

DAIKEN Expresses Consent to a Tender Offer by ITOCHU— Outcome, Concrete Support Details, Etc. to Be Watched

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the expression of consent by DAIKEN CORPORATION (security code: 7905) to a tender offer by BP Investment Godo Kaisha, which is wholly owned by ITOCHU Corporation (security code: 8001), for DAIKEN's shares.

- (1) DAIKEN CORPORATION (the "Company") expressed on August 10 consent to the tender offer by BP Investment Godo Kaisha for its own common shares. The tender offer period is August 14 through October 10, and, once the offer is completed, the Company will become ITOCHU's wholly owned subsidiary and be delisted after the prescribed procedures.
- (2) The Company has long been in cooperative relations with ITOCHU and, in order to make these ties even stronger, concluded in 2018 a capital and business alliance with the latter involving the third-party allocation of shares. ITOCHU continued to acquire the Company's shares even after this, bringing its stake in the Company to 36.34% as of August 10. JCR has held the view in rating the Company that the Company can expect material and immaterial support from ITOCHU in pursuing its own strategies. In fact, in 2019, the Company acquired the shares of a North American construction materials manufacturer held by ITOCHU, making it a subsidiary; as this shows, ITOCHU was a great support in developing overseas operations. JCR will closely watch the outcome of the tender offer to be reflected in the rating, as appropriate, after also examining the concrete details of support provided by ITOCHU in terms of financing and human resources, the Company's position in the ITOCHU Group and the degree of impact on the Company's performance and financial structure.

Naoki Kato, Hajime Inoue

<Reference>

Issuer: DAIKEN CORPORATION

Long-term Issuer Rating: A- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)