

TOSHIBA Revises TOSHIBA Group's Strategic Reorganization—No Immediate Impact on Rating; JCR Will Monitor Future Development

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the revision of the strategic reorganization of the Group of TOSHIBA CORPORATION (security code: 6502).

- (1) On February 7, 2022, TOSHIBA CORPORATION (the "Company") announced that it would revise the TOSHIBA Group's Strategic Reorganization (announced on November 12, 2021). Specifically, the Company plans to spin off its Device & Storage Business, one of its core business domains, as a new publicly listed company, and reorganize the Company engaging in the Energy & Infrastructure Business and it into two independent listed companies. As the Company's previous policy was to spin off the Device & Storage and Energy & Infrastructure businesses as new publicly listed companies, this is a change from a split into 3 companies to a split into 2 companies. There is no change in the planned completion date of the reorganization.
- (2) When the Company announced the Group Strategic Reorganization in November 2021, JCR announced its view that the reorganization announcement would not have an immediate impact on the rating, stating that it was difficult to estimate the possibility of the realization due to certain hurdles, including approval at the general meeting of shareholders. JCR sees no need to significantly change this stance on the announcement of the revision this time. On the other hand, JCR pointed out that if the previous plan of split into 3 companies were to be realized, the Company after the spin-off would lose the diversity of its businesses and revenue sources, which would clearly be negative with respect to the assessment of its business base. These concerns have receded as the Energy & Infrastructure Business, one of the core business domains, will remain with the Company.
- (3) On the other hand, on February 7, 2022, the Company announced that it would restructure its Air Conditioning, Elevator and Lighting businesses with partners and through external capital injection, as these businesses are weakly related to its core domains. On the same day, the Company signed an agreement to transfer most of its shares in Toshiba Carrier Corporation, which operates the Air Conditioning business, to its joint venture partner Carrier Corporation in the United States. The Company is aiming to reach final agreements for the remaining two businesses by the end of the fiscal year ending March 2023. JCR will closely monitor the progress of these developments and the outcome of the Strategic Reorganization. On the same day, the Company also announced that it would position Toshiba TEC's business (Retail & Printing Solutions segment) as a non-core business.

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<Reference>

Issuer: TOSHIBA CORPORATION

Long-term Issuer Rating: BBB+ Outlook: Stable

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