

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

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