



NEWS RELEASE

Aug 29, 2018

R&I Upgrades to BBB-/a-2, Stable: Toshiba Corp.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Toshiba Corp.
Issuer Rating: BBB-, Previously BB+
Rating Outlook: Stable

Commercial Paper: a-2, Previously a-3

RATIONALE:

Toshiba Corp.'s major earnings sources are the Infrastructure Systems & Solutions segment, which offers elevators, escalators, water supply and sewerage systems, etc., and the Energy Systems & Solutions segment, which mainly handles power generation systems. Although the business portfolio includes many businesses with low profitability and there remains room for improving governance, the company is showing some competitiveness in several businesses. In the evaluation of overall business risk, it satisfies the requirements for the rating. The debt-equity structure improved significantly as a result of the sale of the Memory business. In R&I's view, the possibility of large M&A transactions or continued delivery of excessive shareholder returns is low. Accordingly, R&I has upgraded the Issuer Rating and the CP rating to BBB- and a-2, respectively. The Rating Outlook is Stable.

After the sale of the Memory business, its earnings driver, Toshiba's product portfolio became composed mostly of products whose industry risk is low compared to semiconductors, such as electrical machinery and building facilities that support public infrastructures. Since few products have a global top-class share or dominant domestic share, there are no profit drivers. Even so, the company boasts an extensive track record of supplying products at home and abroad, and its product development capability is as high as that of competitors. Maintenance services also contribute to overall profits as a stable revenue source.

As of end-June 2018, Toshiba has shareholders' equity of more than 1.8 trillion yen, with the shareholders' equity ratio amounting to about 38%. Its cash and deposit levels far exceed its debt. Even with a share buyback worth approximately 700 billion yen taken into account, its capital is adequate to serve as a buffer against earnings downside risk or other risk factors, and a short-term erosion in liquidity looks unlikely. Meanwhile, the operating income margin for FY2018 (the year ending March 2019) is expected to remain below 2%. Improving earning and cash flow generating capacities is the biggest challenge facing the company at present, and poor performance on these indicators have been a constraint in the evaluation of financial risk.

R&I considers that the deterioration in the creditworthiness since 2015 was partly due to the Toshiba Group's negligence of governance. Because the scope of the group is wide, including subsidiaries at home and abroad, it requires time to ascertain whether effective governance is in place across the entire group. That said, some improvements have been confirmed, such as the strengthening of the board of directors' composition and a preliminary project review process. With such improvements taken into consideration, the adverse impact that its governance performance may have on the evaluation of business risk has been mitigated to a certain extent.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Major Electronics Companies", "Capital Equipment, etc.", "Infrastructure and Plants", "Electronic Components", "Semiconductors" and "Evaluation of Equity Credit Attributes of Hybrid Securities and Rating Perspectives". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

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R&I RATINGS:

ISSUER: Toshiba Corp. (Sec. Code: 6502)
Issuer Rating
RATING: BBB-, Previously BB+
RATING OUTLOOK: Stable

Unsec. Str. Bonds No.52	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 15, 2010	Dec 15, 2020	JPY 20,000

RATING: BBB-, Previously BB+

Unsec. Str. Bonds No.56	Issue Date	Maturity Date	Issue Amount (mn)
	May 30, 2013	May 29, 2020	JPY 10,000

RATING: BBB-, Previously BB+

Unsec. Str. Bonds No.59	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2013	Dec 11, 2019	JPY 30,000

RATING: BBB-, Previously BB+

Sub. Loan	Loan Execution	Maturity Date	Amount (mn)
	Jun 25, 2014	Jun 25, 2074	JPY 180,000

RATING: BB, Previously BB-

Commercial Paper
ISSUE LIMIT (mn): JPY 600,000
SUPPORT: Unsecured
RATING: a-2, Previously a-3