



NEWS RELEASE

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R&I View: Court Decides TBS HD's Share Buyback Price from Rakuten

Additional financial burden is limited; No change in Negative Rating Outlook

R&I will follow the progress in earnings capacity recovery

Tokyo Broadcasting System Holdings, Inc. (Sec. Code: 9401, Issuer Rating: A+, TBS HD) announced on March 5 that the Tokyo District Court decided the price at which TBS HD can buy back its shares from Rakuten would be 1,294 yen per share. The settlement of this deal at this price will result in an aggregate buyback amount of approximately 48.9 billion yen.

In May 2009, TBS HD filed a claim for a decision on a share buyback price with the Tokyo District Court with regard to Rakuten's request that TBS HD should buy back Rakuten's stake in the company. In July, TBS HD made a provisional payment of 40 billion yen to Rakuten in order to reduce the burden of interest payment. TBS HD's additional cost of the buyback at the aforementioned price would thus be only approximately 8.9 billion yen. Given the financial strength of TBS HD, that burden will be limited, and R&I does not believe that this will necessitate a rating change.

Nevertheless, the poor performance of TBS HD's mainstay television business is squeezing profits, and the rating remains under downward pressure. In addition to the economic downturn, the weak TV advertising market is primarily attributed to structural factors, including a shift of advertisers' marketing spending from advertising to other sales promotion efforts. R&I favorably views the TBS group's solid earnings capacity supported by the Multi Visual Ventures & Cultural Events segment and the Real Estate business. That said, if the company makes slow progress in recovering earnings capacity in its mainstay television business, the possibility of a rating downgrade will rise. The Rating Outlook is therefore Negative.

Spot ad sales have increased from the same month a year earlier, showing signs of recovery in the overall TV advertising market. Sales of advertising time are still sluggish, however. In order to recover earnings capacity, it is essential for TBS HD to build a cost structure appropriate for its revenue size by, for example, reducing program production costs. The provisional payment for the share buyback, combined with costs of real estate development projects, increased a debt burden on the company compared to its competitors. Nevertheless, R&I believes that the debt is at a tolerable level given the company's earnings base and the quality of assets.

In response to the court decision on the share buyback price, Rakuten stated on March 5 that it would examine the details and announce its action shortly. This suggests a possibility that the settlement of the deal will be deferred. R&I will continue to follow the developments.

The primary rating methodology applied to this rating is provided at "Basic Methodologies for R&I's Credit Rating". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

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