

Moody's, S&P cut scandal-hit Toshiba's credit rating to junk

TOKYO: Crisis-hit Toshiba's woes deepened on Tuesday when Moody's and Standard & Poor's cut its credit rating to junk, casting doubt on a turnaround plan unveiled in response to an embarrassing profit-padding scandal.



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On Monday Toshiba rolled out a wide-ranging restructuring which included thousands of job cuts, as it warned it would book a record \$4.5 billion annual loss. Investors dumped its Tokyo-listed shares, which have plummeted by nearly one quarter in the last two days of trading.

Moody's said its two notch-downgrade to Ba2 was in response to Toshiba's overhaul and its weak prospects, and warned of more possible cuts. "The announcement indicated that earnings and cash flow generation will be significantly below our previous expectations," said Moody's analyst Masako Kuwahara. She added that "our expectation of improvement in earnings, if any, for each business segment will be very gradual even after the restructuring".

S&P, meanwhile, announced a one-notch cut to BB+, saying in a release that Toshiba's "operating performance and financial standing may deteriorate further" in the current fiscal year.

Profit inflation

A company-hired panel earlier this year found executives at one of Japan's best-known companies had systematically pressured underlings to inflate profits to hide poor results. The case forced Toshiba's incumbent president and seven other top executives to resign. The company has admitted it had inflated profits by about \$1.2 billion since the 2008 global financial crisis.

Toshiba's business was dented by the global downturn, while the 2011 Fukushima disaster killed off demand for atomic power at home in a big blow to the firm's key nuclear division. The company's shares have lost more than half their value since worries about its financial statements cropped up earlier this spring.

Among the planned job cuts announced Monday are 6,800 positions in Toshiba's lifestyle division - which makes consumer electronics and home appliances - and about 1,000 jobs at its corporate headquarters. The company, which has about 200,000 employees globally, earlier said it would cut 2,800 jobs from its memory chip division. It is also stopping production of televisions overseas.

Source: AFP

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