



Asset Value Investors

MOL's TOB of Daibiru

Statement based on the dialogue with the Daibiru Special Committee

London 24th December 2021

Asset Value Investors Limited ("AVI" or "we") announces that it believes the process taken by the Special Committee of Daibiru Corporation (TYO 8806) ("Daibiru") to evaluate the Tender Offer from Daibiru's parent company Mitsui O.S.K. Lines, Ltd. (TYO 9104) ("MOL") was neither fair nor considered the best interests of minority shareholders.

On 20th December 2021, we held a meeting with two members of Daibiru's Special Committee, Mr Atsushi Miyanoya (Outside Director of Daibiru), and Mr Atsushi Oi (Outside Director of Daibiru). We were disappointed by the comments made which highlighted that the Special Committee had engaged in a flawed review process, misunderstood basic valuation methods, and did not take reasonable efforts to ensure the transaction was on the best possible terms for shareholders.

We believe that the review process conducted by Daibiru's Special Committee deviated from the general principles of METI's Fair M&A Guidelines for a number of reasons.

- 1) The Special Committee relied too heavily on the opinions from independent financial and legal advisors and accepted suggestions in conflict with the best interests of minority shareholders. For example, the Special Committee accepted, without question, advice that direct market checks were not necessary. We believe that market checks would not only have proved that Daibiru's true fair value was in excess of 3,000 yen but would have allowed Daibiru's board to better negotiate against MOL's initial 2,000 yen offer.
- 2) There was inconsistent commentary surrounding the use of the widely accepted Net Asset Value ("NAV") valuation methodology which accounts for the market value of Daibiru's real estate. Initially the Special Committee stated that they were advised not to use the NAV valuation methodology, but then later claimed that the Special Committee had considered the market value of Daibiru's real estate. It is clear to us, unsurprisingly given the Committee's lack of valuation experience, that these inconsistencies highlight a deep misunderstanding of how to fairly value Daibiru. If the Special Committee had seriously considered Daibiru's 3,000 yen appraised real estate value, then it would not have so easily accepted a Tender Offer Price of 2,200 yen.

- 3) The Special Committee did not consider alternative options to maximize Daibiru's corporate value. When asked whether they had explored securitizing real estate through a J-REIT and retaining Daibiru's listing status, the answer was no, and the only option considered was the low-ball tender offer from MOL. This showcases that the review process was conducted with one goal in mind - ensuring the success of MOL's tender offer.
- 4) The Special Committee was not willing to explore withdrawing support for the Tender Offer Price of 2,200 yen. Following opposition from several minority shareholders, we asked Daibiru's Special Committee if they would reconsider their opinion on the Tender Offer and their response was "basically, no". Such disregard to the views of minority shareholders is astonishing, showing the Special Committee's intransigence, lack of care for minority shareholders' interests and priority on ensuring a transaction is completed for the benefit of MOL.
- 5) The Special Committee tried to argue that the 16 hours spent deliberating the transaction is evidence that the process was fair. We disagree, and it is the quality of the review that matters not the length. In reality, the Special Committee rubber stamped a transaction which had a forgone conclusion from the start - MOL being able to purchase Daibiru at a price below the market value of its real estate.

AVI CEO & CIO Joe Bauernfreund commented: "We strongly protest against the careless process conducted by the Special Committee which lacks commitment to protecting the interests of minority shareholders. We hope that this case does not become a precedent of poor governance of parent-subsidary listing situation in Japan."

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