

## KOHNAN SHOJI Commences A Tender Offer for Alleanza HD –No Immediate Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acquisition of shares and the like of Alleanza Holdings Co., Ltd. (security code: 3546) by KOHNAN SHOJI CO., LTD. (security code: 7516) through a tender offer.

- (1) KOHNAN SHOJI CO., LTD. (the "Company") announced on February 12 that, with the purpose of privatizing Alleanza Holdings Co., Ltd. ("Alleanza HD"), which operates the home center and other businesses, it has resolved to acquire the shares and the like of Alleanza HD, excluding the Alleanza HD shares held by VALOR HOLDINGS CO., LTD. (security code: 9956; long-term issuer rating: A/Stable; "VALOR HD") and Alleanza HD's own shares, through a tender offer. Upon completion of a series of transactions, the Company will own a 49.4% stake in Alleanza HD, and VALOR HD 50.6%; subsequently, Alleanza HD will become the Company's equity-method affiliate and VALOR HD's consolidated subsidiary.
- (2) Given cash flow generation capacity and other factors, the acquisition will likely have only a limited impact on the Company's profits/losses and finances. Hence, JCR has concluded that it will not immediately affect the rating. While the Company operates primarily in the Kinki and Kanto regions, Alleanza HD mainly covers the Tohoku, Chubu and Chugoku regions, which shows that their operating areas hardly overlap. Looking ahead, the Company will likely strengthen collaboration on private-label products and with pet shops, streamlining of logistics and business operations and other such efforts. JCR will keep an eye on progress in various initiatives taken and the realization of synergies.

Hiroyoshi Otsuka, Koichi Nakai

### <Reference>

Issuer: KOHNAN SHOJI CO., LTD.

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.)