

ASAHI KASEI's Acquisition of US Pharmaceutical Company—No Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on ASAHI KASEI CORPORATION (security code: 3407)'s announcement that it would acquire a US pharmaceutical company.

- (1) ASAHI KASEI CORPORATION (the "Company") announced on November 25, 2019 that it would acquire US pharmaceutical company, Veloxis Pharmaceuticals Inc. Specifically, the Company's Danish subsidiary will make a tender offer for Veloxis Pharmaceuticals A/S in Denmark ("Veloxis DK"), which owns 100% of Veloxis Pharmaceuticals Inc. It will commence the tender offer within December 2019, and the completion is subject to minimum acceptance representing 80% or more of the number of the total ordinary shares and voting rights of Veloxis DK (calculated on a fully-diluted basis). The purchase price will be approximately DKK 8.9 billion (approximately JPY 143.2 billion) for the ordinary shares outstanding and warrants. The total consideration will be funded by cash on hand, bank loans, etc.
- (2) The Company's financial structure is good as shown by its equity capital amounting to 1.4 trillion yen with DER being 0.33x as of the end of the 2nd quarter of the fiscal year ending March 2020 (FY2019). Planning a capital expenditure for approximately 800 billion yen in total for 3 years (decision-adopted basis) under the current medium-term management initiative Cs+ for Tomorrow 2021 (from FY2019 to FY2021), it has been aiming to implement M&A in the field of healthcare for the sustainable growth. JCR therefore has been incorporating in the Company's rating that these investments would be made in line with this policy. Although the financial structure will slightly worsen due to the acquisition, it will manage the DER at less than 0.5x, which is a target as financial discipline. JCR therefore assesses that the impact of the acquisition on its creditworthiness will be limited. JCR will pay attention to the future developments on the acquisition and contributions from it to the business performance including synergies.

Mikiya Kubota, Takeshi Fujita

<Reference>

Issuer: ASAHI KASEI CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

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