

Interim Report of Review of Minority Shareholder Protection or Other Framework of Listed Companies with Controlling Shareholders or Quasi-Controlling Shareholders (Summary)

(Reference Translation)

<Introduction>

- In certain cases, mainly among listed companies that came to have Controlling Shareholders, minority shareholders may not have been afforded sufficient protection
 - ✓ Information on agreements with Controlling Shareholders regarding the appointment of directors, etc. not sufficiently disclosed
 - ✓ How business opportunities and business fields are coordinated and allocated among Controlling Shareholders' group companies unclear
 - ✓ Company did not obtain an opinion that actively expresses "the interests of minority shareholders will not be undermined" regarding tender offer by Controlling Shareholder
 - ✓ Company ends up with no independent director to represent general shareholder interests
- Similar cases seen at companies with shareholders, who do not fall under the definition of "Controlling Shareholder" but has strong influence as Quasi-Controlling Shareholder
- Based on these concerns, Study Group clarified the issues regarding the framework for and scope of minority shareholder protection under the current listing system

<Issues To Be Considered>

- For cases where Controlling Shareholder emerges after listing, because structural conflict of interest may be outweighed by maximization of corporate value from group synergy or benefit of usage as transitional structure, uniform prohibition is not appropriate
- Recent cases suggest, Controlling Shareholders and Quasi-Controlling Shareholders might overlook the interest of the minority shareholders harming their interest as a result, the issues are clarified regarding the framework for and scope of minority shareholder protection under the current listing system

(Information Disclosure)

- ✓ Further disclosure on agreement regarding listed companies' governance, conflicts of interest and related supervision and controls

(Procedures)

- ✓ Framework for minority shareholder protection when listed subsidiary goes private by Controlling Shareholder's tender offer, taking into account the role of special committees

(Corporate Governance)

- ✓ Election of independent directors etc.

(Scope of Application)

- ✓ Applying framework for "Controlling Shareholder" to "Quasi-Controlling Shareholder"

<The Way Forward>

- Improve the listing system and operations in stages, starting with feasible measures to enhance information disclosure and scope of application
 - ✓ Study Group will continue review of issues, including Procedures and Corporate Governance