

Mitsubishi Chemical Group Will Sell Mitsubishi Tanabe Pharma—Limited Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by Mitsubishi Chemical Group Corporation (security code: 4188) on the transfer of Mitsubishi Tanabe Pharma Corporation.

- (1) Mitsubishi Chemical Group Corporation (the "Company") announced on February 7 that it had signed an agreement to transfer all of the shares in Mitsubishi Tanabe Pharma Corporation ("Mitsubishi Tanabe Pharma"), which operates the Pharma segment of the Mitsubishi Chemical Group (the "Group"), to a special purpose company under Bain Capital Private Equity, LP. The transfer is scheduled to be completed in the second half of the fiscal year ending March 2026, subject to resolution at the Company's annual shareholders' meeting and obtainment of various forms of necessary approval. The transfer price is approximately 510 billion yen, and a gain of approximately 95 billion yen is expected to be recorded. Proceeds from the transfer will be appropriated for capital expenditures and investments in priority business areas under the New Medium-Term Management Plan 2029 and also for new growth investments, repayment of interest-bearing debt and shareholder returns.
- (2) The Company made Mitsubishi Tanabe Pharma a wholly owned subsidiary through a tender offer in March 2020 for the purpose of strengthening the business base for ethical pharmaceuticals and life science in the Group. Currently, the Pharma segment has been performing steadily thanks in part to growth in the sale of Radicava, in North America, an oral agent for treating ALS, which was defined as one of the late-stage development pipelines at the time of consolidation to drive growth. It has also contributed to the Group in terms of financing as well. Yet, in order to achieve the segment's sustainable growth in the face of diversifying modalities with the evolution of therapeutic drugs, the Company has faced the challenge of strengthening its R&D capabilities and addressing large-scale investment expenditures incurred to that end. For this reason, it has expressed its intension in the management policy announced in November 2024 to explore the best partner for this segment.
- (3) Once the transfer is executed, it will have not a small impact on the Group's performance for a while because it will eliminate a stable earnings source. However, it will also enable the Group to shift its focus more on the growth of the Chemicals Business. Furthermore, it will not impair capital and will probably help reduce interest-bearing debt. Therefore, JCR concludes that, as it stands, the transfer will have only a limited impact on the rating. JCR will continue closely watching whether the financial structure will improve with an increase in profitability through business selection, disciplined business operations, etc.

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<Reference>

Issuer: Mitsubishi Chemical Group Corporation

Long-term Issuer Rating: A+ Outlook: Stable

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