

## **Nishimatsu Construction Passes Resolution to Purchase Treasury Shares—Downward Pressure on Rating; JCR Will Pay Attention to Speed of Financial Structure Recovery**

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Nishimatsu Construction Co., Ltd. (security code: 1820) regarding the purchase of treasury shares and the tender offer of its own stock.

Nishimatsu Construction Co., Ltd. (the "Company") announced on September 21, 2021 that it passed resolution at the board of directors meeting that it will purchase treasury shares, and, as its concrete acquisition method, it will implement a tender offer of its own stock. The share acquisition price is planned to be up to 54.3 billion yen. As of the end of June 2021, the Company's equity capital stood at 204.1 billion yen and the equity ratio was 43.3%. When the purchase was realized, the equity capital will become about 150 billion yen, with an around 10 point-lower equity ratio. The result would be away from JCR's conventional assumption. However, given that the Company is expected to achieve robust performance and would maintain a certain financial structure after the deal, JCR will not downgrade the rating immediately due to this matter. That said, the rating is under downward pressure and the downward risk on rating would increase further for the following cases: 1) if the recovery of equity capital and improvement of the financial structure do not progress in the near-to-mid term; and 2) if its cash flow generation capacity keeps constantly declining. Going forward, JCR will pay attention to factors such as the probability of mid-term profit accumulation, its capital policy including shareholder return and outlook for growth investment.

Mikiya Kubota, Yasuhiro Shimoda

### <Reference>

Issuer: Nishimatsu Construction Co., Ltd.

Long-term Issuer Rating: A      Outlook: Stable

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