22-D-1364
January 27, 2023

KANEMATSU Makes Listed Consolidated Subsidiaries Wholly Owned—No Need to Immediately Revise Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on tender offer by KANEMATSU CORPORATION (security code: 8020) to make its listed consolidated subsidiaries a wholly owned subsidiary.

(1) KANEMATSU CORPORATION (the “Company”) announced today that it has decided at the Board of Directors meeting to acquire common stock of its two listed subsidiaries (KANEMATSU ELECTRONICS LTD. (“KEL”) and Kanematsu Sustech Corporation (“Kanematsu Sustech”) through a tender offer with the aim of making them wholly owned subsidiaries. The Company says that it will promote digital transformation (DX) and green transformation (GX) in its medium-term vision "future135" (fiscal year ended March 2019 (FY2019) to FY2025). The Company has decided that both companies should be made wholly owned subsidiaries in order to accelerate collaboration with KEL, which has abundant knowledge and human resources in the DX field, and Kanematsu Sustech, which has technologies and construction methods that contribute to decarbonization in the GX field, and to strengthen integrated operations.

(2) The Company’s net interest-bearing debt is expected to increase as a result of the financing for the purchase of stock associated with this transaction. In addition, since this is a purchase of shares of a consolidated subsidiary, the equity attributable to owners of the parent company is considered to decrease due to adjustments to capital surplus and other factors. As a result, a certain degree of deterioration in net DER and ratio of equity attributable to owners of the parent is inevitable. However, judging from the Company's ability to generate stable cash flow and its management stance that emphasizes investment and financial discipline, JCR expects the deteriorated financial indicators to gradually improve. In addition, the Company's performance has been on an expansionary trend in recent years, and its earnings base is being further strengthened, with operating income of 37 billion yen (up 26.1% year-on-year) projected for FY2023. Based on the above, JCR has determined that although this transaction will cause a temporary financial burden, there is no need to immediately revise the Company’s rating. Going forward, JCR will continue paying attention to the progress of strengthening the integrated operations with both companies.

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<Reference>
Issuer: KANEMATSU CORPORATION
Long-term Issuer Rating: A- Outlook: Stable

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