

Yahoo Japan's Tender Offer for Shares of ZOZO—No Immediate Impact on Rating, but JCR will Pay Attention to Future Synergies and Financial Improvement

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on planned tender offer by Yahoo Japan Corporation (security code: 4689) for shares of ZOZO, Inc. (security code: 3092)

- (1) Yahoo Japan Corporation (the "Company") announced today that it has resolved at its board of directors' meeting to implement a tender offer for the common shares of ZOZO, Inc. ("ZOZO"). It aims to acquire the shares of ZOZO for the purpose of making it a consolidated subsidiary. The number of shares to be purchased will reach 50.10% as measured by the shareholding ratio. ZOZO operates "ZOZOTOWN," which is one of the largest e-commerce clothing/fashion websites in Japan with 1,297 shops, 7,349 brands, 730,000 or more products at any given time, and an average of 3,200 or more new products per day, as of June 30, 2019.
- (2) The investment amount for the making ZOZO a consolidate subsidiary will become approximately 400 billion yen, the largest size ever. The Company will record a large amount of intangible assets and its financial structure will worsen due to the increase of net interest-bearing debt. The Company and ZOZO complement each other in terms of business and there will be various kinds of synergies that will be created mainly from their e-commerce websites. For example, the Company can steer its customers towards "ZOZOTOWN" from its websites and ZOZO can open stores on the "PayPay Mall" that is to be opened in fall of 2019. In light of the Company's stable cash flow generating ability as well, it is likely that its financial structure will be speedily made. JCR will pay attention to the synergistic effects to be created at both companies and direction of the Company's financial improvement to be reflected in the rating.

Hiroyuki Chikusa, Akihisa Motonishi

<Reference>

Issuer: Yahoo Japan Corporation

Long-term Issuer Rating: AA- 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

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