

Status of Implementation of "Fairness Ensuring Measures"

Tokyo Stock Exchange Listing Department

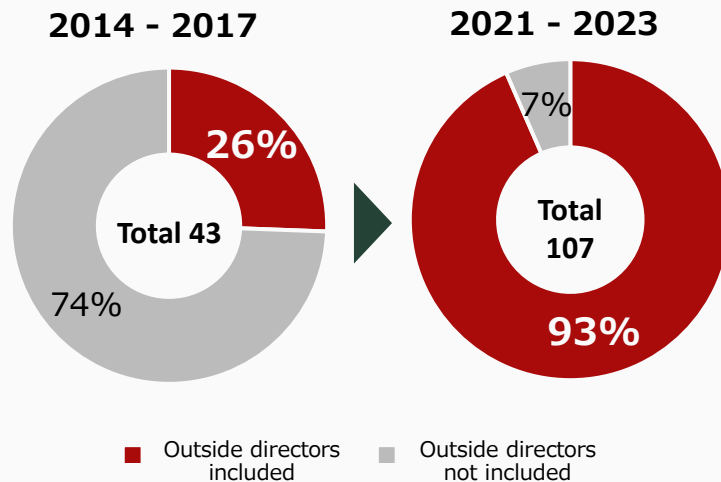
August 19, 2024



Establishment and Utilization of Special Committees

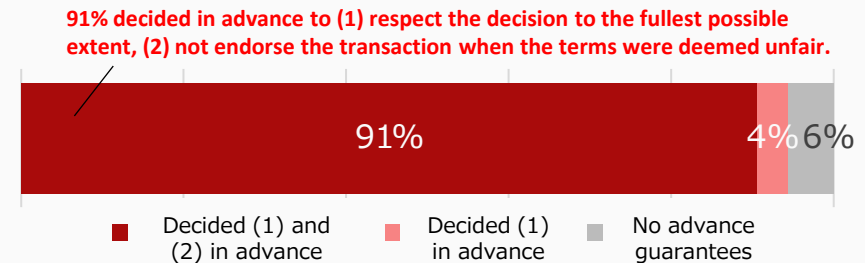
- After the release of the Fair M&A Guidelines, the **establishment and use of special committees became regular practice**.
 - Special committees have been established for all recent MBOs and subsidiary conversions by controlling shareholders.
 - In line with the progress of appointment of independent directors in recent years, the **number of cases in which outside directors are appointed as members of special committees has increased**.
 - Regarding the authority of the special committee, when a special committee is established in a company, in most cases it is **decided in advance that (1) decisions will be made with the fullest possible respect for the content of the special committee's findings and (2) if the special committee finds the terms of a transaction to be unfair, the company will not agree to the terms of the offer**, but there are also many cases in which the special committee is **guaranteed the right to assist substantially in negotiations with the offeror**.

Special Committee Composition

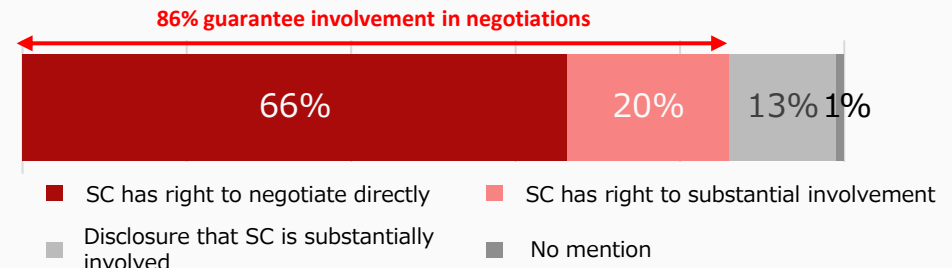


Source: Data from 2014 to 2017 compiled by TSE from the Fair Acquisition Study Group, Meeting 2 "Document 4: Member Ishiwata's Submission Materials."
Data from 2021 to 2023 compiled by TSE from publicly disclosed documents.

Handling of Special Committee Decisions



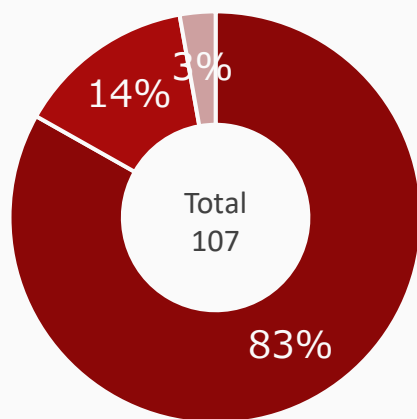
Involvement in Negotiations by Special Committee



Acquisition of Valuation Reports

- As the submission of a valuation report is required under listing rules, **in all recent cases of MBOs and subsidiary conversion by controlling stakeholders, a valuation report has been acquired by the company being taken over (hereinafter referred to as the "target company") or the special committee of the target company.**
 - In the majority of cases, the target company obtains the information from an independent third-party calculation agent
 - In some cases, **the special committee obtains a separate valuation from its own third-party calculation agent (14% of all cases).**
 - **In cases of subsidiary conversion by a controlling shareholder or where the target company is large in size, acquisition has become relatively common.**

Status of Valuation Report Acquisition



■ By target company ■ By target company and special committee ■ By special committee

Source: Compiled by TSE based on information disclosed from 2021 to 2023.
Market capitalizations of target companies are as of the TOB announcement date

Status of Independent Valuation Report Acquisition by Special Committee

The larger the size of the target company, the higher the acquisition rate.

Market capitalization of target company	MBOs	Subsidiary conversions by controlling shareholder
JPY 100 billion or more	33%	86%
JPY 25 billion or more, under JPY 100 billion	20%	21%
Under JPY 25 billion	0%	7%
Total	7%	19%

The acquisition rate is higher in the case of subsidiary conversions by a controlling shareholder.

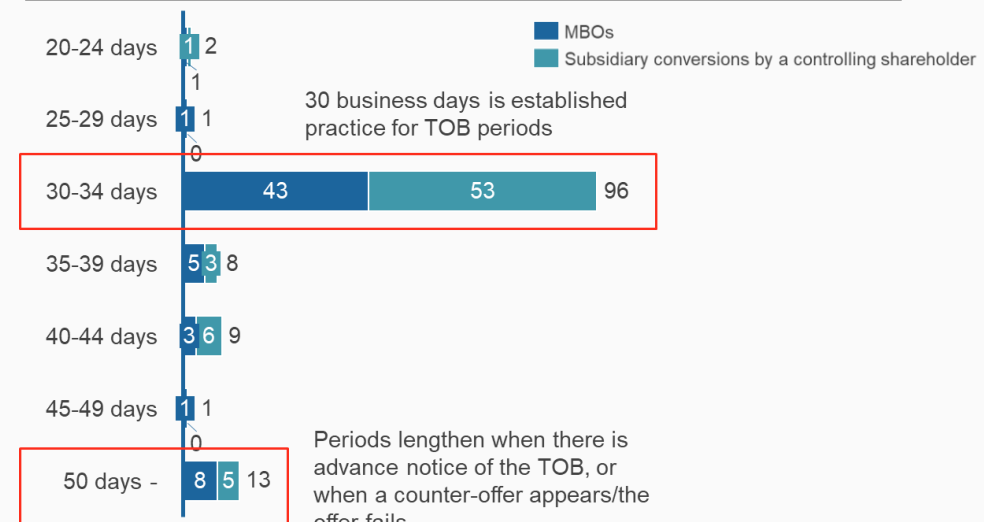
Performance of Market Checks

- There have been **few cases of active market checks** in either MBOs or subsidiary conversions by controlling shareholders (MBOs: 4 cases; subsidiary conversions: 2 cases).
 - According to the Fair M&A Guidelines, there are limited situations where an active market check would be effective in the case of a subsidiary conversion by a controlling shareholder, so conducting one is considered to have little meaning. In the case of MBOs as well, given concerns that it could obstruct the M&A, as well as from the perspective of information management, it cannot be said that conducting a check is always ideal.
- On the other hand, **there have been cases where counter-proposals have been made during the TOB period**, and as such many target companies have **disclosed that they have secured sufficient TOB periods for the purposes of an indirect market check** (the **usual TOB period is around 30 business days**).
 - The TOB period is set at 20 to 60 days under the FIEA.

Example of an MBO that resulted in a counter-offer (Roland DG)

- In February 2024, Roland DG announced that it will partner with U.S. investment fund Taiyo Pacific Partners to conduct an MBO.
 - Initial TOB price of JPY 5,035 per share
 - Initial TOB period from February 13 to March 27 (30 business days)
- In March, Brother Industries announces plans to launch a competing TOB
 - TOB price is JPY 5,200 per share
 - With this, Roland DG changed its opinion on the TOB from Taiyo (while maintaining its support for the offer, withdrew its recommendation to tender, and became neutral).
- Taiyo raised its TOB price to JPY 5,370 (Roland DG changed its position to tender offer), and Brother Industries decided not to raise its TOB price, resulting in Taiyo's TOB being successful.

Distribution of time between TOB announcement and expiration (business days; TOBs announced between Jan. 2019 and Dec. 2023)

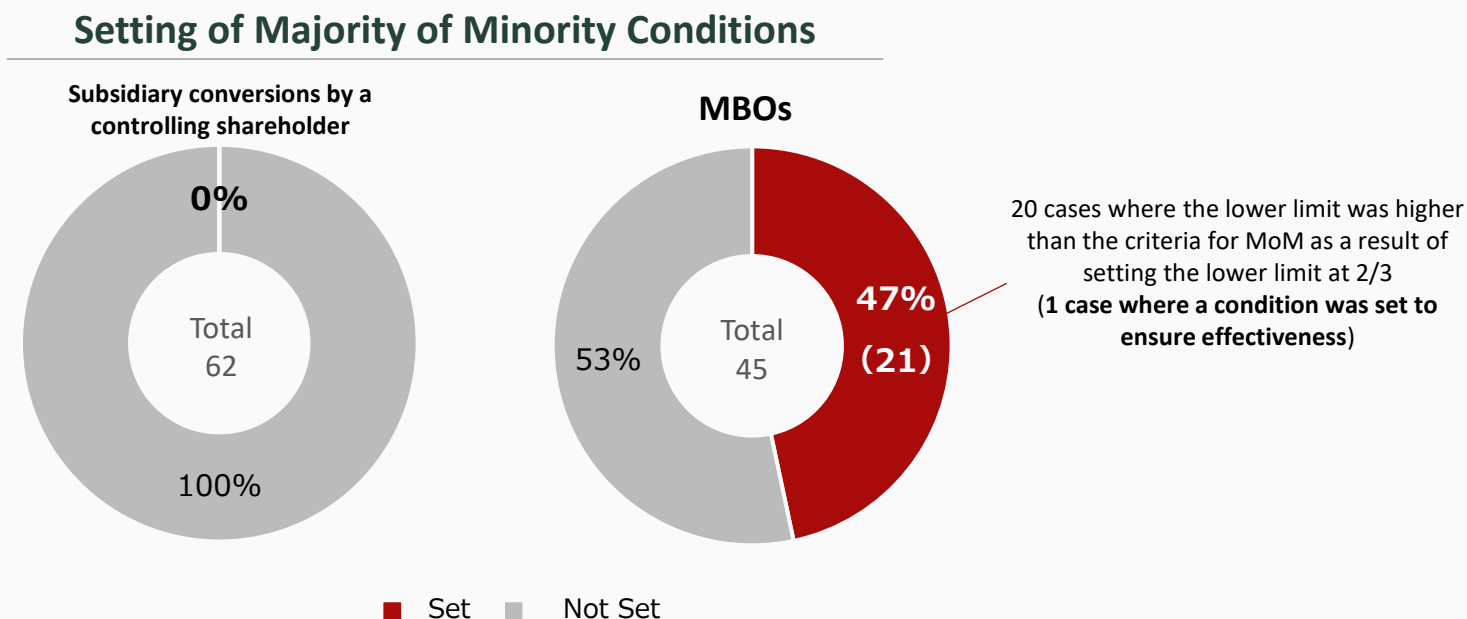


Note: Number of days from the day after announcement to the expiration date (if the day of announcement and TOB start date are the same, from the day of announcement)

Source: QuestHub

Setting of Majority of Minority Conditions

- There have been **no cases of subsidiary conversions by a controlling shareholder where a Majority of Minority (MoM) condition was set.**
 - The Fair M&A Guidelines also state that it is not always desirable to set an MoM, given concerns that it could obstruct M&As that would contribute to corporate value enhancement in cases where the ratio of shares of the target company held by the acquirer is high, as in the case of an acquisition by a controlling shareholder.
- **MoM conditions have been established in 47% of MBO cases**, but in the case of a two-step acquisition, the lower limit for ensuring the second step (the squeeze-out) is usually set at 2/3 of the total voting rights, **meaning that in most cases, the lower limit exceeds the criteria for MoM.**



Source: compiled by TSE based on information disclosed from 2021 to 2023