

NIPPON CHEMI-CON Resolved to Issue Class and Common Shares—Underpinning Creditworthiness

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on NIPPON CHEMI-CON CORPORATION (security code: 6997)'s resolution to issue class shares and common shares.

- (1) On October 10, NIPPON CHEMI-CON CORPORATION (the “Company”) announced that its Board of Directors has resolved to issue class shares and common shares by way of third-party allotment. The Company plans to issue class shares for 15.0 billion yen and common shares for 2.4 billion yen, for a total amount of 17.4 billion yen, to recover its equity capital damaged by the antitrust law-related losses, and to use the funds for investment for future growth and other purposes. The class shares will be allocated to Japan Industrial Solutions III Investment Limited Partnership, and the common shares to Samyoung Electronics Co., Ltd., an equity method affiliate of the Company. The issuance of the class shares is subject to approval at an extraordinary shareholders' meeting scheduled for December 22. The Company also revised downward its forecasts for the fiscal year ending March 2024 on the same day. While the figures up to ordinary income level remain unchanged, it lowered its net income forecast to a loss of 20.5 billion yen (previous forecast was a net loss of 9.5 billion yen), mainly due to an extraordinary loss of 11.1 billion yen from the settlement with Arrow Electronics, Inc. in civil lawsuits in the U.S.
- (2) Although the class shares have a strong liability nature, they are expected to serve as equity in principle at least until March 30, 2026. Therefore, if the capital policy announced this time is realized, they are expected to serve as a financial buffer that will provide a certain degree of support for the creditworthiness for the time being. On the other hand, there is still much room for the Company's financial base to recover, and it is necessary to continue to pay attention to the existence and trends of remaining lawsuits outside of the U.S. JCR will check these developments as well as the future direction of the Company's performance and finances, and will reflect the results in the rating accordingly.

Hiroaki Sekiguchi, Seiya Nagayasu

<Reference>

Issuer: NIPPON CHEMI-CON CORPORATION

Long-term Issuer Rating: BBB- Outlook: Negative

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