

TAIYO NIPPON SANSO's Acquisition of Industrial Gas Business in Europe—No Immediate Impact on Mitsubishi Chemical Holdings' Rating, but JCR will Closely Watch Impact on Group's Financial Structure

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on an announcement by TAIYO NIPPON SANSO CORPORATION (security code no.: 4091) under the umbrella of Mitsubishi Chemical Holdings Corporation (security code: 4188, the "Company") that it would acquire an industrial gas business in Europe.

- (1) TAIYO NIPPON SANSO CORPORATION ("TAIYO NIPPON SANSO") under umbrella of the Company announced today that it had entered into a share purchase agreement with Praxair, Inc., a major industrial gas company in the U.S., for shares of a corporation operating a part of its Europe business. If the purchase is completed, TAIYO NIPPON SANSO's global strategy will significantly advance through acquisition of business base in Europe at once. Given the large purchase price amounting 5,000 million Euro (approximately 643.8 billion yen), however, there is a possibility that TAIYO NIPPON SANSO will worsen its financial structure and will take time to return it to a sound level. JCR therefore today placed long-term ratings on TAIYO NIPPON SANSO under Credit Monitor with Negative direction.
- (2) The Company's consolidated interest-bearing debt as of the end of the fiscal year ended March 2018 (based on IFRS) reached 1.6 trillion yen, of which TAIYO NIPPON SANSO's interest-bearing debt accounts for approximately 20%. The consolidated equity attributable to owners of the parent company stood at 1.2 trillion yen. The Group has been performing well against the background of structural reforms for bulk chemical and good business environment and has been also steadily strengthening financial base in recent years. JCR announced on February 16, 2018 revision of rating outlook for the Company from Stable to Positive, while affirming the same A+ rating for the long-term issuer rating as before. In this decision, JCR incorporated an expectation that the Company would operate in consideration of improvement of financial structure, while implementing growth investments in line with the business plan.
- (3) The acquisition will increase the Group's investment size far above the previous plan, and then will increase the interest-bearing debt. As a result, the Group's financial structure is expected to worsen. On the other hand, the Industrial Gases segment is placed as one of the key investment business areas under the Group's business plan. JCR sees that it is highly likely that the acquisition will lead to boosting the Group's stable earnings part in light of the industrial gases' business characteristics and competitive environment in Europe. As TAIYO NIPPON SANSO is a listed company, it is independent from the Group in terms of financing and others to a certain extent. Given these facts and expectations, JCR maintains the previous views on the Company's ratings and rating outlook. Going forward, JCR will pay attention to TAIYO NIPPON SANSO's final financing for the acquisition, impact on the Group's business base and financial structure, policy on the Group's growth strategies, etc.

Mikiya Kubota, Takeshi Fujita

<Reference>

Issuer: Mitsubishi Chemical Holdings Corporation
Long-term Issuer Rating: A+ Outlook: Positive

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