Between 2 to 3 years | 669 | 135 | 5,963 |
| Between 3 to 4 years | 634 | 55 | 5,651 |
| Between 4 to 5 years | 617 | 20 | 5,500 |
| More than 5 years | 0 | - | 0 |
| | ¥3,993 | ¥751 | \$35,591 |

(D) Operating Lease as a lessor

Future minimum lease payments for non-cancelable operating leases are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|--------|---------------------------|
| | 2017 | 2016 | 2017 |
| Payment due within 1 year | ¥459 | ¥668 | \$4,091 |
| Payment due in more than 1 year | 602 | 977 | 5,366 |
| | ¥1,061 | ¥1,646 | \$9,457 |

(E) Other related information

Future minimum lease payments for non-cancelable operating sub-leases are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------|-----------------|--------|---------------------------|
| | 2017 | 2016 | 2017 |
| Investment lease | | | |
| Current assets | ¥1,186 | ¥1,370 | \$10,571 |
| Others | 1,868 | 2,370 | 16,650 |
| | ¥3,054 | ¥3,741 | \$27,222 |
| Lease expenses payable | | | |
| Current liabilities | ¥1,186 | ¥1,370 | \$10,571 |
| Fixed liabilities | 1,868 | 2,370 | 16,650 |
| | ¥3,054 | ¥3,741 | \$27,222 |

14. Consolidated Statement of Cash Flows

1. Reconciliation of cash and cash equivalents at the end of the period on Consolidated Statement of Cash Flows and cash and deposits on Consolidated Balance Sheet

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|---------|---------------------------|
| | 2017 | 2016 | 2017 |
| Cash and deposits | ¥46,129 | ¥22,217 | \$411,169 |
| Group deposits | – | 443 | – |
| | ¥46,129 | ¥22,660 | \$411,169 |

2. Business divestitures through equity acquisition

Year ended March 31, 2017

Not applicable

Year ended March 31, 2016

The Company acquired TOSHIBA TEC MALAYSIA SDN. BHD., Tele Dynamics Solution Sdn. Bhd., B Excellence Sdn. Bhd. and TOSHIBA TEC (THAILAND) CO., LTD. during the year ended March 31, 2016.

Assets and liabilities of the acquired companies and the relationship with net payments for the acquisition are as follows:

| | Millions of yen |
|------------------------------|-----------------|
| Current assets | ¥4,527 |
| Non-current assets | 3,262 |
| Goodwill | 278 |
| Current liabilities | (3,296) |
| Non-current liabilities | (1,720) |
| Non-controlling interests | (1,358) |
| Total acquisition cost | ¥1,693 |
| Cash and cash equivalents | (413) |
| Net payments for acquisition | ¥1,279 |

3. Business combination through sales of shares of subsidiaries

Year ended March 31, 2017

The Company newly established TOSEI CORPORATION by means of corporate separation.

The breakdown of asset and liability, total sale value and proceeds from sales at the time of the exclusion of TOSEI CORPORATION from the scope of consolidation due to sales of stock are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Current assets | ¥3,349 | \$29,851 |
| Non-current assets | 855 | 7,621 |
| Current liabilities | (3,634) | (32,391) |
| Non-current liabilities | (166) | (1,480) |
| Profit on sales of shares of subsidiaries | 2,114 | 18,843 |
| Total sale value | ¥2,520 | \$22,462 |
| Cash and cash equivalents | (772) | (6,881) |
| Proceeds from sales | ¥1,747 | \$15,572 |

Year ended March 31, 2016

It is not stated because the amount is immaterial.

4. The content of important non-cash transactions

The amount of non-cash transactions on assets and liabilities under finance lease is ¥3,643 million (\$32,472 thousand) and ¥3,710 million (\$33,069 thousand) for the year ended March 31, 2017 and ¥3,594 million and ¥3,632 million for the year ended March 31, 2016, respectively.

15. Financial Instruments

Overview

1. Policy for financial instruments

The Companies, in principle, limit the scope of its cash and fund management activities to short-term deposits, etc.

The Companies use derivatives for the purpose of reducing risks (described below) and don't enter into derivatives for speculative or trading purposes.

2. Types of financial instruments and related risks

Trade receivables (Notes and accounts receivable-trade) are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange rate fluctuation risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange rate fluctuation risk deriving from the trade receivables denominated in foreign currencies, net of trade payables denominated in the same currencies, are hedged by forward foreign exchange contracts.

Investment securities are exposed to market risk. These are the equity securities of certain enterprises with which the Companies have business relationships.

Substantially all trade payables (Notes and accounts payable-trade) are due within one year. Although the Companies are exposed to foreign currency exchange rate fluctuation risk arising from those payables denominated in foreign currencies. However the volume of trade payable is in the range of accounts receivable of the same currency.

Short-term loans payable are mainly for financing related to operating activities by bank loans.

Regarding derivatives, the Companies enter into forward foreign exchange contracts and options to reduce the foreign currency exchange rate fluctuation risk arising from the receivables and payables denominated in foreign currencies.

With regard to instruments, targets, policies and methods of evaluating the effectiveness of the hedge, please refer to Note 2 Summary of Significant Accounting Policies (M) Derivative Financial Instruments.

3. Risk management for financial instruments

- 1) Monitoring of credit risks (the risks that related to breach of contract with client)

The Company adheres to the internal policies for its trade receivables by having the Credit Managing division monitor the status of major counterparties regularly and managing due dates and balances by counterparty, while working to detect early and mitigate any concerns about collection due to the deterioration in their financial positions and other reasons.

- 2) Monitoring of market risks (the risks arising from fluctuations in foreign exchanges rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Companies identify the foreign currency exchange rate fluctuation risk for each currency on a monthly basis and enter into forward foreign exchange contracts to hedge such risk.

The Financial Division manages risks on derivative transactions, in accordance with the internal policies.

Monthly reports including actual transaction data are submitted to Chief Financial Officer for their review.

For marketable and investment securities, the Companies periodically review the fair values of such financial instruments and the financial position of the issuers. In addition, the Companies continuously evaluate whether securities should be maintained taking into account their fair values and relationships with the issuers.

- 3) Monitoring of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Companies prepare and update their cash flow plans on a timely basis to manage liquidity risk.

4. Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, the fair value is determined based on reasonable estimates. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 17 Derivative Transactions are not indicative of the actual market risk involved in derivative transactions.

Fair Value

Year ended March 31, 2017

The carrying value of financial instruments in the consolidated balance sheet as of March 31, 2017, and their fair value are as follows:

Items without market value are not included in the securities in the table. (See Note2)

| | Millions of yen | | |
|---|----------------------------|------------|------------|
| | Consolidated balance sheet | Fair value | Difference |
| (a) Cash and deposits | ¥46,129 | ¥46,129 | - |
| (b) Notes and accounts receivable-trade | 63,769 | | |
| Allowance for doubtful accounts ^{(*)1} | (3,211) | | |
| | 60,558 | 60,558 | - |
| (c) Marketable and investment securities | 3,412 | 3,412 | - |
| Total assets | 110,100 | 110,100 | - |
| (d) Notes and accounts payable-trade | (61,860) | (61,860) | - |
| (e) Short- term loans payable | (1,048) | (1,048) | - |
| (f) Accounts payable - other | (24,044) | (24,044) | - |
| (g) Lease obligations ^{(*)2} | (9,206) | (8,881) | (325) |
| Total liabilities | (96,160) | (95,835) | (325) |
| (h) Derivative transactions ^{(*)3} | (189) | (189) | - |

| | Thousands of U.S. dollars | | |
|---|----------------------------|------------|------------|
| | Consolidated balance sheet | Fair value | Difference |
| (a) Cash and deposits | \$411,169 | \$411,169 | - |
| (b) Notes and accounts receivable-trade | 568,402 | | |
| Allowance for doubtful accounts ^{(*)1} | (28,621) | | |
| | 539,781 | 539,781 | - |
| (c) Marketable and investment securities | 30,413 | 30,413 | - |
| Total assets | 981,371 | 981,371 | - |
| (d) Notes and accounts payable-trade | (551,386) | (551,386) | - |
| (e) Short- term loans payable | (9,341) | (9,341) | - |
| (f) Accounts payable - other | (214,315) | (214,315) | - |
| (g) Lease obligations ^{(*)2} | (82,057) | (79,160) | (2,897) |
| Total liabilities | (857,117) | (854,221) | (2,897) |
| (h) Derivative transactions ^{(*)3} | (1,685) | (1,685) | - |

^{(*)1} Allowance for doubtful accounts provided for individual customers are deducted.

^{(*)2} Lease obligations scheduled to be repaid within one year are included.

^{(*)3} The value of assets and liabilities arising from derivatives is shown at net value. The liability position is shown in parenthesis.

Note: 1. Method to determine the fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and deposits and (b) Notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying value approximates the fair value.

(c) Marketable and investment securities

The fair value of marketable and investment securities is based on the quoted market price. For information on securities by each holding purpose, please refer to Note 16 Securities.

(d) Notes and accounts payable-trade, (e) Short-term loans payable and (f) Accounts payable - other

Since these items are settled in a short period of time, their carrying value approximates the fair value.

(g) Lease obligations

The fair market value is calculated by discounting the total amount of the principal and interest based on the reasonably estimated interest rate for similar borrowings.

(h) Derivative transactions

Please refer to Note 17 Derivative Transactions.

2. Financial instruments for which an observable market price or observable inputs used to determine a market price doesn't exist

| | Millions of yen | Thousands of U.S. dollars |
|-----------------|-----------------|---------------------------|
| Unlisted stocks | ¥1,937 | \$17,265 |

Because an observable market price or observable inputs used to determine a market price doesn't exist, the above financial instruments are not included in (c) Marketable and investment securities in the above table.

Year ended March 31, 2016

The carrying value of financial instruments in the consolidated balance sheet as of March 31, 2016, and their fair value are as follows:

Items without market value are not included in the securities in the table. (See Note2)

| | Millions of yen | | |
|---|----------------------------|------------|------------|
| | Consolidated balance sheet | Fair value | Difference |
| (a) Cash and deposits | ¥22,217 | ¥22,217 | - |
| (b) Group deposits | 443 | 443 | - |
| (c) Notes and accounts receivable-trade | 76,470 | | |
| Allowance for doubtful accounts ^{(*)1} | (2,752) | | |
| | 73,717 | 73,717 | - |
| (d) Accounts receivable - other | 20,168 | 20,168 | - |
| (e) Marketable and investment securities | 3,232 | 3,232 | - |
| Total assets | 119,778 | 119,778 | - |
| (f) Notes and accounts payable-trade | (71,175) | (71,175) | - |
| (g) Short- term loans payable | (3,407) | (3,407) | - |
| (h) Accounts payable - other | (29,557) | (29,557) | - |
| Total liabilities | (104,140) | (104,140) | - |
| (i) Derivative transactions ^{(*)2} | 329 | 329 | - |

^{(*)1} Allowance for doubtful accounts provided for individual customers are deducted.

^{(*)2} The value of assets and liabilities arising from derivatives is shown at net value. The liability position is shown in parenthesis.

Note: 1. Method to determine the fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and deposits, (b) Group deposits, (c) Notes and accounts receivable-trade and (d) Accounts receivable - other

Since these items are settled in a short period of time, their carrying value approximates the fair value.

(e) Marketable and investment securities

The fair value of marketable and investment securities is based on the quoted market price. For information on securities by each holding purpose, please refer to Note 16 Securities.

(f) Notes and accounts payable-trade, (g) Short-term loans payable and (h) Accounts payable - other

Since these items are settled in a short period of time, their carrying value approximates the fair value.

(i) Derivatives transaction

Please refer to Note 17 Derivative Transactions.

2. Financial instruments for which an observable market price or observable inputs used to determine a market price doesn't exist

| | Millions of yen |
|-----------------|-----------------|
| Unlisted stocks | ¥1,649 |

Because an observable market price or observable inputs used to determine a market price doesn't exist, the above financial instruments are not included in (e) Marketable and investment securities in the above table.

16. Securities

1. Information regarding marketable securities as of March 31, 2017 and 2016 are as follows:

| | Millions of yen | | | | | |
|--|-----------------|------------------|------------------------|----------------|------------------|------------------------|
| | 2017 | | | 2016 | | |
| | Carrying value | Acquisition cost | Unrealized gain (loss) | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Investment securities whose carrying value exceeds their acquisition cost: | | | | | | |
| Stocks | ¥3,376 | ¥1,000 | ¥2,375 | ¥3,117 | ¥931 | ¥2,185 |
| Investment securities whose acquisition cost exceeds their carrying value: | | | | | | |
| Stocks | 35 | 38 | (2) | 114 | 132 | (18) |
| Total | ¥3,412 | ¥1,039 | ¥2,373 | ¥3,232 | ¥1,064 | ¥2,167 |

| | Thousands of U.S. dollars | | |
|--|---------------------------|------------------|------------------------|
| | 2017 | | |
| | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Investment securities whose carrying value exceeds their acquisition cost: | | | |
| Stocks | \$30,092 | \$8,913 | \$21,169 |
| Investment securities whose acquisition cost exceeds their carrying value: | | | |
| Stocks | 312 | 339 | (18) |
| Total | \$30,413 | \$9,261 | \$21,152 |

2. The proceeds from sales of securities, except those of the affiliated companies, for the years ended March 31, 2017 and 2016 are as follows:

| | Millions of yen | | | | | |
|--------|-----------------|---------------|---------------|----------|---------------|---------------|
| | 2017 | | | 2016 | | |
| | Proceeds | Realized gain | Realized loss | Proceeds | Realized gain | Realized loss |
| Stocks | ¥177 | ¥17 | ¥4 | ¥167 | ¥115 | ¥17 |

| | Thousands of U.S. dollars | | |
|--------|---------------------------|---------------|---------------|
| | 2017 | | |
| | Proceeds | Realized gain | Realized loss |
| Stocks | \$1,578 | \$152 | \$36 |

3. Information regarding non-marketable securities as of March 31, 2017 and 2016 is as follows.

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------|---------------------------|
| | 2017 | 2016 | 2017 |
| | Carrying value | | Carrying value |
| Investment securities | | | |
| Unlisted stocks | ¥1,937 | ¥1,649 | \$17,265 |
| Total | ¥1,937 | ¥1,649 | \$17,265 |

17. Derivative Transactions

1. Summarized below are the amount of contract and the fair value of the derivative transaction for which the hedge accounting is not applied.

Transaction outside the market Currency-related transactions

| | Millions of yen | | | | | |
|------------------------------------|------------------------|------------------------------|------------------------|------------------------|------------------------------|------------------------|
| | 2017 | | | 2016 | | |
| | Contract amount | Fair value | Unrealized gain (loss) | Contract amount | Fair value | Unrealized gain (loss) |
| | Maturing within 1 year | Maturing in more than 1 year | | Maturing within 1 year | Maturing in more than 1 year | |
| Forward foreign exchange contracts | | | | | | |
| Sell: | | | | | | |
| USD | ¥29,903 | ¥- | ¥(148) | ¥18,167 | ¥- | ¥354 |
| EUR | 7,512 | - | 97 | 7,675 | - | 90 |
| Buy: | | | | | | |
| USD | 12,277 | - | (136) | 5,991 | - | (148) |
| EUR | 771 | - | 7 | 6,959 | - | (26) |
| CNY | - | - | - | 14,355 | - | (47) |
| GBP | - | - | - | 1,619 | - | (4) |
| Total | ¥50,465 | ¥- | ¥(179) | ¥54,770 | ¥- | ¥217 |

| | Thousands of U.S. dollars | | |
|------------------------------------|---------------------------|------------------------------|------------------------|
| | 2017 | | |
| | Contract amount | Fair value | Unrealized gain (loss) |
| | Maturing within 1 year | Maturing in more than 1 year | |
| Forward foreign exchange contracts | | | |
| Sell: | | | |
| USD | \$266,539 | \$- | \$(1,319) |
| EUR | 66,958 | - | 865 |
| Buy: | | | |
| USD | 109,430 | - | (1,212) |
| EUR | 6,872 | - | 62 |
| CNY | - | - | - |
| GBP | - | - | - |
| Total | \$449,817 | \$- | \$(1,596) |

*Calculation of the fair value is based on the value from financial institutions.

2. Summarized below are the amount of contract and the fair value of the derivative transaction for which the hedge accounting is applied.

Currency-related transactions

1) Net deferred gains or losses on hedges

| | | Millions of yen | | | |
|------------------------------------|---------------------------|------------------------|------------------------------|-------------|--|
| | | 2017 | | Fair value | |
| Main hedged items | | Contract amount | | | |
| | | Maturing within 1 year | Maturing in more than 1 year | | |
| Forward foreign exchange contracts | | | | | |
| Sell: | | | | | |
| USD | Accounts receivable-trade | ¥3,211 | ¥- | ¥10 | |
| EUR | Accounts receivable-trade | 3,505 | - | 1 | |
| AUD | Accounts receivable-trade | 339 | - | (10) | |
| CAD | Accounts receivable-trade | 237 | - | 3 | |
| Buy: | | | | | |
| USD | Accounts payable-trade | 6,554 | - | (13) | |
| USD | Accounts payable-other | 82 | - | (1) | |
| EUR | Accounts payable-trade | 261 | - | 2 | |
| Total | | ¥14,191 | ¥- | ¥(9) | |

| | | Millions of yen | | | |
|------------------------------------|---------------------------|------------------------|------------------------------|-------------|--|
| | | 2016 | | Fair value | |
| Main hedged items | | Contract amount | | | |
| | | Maturing within 1 year | Maturing in more than 1 year | | |
| Forward foreign exchange contracts | | | | | |
| Sell: | | | | | |
| USD | Accounts receivable-trade | ¥3,938 | ¥- | ¥96 | |
| EUR | Accounts receivable-trade | 1,675 | - | 31 | |
| AUD | Accounts receivable-trade | 682 | - | (7) | |
| CAD | Accounts receivable-trade | 182 | - | 3 | |
| Buy: | | | | | |
| USD | Accounts payable-trade | 4,500 | - | (11) | |
| EUR | Accounts payable-trade | 178 | - | (0) | |
| CNY | Accrued expenses | 1 | - | (0) | |
| Total | | ¥11,159 | ¥- | ¥111 | |

| | | Thousands of U.S. dollars | | | |
|------------------------------------|---------------------------|---------------------------|------------------------------|---------------|--|
| | | 2017 | | Fair value | |
| Main hedged items | | Contract amount | | | |
| | | Maturing within 1 year | Maturing in more than 1 year | | |
| Forward foreign exchange contracts | | | | | |
| Sell: | | | | | |
| USD | Accounts receivable-trade | \$28,621 | \$- | \$89 | |
| EUR | Accounts receivable-trade | 31,242 | - | 9 | |
| AUD | Accounts receivable-trade | 3,022 | - | (89) | |
| CAD | Accounts receivable-trade | 2,112 | - | 27 | |
| Buy: | | | | | |
| USD | Accounts payable-trade | 58,419 | - | (116) | |
| USD | Accounts payable-other | 731 | - | (9) | |
| EUR | Accounts payable-trade | 2,326 | - | 18 | |
| Total | | \$126,491 | \$- | \$(80) | |

*Calculation of the fair value is based on the value from financial institutions.

2) Forward foreign exchange contracts, for which the deferral hedge accounting is applied

| | | Millions of yen | | | |
|------------------------------------|---------------------------|------------------------|------------------------------|--------------|--|
| | | 2017 | | Fair value | |
| Main hedged items | | Contract amount | | | |
| | | Maturing within 1 year | Maturing in more than 1 year | | |
| Forward foreign exchange contracts | | | | | |
| Sell: | | | | | |
| USD | Accounts receivable-trade | ¥159 | ¥- | ¥1 | |
| AUD | Accounts receivable-trade | 1,099 | - | (36) | |
| CAD | Accounts receivable-trade | 375 | - | (2) | |
| Buy: | | | | | |
| USD | Accounts payable-trade | 490 | - | 1 | |
| USD | Accounts payable-other | 74 | - | (0) | |
| AUD | Accounts payable-other | 266 | - | (1) | |
| Total | | ¥2,466 | ¥- | ¥(37) | |

| | | Millions of yen | | | |
|------------------------------------|---------------------------|------------------------|------------------------------|--------------|--|
| | | 2016 | | Fair value | |
| Main hedged items | | Contract amount | | | |
| | | Maturing within 1 year | Maturing in more than 1 year | | |
| Forward foreign exchange contracts | | | | | |
| Sell: | | | | | |
| USD | Accounts receivable-trade | ¥335 | ¥- | ¥15 | |
| AUD | Accounts receivable-trade | 393 | - | (3) | |
| CAD | Accounts receivable-trade | 553 | - | 14 | |
| Buy: | | | | | |
| USD | Accounts payable-trade | 1,196 | - | (61) | |
| AUD | Accounts payable-other | 249 | - | (0) | |
| Total | | ¥2,728 | ¥- | ¥(35) | |

| Thousands of U.S. dollars | | | | |
|------------------------------------|---------------------------|------------------------|------------------------------|------------|
| 2017 | | | | |
| Main hedged items | | Contract amount | | Fair value |
| | | Maturing within 1 year | Maturing in more than 1 year | |
| Forward foreign exchange contracts | | | | |
| Sell: | | | | |
| USD | Accounts receivable-trade | \$1,417 | \$ – | \$9 |
| AUD | Accounts receivable-trade | 9,796 | – | (321) |
| CAD | Accounts receivable-trade | 3,343 | – | (18) |
| Buy: | | | | |
| USD | Accounts payable-trade | 4,368 | – | 9 |
| USD | Accounts payable-other | 660 | – | (0) |
| AUD | Accounts payable-other | 2,371 | – | (9) |
| Total | | \$21,981 | \$ – | \$(330) |

*Calculation of the fair value is based on the value from financial institutions.

18. Segment Information

(A) Business Segments

1. Summary of reportable segments

The reportable segments of the Companies are components of an entity for which discrete financial information is available and regularly reviewed by the Board of Directors for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

The Companies report on "Retail Solutions Business Companies" and "Printing Solutions Business Companies" as reportable segments.

"Retail Solutions Business Group" is engaged in development, manufacturing, sales, maintenance services, etc. of POS Systems, MFPs and Auto ID systems for domestic market and POS Systems, printers and solution related products for overseas market.

"Printing Solution Business Group" is engaged in development, manufacturing, sales, maintenance services, etc. of MFPs, Auto ID systems and related solution products for overseas market.

2. The calculation method for amounts of sales, income, assets and other items per reportable segments

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2 Summary of Significant Accounting Policies.

Intersegment sales and transfers are calculated at the prevailing market prices.

3. Information concerning sales, profit or loss, assets and other items by reportable segment is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|-----------|---------------------------|
| | 2017 | 2016 | 2017 |
| Net Sales | | | |
| Retail Solutions Business Group | | | |
| Unaffiliated customers | ¥318,065 | ¥322,475 | \$2,835,057 |
| Intersegment | 2,707 | 2,334 | 24,129 |
| Total | 320,773 | 324,809 | 2,859,194 |
| Printing Solutions Business Group | | | |
| Unaffiliated customers | 179,545 | 210,342 | 1,600,365 |
| Intersegment | 9,603 | 9,832 | 85,596 |
| Total | 189,148 | 220,174 | 1,685,961 |
| Adjustments | (12,310) | (12,166) | (109,725) |
| Consolidated | ¥497,611 | ¥532,818 | \$4,435,431 |
| Segment Profit (Loss) | | | |
| Retail Solutions Business Group | ¥11,260 | ¥(11,480) | \$100,365 |
| Printing Solutions Business Group | 3,389 | 13,082 | 30,208 |
| Consolidated | ¥14,649 | ¥1,601 | \$130,573 |
| Segment Assets | | | |
| Retail Solutions Business Group | ¥128,236 | ¥147,900 | \$1,143,025 |
| Printing Solutions Business Group | 129,109 | 130,175 | 1,150,807 |
| Adjustments | 12,047 | 3,539 | 107,380 |
| Consolidated | ¥269,393 | ¥281,615 | \$2,401,221 |
| Depreciation | | | |
| Retail Solutions Business Group | ¥3,539 | ¥7,266 | \$31,545 |
| Printing Solutions Business Group | 8,073 | 8,208 | 71,958 |
| Consolidated | ¥11,613 | ¥15,474 | \$103,512 |
| Amortization of goodwill | | | |
| Retail Solutions Business Group | ¥ – | ¥1,042 | \$ – |
| Printing Solutions Business Group | 2,342 | 2,979 | 20,875 |
| Consolidated | ¥2,342 | ¥4,022 | \$20,875 |
| Capital Expenditures | | | |
| Retail Solutions Business Group | ¥4,109 | ¥6,937 | \$36,625 |
| Printing Solutions Business Group | 8,029 | 10,315 | 71,566 |
| Consolidated | ¥12,138 | ¥17,252 | \$108,191 |

Notes: 1. Adjustments of segment assets are corporate assets, and consist of cash and cash equivalents and investment securities in the amount of ¥12,047 million (\$107,380 thousand) and ¥3,539 million as of March 31, 2017 and 2016, respectively.

2. Segment profit (loss) corresponds to operating income of Consolidated Statement of Income.

(B) Related Information

1. Products and service information

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|----------|---------------------------|
| | 2017 | 2016 | 2017 |
| Net sales of Retail | ¥308,408 | ¥309,977 | \$2,748,979 |
| Net sales of MFP | 189,202 | 222,840 | 1,686,443 |
| | ¥497,611 | ¥532,818 | \$4,435,431 |

*Retail: POS systems, Auto ID systems and related products, etc.

*MFP: Multi Function Peripherals, facsimiles, office printers, multi-function peripheral devices, scanner function and document management to be realized in one piece

2. Information by geographical area

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|----------|------------------------------|
| | 2017 | 2016 | 2017 |
| Net Sales | | | |
| Japan | ¥208,091 | ¥200,493 | \$1,854,809 |
| The Americas | 149,202 | 168,098 | 1,329,905 |
| Europe | 95,735 | 111,865 | 853,329 |
| Asia and others | 44,581 | 52,360 | 397,371 |
| Total | ¥497,611 | ¥532,818 | \$4,435,431 |

| Property, plant and equipment | | | |
|-------------------------------|-----------------|---------|------------------------------|
| | Millions of yen | | Thousands of U.S. dollars |
| | 2017 | 2016 | 2017 |
| Japan | ¥13,489 | ¥14,424 | \$120,234 |
| The Americas | 3,885 | 3,475 | 34,629 |
| Europe | 7,571 | 8,909 | 67,484 |
| Asia and others | 4,121 | 4,534 | 36,732 |
| Total | ¥29,068 | ¥31,345 | \$259,096 |

Criteria of geographical segmentation and the name of countries or areas mainly included in each segment except for Japan are as follows:

- 1) Criteria: geographical closeness
- 2) Countries & Areas
 - 2)-1. The Americas
U.S.A., Canada, Mexico, Puerto Rico, Venezuela, Brazil, Chile
 - 2)-2. Europe
U.K., France, Germany, Spain, Switzerland, Belgium, Italy, Netherlands, Sweden, Norway, Denmark, Finland, Poland
 - 2)-3. Asia and others
Singapore, Malaysia, Indonesia, China, Australia, Korea, Thailand

3. Information by major customer

Information by major customer is omitted since no single customer accounted for more than 10% of net sales for the years ended March 31, 2017 and 2016.

4. Information about impairment loss on non-current assets by reportable segment

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|---------|------------------------------|
| | 2017 | 2016 | 2017 |
| Retail Solutions Business Group | ¥ – | ¥84,557 | \$ – |
| Printing Solutions Business Group | – | 465 | – |
| Consolidated | ¥ – | ¥85,023 | \$ – |

5. Information on amortization of goodwill and unamortized balance by reportable segment

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|--------------------------|--------|------------------------------|
| | 2017 | 2016 | 2017 |
| | Balance at end of period | | Balance at end of period |
| Retail Solutions Business Group | ¥ – | ¥ – | \$ – |
| Printing Solutions Business Group | 6,053 | 8,633 | 53,953 |
| Consolidated | ¥6,053 | ¥8,633 | \$53,953 |

For the amount of amortization of goodwill, it is omitted as it is disclosed in “Segment Information”.

6. Information on negative goodwill by reportable segment

Year ended March 31, 2017

Not applicable

Year ended March 31, 2016

Not applicable

19. Stock Option Plan

The stock options outstanding as of March 31, 2017 are as follows:

1. The amount and the accounting subject in relation to the stock options existing for the year ended March 31, 2017.
Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are ¥45 million (\$401 thousand) and ¥41 million, respectively.

2. The size of stock option and its circumstances

1) General information

| The fourth new share subscription rights as share-reward type stock option | |
|--|--|
| Qualified beneficiaries | 17 of the Company directors and corporate officers |
| Type of shares for which new subscription rights offered (Note 1) | 128,000 shares of Common stock |
| Date of issuance | August 2, 2011 |
| Condition of exercising | (Note 2) |
| Vesting period | No conditional period required |
| Subscription rights exercise period | From August 3, 2011 to August 2, 2041 |

| The fifth new share subscription rights as share-reward type stock option | |
|---|--|
| Qualified beneficiaries | 17 of the Company directors and corporate officers |
| Type of shares for which new subscription rights offered (Note 1) | 156,000 shares of Common stock |
| Date of issuance | August 2, 2012 |
| Condition of exercising | (Note 2) |
| Vesting period | No conditional period required |
| Subscription rights exercise period | From August 3, 2012 to August 2, 2042 |

| The sixth new share subscription rights as share-reward type stock option | |
|---|--|
| Qualified beneficiaries | 17 of the Company directors and corporate officers |
| Type of shares for which new subscription rights offered (Note 1) | 89,000 shares of Common stock |
| Date of issuance | July 31, 2013 |
| Condition of exercising | (Note 2) |
| Vesting period | No conditional period required |
| Subscription rights exercise period | From August 1, 2013 to July 31, 2043 |

| The seventh new share subscription rights as share-reward type stock option | |
|---|--|
| Qualified beneficiaries | 17 of the Company directors and corporate officers |
| Type of shares for which new subscription rights offered (Note 1) | 79,000 shares of Common stock |
| Date of issuance | July 31, 2014 |
| Condition of exercising | (Note 2) |
| Vesting period | No conditional period required |
| Subscription rights exercise period | From August 1, 2014 to July 31, 2044 |

| | The eighth new share subscription rights as share-reward type stock option |
|---|--|
| Qualified beneficiaries | 17 of the Company directors and corporate officers |
| Type of shares for which new subscription rights offered (Note 1) | 69,000 shares of Common stock |
| Date of issuance | July 29, 2015 |
| Condition of exercising | (Note 2) |
| Vesting period | No conditional period required |
| Subscription rights exercise period | From July 30, 2015 to July 29, 2045 |

| | The ninth new share subscription rights as share-reward type stock option |
|---|---|
| Qualified beneficiaries | 17 of the Company directors and corporate officers |
| Type of shares for which new subscription rights offered (Note 1) | 113,000 shares of Common stock |
| Date of issuance | August 31, 2016 |
| Condition of exercising | (Note 2) |
| Vesting period | No conditional period required |
| Subscription rights exercise period | From September 1, 2016 to August 31, 2046 |

Note: 1. The amount is converted into the number of shares.

2. Fixed term of the right is not given.

Subscription rights may be exercised in a lump-sum within expiration cycle and 10 days after a beneficiary resigns from directors or corporate officers.

2) The size of stock option and movement

Addressed is the amount of stock options existing as of March 31, 2017.

As for the number of stock options, it is converted into the number of shares.

2)-1. The number of stock options

| | The fourth new share subscription rights as share-reward type stock option | The fifth new share subscription rights as share-reward type stock option | The sixth new share subscription rights as share-reward type stock option |
|---------------------------|--|---|---|
| Before the resolution | | | |
| End of the preceding term | - | - | - |
| Offered | - | - | - |
| Cancelled | - | - | - |
| Vested | - | - | - |
| Outstanding | - | - | - |
| After the resolution | | | |
| End of the preceding term | 24,000 | 29,000 | 38,000 |
| Vested | - | - | - |
| Exercised | 15,000 | 18,000 | 28,000 |
| Cancelled | - | - | - |
| Outstanding | 9,000 | 11,000 | 10,000 |

| | The seventh new share subscription rights as share-reward type stock option | The eighth new share subscription rights as share-reward type stock option | The ninth new share subscription rights as share-reward type stock option |
|---------------------------|---|--|---|
| Before the resolution | | | |
| End of the preceding term | - | - | - |
| Offered | - | - | 113,000 |
| Cancelled | - | - | - |
| Vested | - | - | 113,000 |
| Outstanding | - | - | - |
| After the resolution | | | |
| End of the preceding term | 61,000 | 64,000 | - |
| Vested | - | - | 113,000 |
| Exercised | 27,000 | 23,000 | - |
| Cancelled | - | - | - |
| Outstanding | 34,000 | 41,000 | 113,000 |

2)-2. Per share data

| | The fourth new share subscription rights as share-reward type stock option | The fifth new share subscription rights as share-reward type stock option | The sixth new share subscription rights as share-reward type stock option |
|---|--|---|---|
| Exercised price | ¥1 (\$0.01) | ¥1 (\$0.01) | ¥1 (\$0.01) |
| The average price at the time of exercising | ¥402 (\$3.58) | ¥403 (\$3.59) | ¥366 (\$3.26) |
| Official price at the date of offered | ¥316 (\$2.82) | ¥291 (\$2.59) | ¥550 (\$4.90) |

| | The seventh new share subscription rights as share-reward type stock option | The eighth new share subscription rights as share-reward type stock option | The ninth new share subscription rights as share-reward type stock option |
|---|---|--|---|
| Exercised price | ¥1 (\$0.01) | ¥1 (\$0.01) | ¥1 (\$0.01) |
| The average price at the time of exercising | ¥367 (\$3.27) | ¥367 (\$3.27) | - |
| Official price at the date of offered | ¥667 (\$5.95) | ¥602 (\$5.37) | ¥403 (\$3.59) |

3. The evaluation of fair price of stock option

1) The fair value of the stock option price is determined using a Black-Scholes model.

2) General information and the method of estimation

| | The ninth new share subscription rights as share-reward type stock option |
|------------------------------------|---|
| Stock market volatility (Note 1) | 43.6% |
| Estimated residual period (Note 2) | 1.8 years |
| Estimated dividends (Note 3) | ¥0 (\$0.0) per share |
| Risk-free rate (Note 4) | (0.21%) |

Note: 1. The figure is calculated on a weekly basis based on the actual stock prices for the period from the week of November 3, 2014, 1.8 years (expected remaining period) prior to the grant date to the preceding week of grant date.

2. The calculation is based on the condition that the Company's directors or corporate officers are resigned and the option was exercised exactly after the day of resignation. For tenure of directors and executive officers, the Company has calculated the average tenure remaining term at the date of grant based on the average tenure.

3. The estimated figure is based on the actual dividend amount for the year ended March 31, 2016.

4. The yield of government bond is in accordance with estimated residual period.

4. The method of estimating the number of stock options vested
Fundamentally, only the actual number of cancelled stock options is shown as it is difficult to estimate the possible number of cancelled stock options.

20. Business Combination

Year ended March 31, 2017

Corporate split and share transfer relating to the business of TOSEI CORPORATION

The Company resolved at the Board of Directors' meeting held on November 30, 2016 that, with an intention to transfer the business operated by TOSEI CORPORATION ("TOSEI"), a consolidated subsidiary, to KYODEN AREANET INC. ("KYODEN AN") to transfer 90% of the shares issued by a company (the "Company Incorporated through Incorporation-type Company Split") established through a corporate split (the "Split") to KYODEN AN (hereafter referred to as the "Share Transfer") on March 31, 2017. On November 30, 2016, the Company entered into an agreement on the Share Transfer and transferred the shares on March 31, 2017.

The overview of the Split and the Share Transfer is as follows:

1. Company name to which the shares were transferred
KYODEN AREANET INC.
2. Contents of the business transferred
Manufacturing and sales of cleaning equipment for business use, vacuum packaging machines and cleaning-related equipment for industrial parts
3. Purpose of the Split and the Share Transfer
TOSEI is a wholly owned subsidiary of the Company, engaged in manufacturing and sales of cleaning equipment for business use, vacuum packaging machines and cleaning-related equipment for industrial parts and has contributed to the growth of the Companies for many years with the stable profit structure. On the other hand, the Companies will continue to allocate management resources selectively to its core businesses under the vision to aim for enforcing and expanding service solution business through mutual cooperation between Retail Solution Business Group focusing on POS Systems, Auto ID Systems, etc. and Printing Solution Business Group.
Given the circumstances, the Company judged that it is best for TOSEI to aim for sustainable growth going forward, while transferring the business of TOSEI to KYODEN AN and investing necessary resources under KYODEN AN.
In order to transfer the business of TOSEI, the control of its business was transferred to the Company Incorporated through Incorporation-type Company Split and 90% of the shares issued by the Company Incorporated through Incorporation-type Company Split were transferred to KYODEN AN.
4. Date of the Split and Share Transfer
March 31, 2017
5. Other matters concerning overview of the transaction
Share transfer in consideration for cash only

6. Overview of accounting treatments

- 1) Amount of gain on transfer
Gain on sales of shares of subsidiaries
¥2,114 million (\$18,843 thousand)
- 2) Proper book value of assets and liabilities related to the business transferred and the major components

| | Millions of yen | Thousands of U.S. dollars |
|-------------------------|-----------------|---------------------------|
| Current assets | ¥3,349 | \$29,851 |
| Non-current assets | 855 | 7,621 |
| Total assets | ¥4,205 | \$37,481 |
| | Millions of yen | Thousands of U.S. dollars |
| Current liabilities | ¥3,634 | \$32,391 |
| Non-current liabilities | 166 | 1,480 |
| Total liabilities | ¥3,800 | \$33,871 |

7. Name of the reportable segment to which the business transferred belonged
Retail Solution Business Group

8. Profit related to the business transferred recorded in the Consolidated Statement of Income for the year ended March 31, 2017

| | Millions of yen | Thousands of U.S. dollars |
|------------------|-----------------|---------------------------|
| Net sales | ¥10,946 | \$97,567 |
| Operating income | 600 | 5,348 |

21. Transactions with Related Parties

Year ended March 31, 2017

(¥=Million, US\$=Thousand)

| Status | Name | Address | Capital | Business | Percentage of voting rights held |
|--|-----------------------------------|--------------------|--------------------------|---|----------------------------------|
| Parent company | Toshiba Corporation | Minato-ku, Tokyo | ¥200,000 (\$1,782,690) | Energy systems, social infrastructure systems and storage devices | Direct: 52.7% Indirect: 0.1% |
| Business relationship | Transaction | Transaction amount | Account item | Balance at fiscal year end | |
| Purchase of information equipment and Concurrent position as directors | Purchase of information equipment | ¥4,301 (\$38,337) | Accounts payable-trade | ¥169 (\$1,506) | |
| | | | Accounts payable - other | ¥787 (\$7,015) | |
| | | | Accrued expenses | ¥684 (\$6,097) | |

With regard to the amounts above, consumption taxes are not included in both of the amount of transactions and the ending balance.

Note: Transaction Terms and Policies for Determining Transaction Terms, etc
Purchase of information equipments is determined by price negotiations, taking market prices into account.

Year ended March 31, 2016

(¥=Million)

| Status | Name | Address | Capital | Business | Percentage of voting rights held |
|----------------|---------------------|------------------|----------|--|----------------------------------|
| Parent company | Toshiba Corporation | Minato-ku, Tokyo | ¥439,901 | Manufacturing and sales of digital products and electronic devices and home appliances | Direct: 52.7% Indirect: 0.1% |

| Business relationship | Transaction | Transaction amount | Account item | Balance at fiscal year end |
|--|--|--------------------|-------------------------|----------------------------|
| Deposits of funds and Borrowing of funds, Concurrent position as directors | Deposits of funds and Borrowing of funds | (Note) | Short-term loan payable | ¥1,474 |
| | Interest expenses | ¥23 | | |

With regard to the amounts above, consumption taxes are not included in both of the amount of transactions and the ending balance.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed. Therefore, only the balance at the end of fiscal year is stated.

22. Cash Dividends

Year ended March 31, 2017

1. Cash dividends paid

There is no applicable matter because of non-dividend paying.

2. Year-end dividends of the following fiscal year

| (Resolution) | Type of shares | Total amount of dividends (Millions of yen) | Dividend resource | Dividends per share (Yen) | Record date | Effective date |
|---|----------------|---|-------------------|---------------------------|----------------|----------------|
| Board of Directors held on May 12, 2017 | Common stock | ¥549 | Retained earnings | ¥2.0 | March 31, 2017 | June 7, 2017 |

| (Resolution) | Type of shares | Total amount of dividends (Thousands of US dollars) | Dividend resource | Dividend per share (US dollars) | Record date | Effective date |
|---|----------------|---|-------------------|---------------------------------|----------------|----------------|
| Board of Directors held on May 12, 2017 | Common stock | \$4,893 | Retained earnings | \$0.02 | March 31, 2017 | June 7, 2017 |

Year ended March 31, 2016

1. Cash dividends paid

| (Resolution) | Type of shares | Total amount of dividends (Millions of yen) | Dividend resource | Dividend per share (Yen) | Record date | Effective date |
|--|----------------|---|-------------------|--------------------------|----------------|----------------|
| Board of Directors held on June 16, 2015 | Common stock | ¥1,922 | Retained earnings | ¥7.0 | March 31, 2015 | June 29, 2015 |

2. Year-end dividends of the following fiscal year

There is no applicable matter because of non-dividend paying.

23. Per Share Information

Per share information at March 31, 2017 and 2016 is as follows:

| | Yen | | U.S. dollars |
|------------------------------------|---------|----------|--------------|
| | 2017 | 2016 | 2017 |
| Net assets per share | ¥238.07 | ¥208.93 | \$2.12 |
| Net income (loss) per share | 28.24 | (376.69) | \$0.25 |
| Net income per share fully diluted | 28.20 | - | \$0.25 |

* For the year ended March 31 2016, although there were dilutive potential common shares, net income per share fully diluted were not presented due to the recording of a net loss.

* Net loss per share and net income per share fully diluted were calculated on the basis of the following data.

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2017 | 2016 | 2017 |
| Net income (loss) per share | | | |
| Net income (loss) attributable to owners of parent | ¥7,758 | ¥(103,449) | \$69,151 |
| Amounts not attributable to common stock | - | - | - |
| Net income (loss) attributable to shareholders of parent related to common stock | 7,758 | (103,449) | 69,151 |
| Average number of shares of common stock during the period (thousand shares) | 274,700 | 274,625 | |

Net income per share fully diluted

| | | | |
|--|-----|---|---|
| Adjustment to net income | - | - | - |
| Increase in number of common stocks (thousand shares) | 328 | - | |
| Share subscription rights including in the increase in number of common stock (thousand shares) | 328 | - | |
| Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects | - | - | |

24. Subsequent Event

Not applicable



Independent Auditor's Report

To the Board of Directors of
TOSHIBA TEC CORPORATION

We have audited the accompanying consolidated financial statements of TOSHIBA TEC CORPORATION ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers Aarata LLC
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To the Board of Directors of
TOSHIBA TEC CORPORATION
Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Other matters

The Consolidated financial statements of the Company as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2016.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Advisors LLC

September 29, 2017

TOSHIBA TEC CORPORATION

Corporate Data

1-11-1, Osaki, Shinagawa-ku, Tokyo 141-8562, Japan
Tel: +81-3-6830-9100
Fax: +81-3-6684-4001
<http://www.toshibatec.com>
Established: February 21, 1950
Employees: 3,467 <Consolidated: 20,239> (as of March 31, 2017)
Common Stock: ¥39,970 million (as of March 31, 2017)
Stock Listing: Tokyo Stock Exchange (1st Section)

Board of Directors and Audit & Supervisory Board (as of June 28, 2017)

President and Chief Executive Officer

◇Takayuki Ikeda

Directors

Masatsugu Sakabe
Hiroshi Tangoku
Toshifumi Matsumoto
Kazuo Yajima
Yukio Inoue
Naohiro Yamaguchi
Shinichiro Akiba
Michio Kuwahara
Shin Nagase

◇:Representative Director

Audit & Supervisory Board Members

Haruo Kawasumi
Yoshinari Sato
Takehiko Ouchi
Hideo Tabuchi

Main Consolidated Companies (as of March 31, 2017)

- TOSHIBA AMERICA BUSINESS SOLUTIONS, INC.
- TOSHIBA GLOBAL COMMERCE SOLUTIONS, INC.
- TOSHIBA TEC INFORMATION SYSTEMS (SHENZHEN) CO., LTD.
- TOSHIBA TEC SOLUTION SERVICES CORPORATION
- TOSHIBA TEC (H.K.) LOGISTICS & PROCUREMENT LTD.
- TOSHIBA TEC GERMANY IMAGING SYSTEMS GmbH
- TOSHIBA TEC SINGAPORE PTE LTD.
- TOSHIBA TEC FRANCE IMAGING SYSTEMS S.A.
- P.T. TEC INDONESIA
- TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A.
- TOSEI CORPORATION
- TOSHIBA GLOBAL COMMERCE SOLUTIONS MEXICO, S. DE R.L. DE C.V.
- TOSHIBA TEC U.K. IMAGING SYSTEMS LIMITED
- TOSHIBA TEC MALAYSIA MANUFACTURING SDN. BHD.
- TEC INFORMATION SYSTEMS CORPORATION
- TOSHIBA GLOBAL COMMERCE SOLUTIONS (U.K.) LIMITED
- TER CORPORATION
- KOKUSAI CHART CORPORATION
- TOSHIBA GLOBAL COMMERCE SOLUTIONS (NETHERLANDS) B.V.
- TOSHIBA GLOBAL COMMERCE SOLUTIONS HOLDINGS CORPORATION

