

AVI SHAREHOLDER PROPOSAL TO TBS HOLDINGS:

A FIRST STEP TOWARD PHASING OUT “STRATEGIC SHAREHOLDINGS”



- Fund manager based in London with more than ¥160 billion in assets under management.
- Serves as investment manager for British Empire Trust, the shareholder of 1.9% of TBS's outstanding shares.
- AVI focuses on companies, like TBS, trading at discounts to net asset value.
- AVI has been investing in Japan since 1985. Currently 20% of AVI's client's portfolio consists of Japanese companies, all of which are trading at discounts to net asset value.
- AVI engaged constructively with management of its portfolio companies for over 30 years. AVI's shareholder proposal to TBS is the first formal shareholder proposal AVI has submitted to any Japanese company under the Japanese Company Law.

Why Japan?

- Attractive valuations:

	TOPIX ¹	S&P 1500 ¹	MSCI Europe ¹
EV/EBIT	11x	20x	15x
5 Year operating profit growth	31%	28%	24%

- Overcapitalised balance sheets:

% of companies	TOPIX ¹	S&P 1500 ¹	MSCI Europe ¹
With Net Cash	57%	24%	17%
With investment securities & net cash > 30% of market cap	31%	2%	1%

- Under-researched:

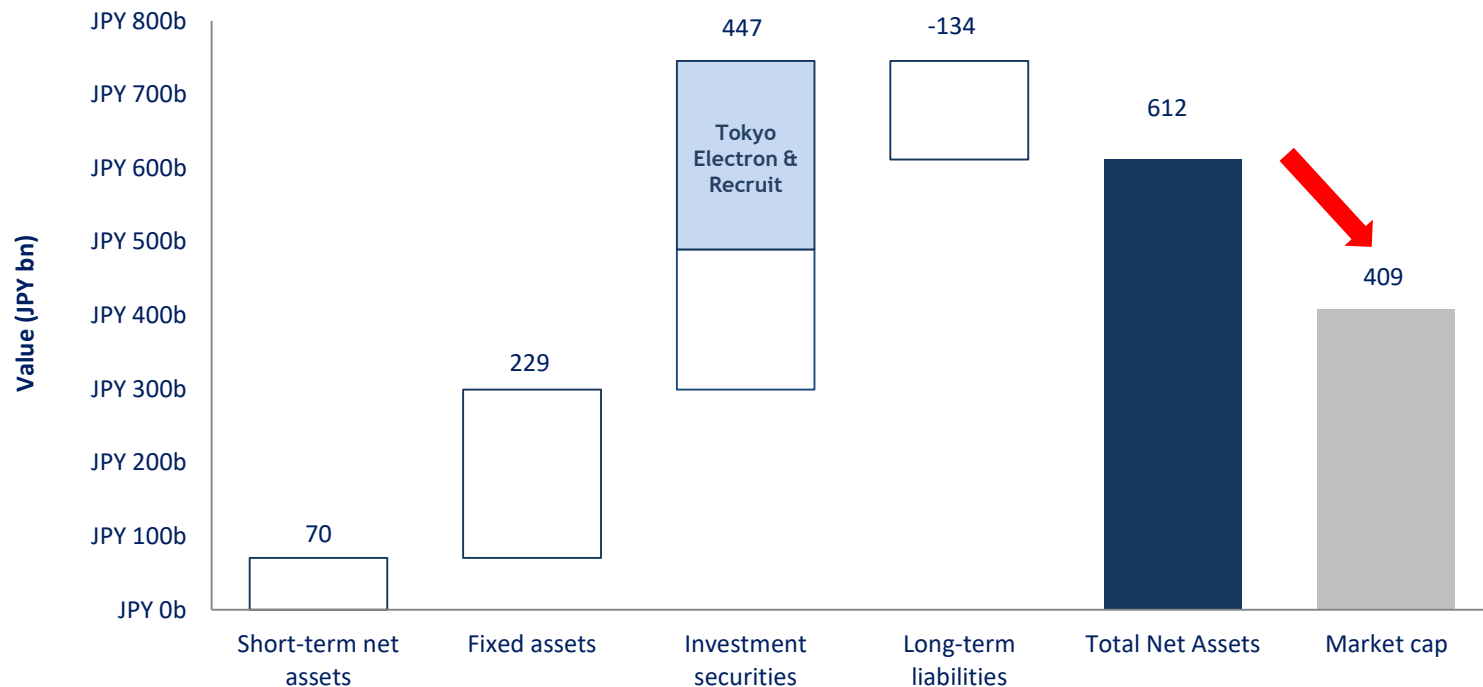
	TOPIX ¹	S&P 1500 ¹	MSCI Europe ¹
Zero broker coverage	51%	2%	2%
<= two broker coverage	71%	10%	2%

- Corporate governance reform, changing attitudes as catalysts
- Japanese market appears to be nearing a tipping point

Note: ¹CapitallQ, ex-financials. Valuation metrics are taken as a median value.

Why AVI Invested in TBS

- TBS's abnormally large holdings of non-core investment securities and real estate are an extreme example of a larger phenomenon that has unnecessarily depressed corporate value in Japan for many years
- TBS is a test case and opportunity to take a first step toward addressing the problem of “strategic shareholdings” and cross-shareholdings



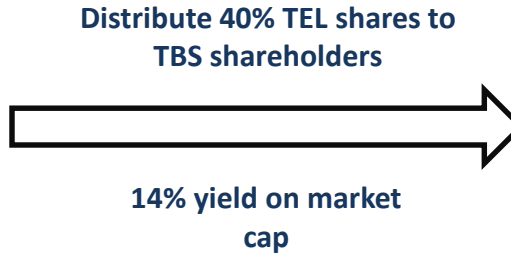
- Fortuitous recent rise in value of Tokyo Electron stock hides market's poor perception of TBS's core broadcasting and non-core real estate business. Tokyo Electron's long term results have been much lower (4.1% growth since 1984).
- TBS's enterprise value (market cap less net cash and securities) is now negative.
- TBS's poor capital allocation is reflected in low ROE, which has persistently lagged its peers.
- AVI proposal is consistent with principles and policies of Abe administration's corporate governance reform.

Timeline of Engagement

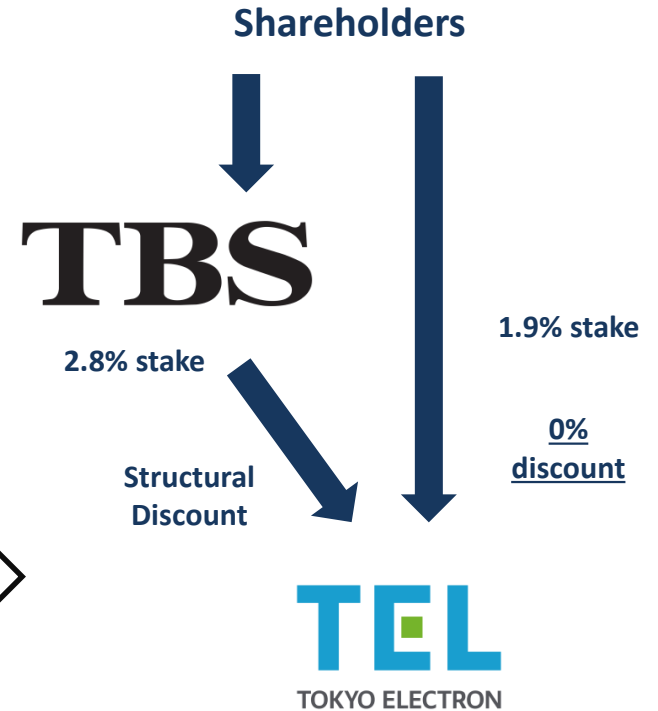
<u>Date</u>	<u>AVI Request</u>	<u>TBS Response</u>
April 2017	<ul style="list-style-type: none"> Please consider measures to address undervaluation 	No response
Sept-Oct 2017	<ul style="list-style-type: none"> Please explain rationale of “strategic holdings” 	<ul style="list-style-type: none"> “Strategic holdings” necessary to maintain relationship of trust with important partners, especially in the broadcasting industry We do not set ROE or ROA targets because the management of a broadcasting business cannot be evaluated by these measuring sticks.
Nov 2017	<ul style="list-style-type: none"> Please specifically explain benefits and risks of “strategic holdings” as required by the Corporate Governance Code 	<ul style="list-style-type: none"> Risks and benefits are periodically reviewed by the board Tokyo Electron was acquired at a low investment cost many years ago, therefore no risk if value falls It is not appropriate to raise ROE by reducing capital
Dec 2017- Feb 2018	Proposal that TBS sell a portion of Tokyo Electron shares	<ul style="list-style-type: none"> Might sell in the future if needed to fund capital projects Tokyo Electron was acquired at a low investment cost many years ago, therefore no risk if value falls
May 2018	Shareholder proposal submitted	<ul style="list-style-type: none"> Tax, administrative burdens

The Shareholder Proposal

Pre-Distribution



Post-Distribution



- There is now a clear consensus in Japan, reflected in the Corporate Governance Code, that “strategic holdings” are difficult to justify and should presumptively be eliminated:

“Principle 1-4: When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings.”

- For example, JPX determined in April 2018 to eliminate its 4.95% shareholding in the Singapore Stock Exchange because it could not offer a compelling strategic rationale.
- Most Japanese banks and other financial institutions have announced plans to phase out their “strategic holdings”.

TBS Failure to Explain or Justify

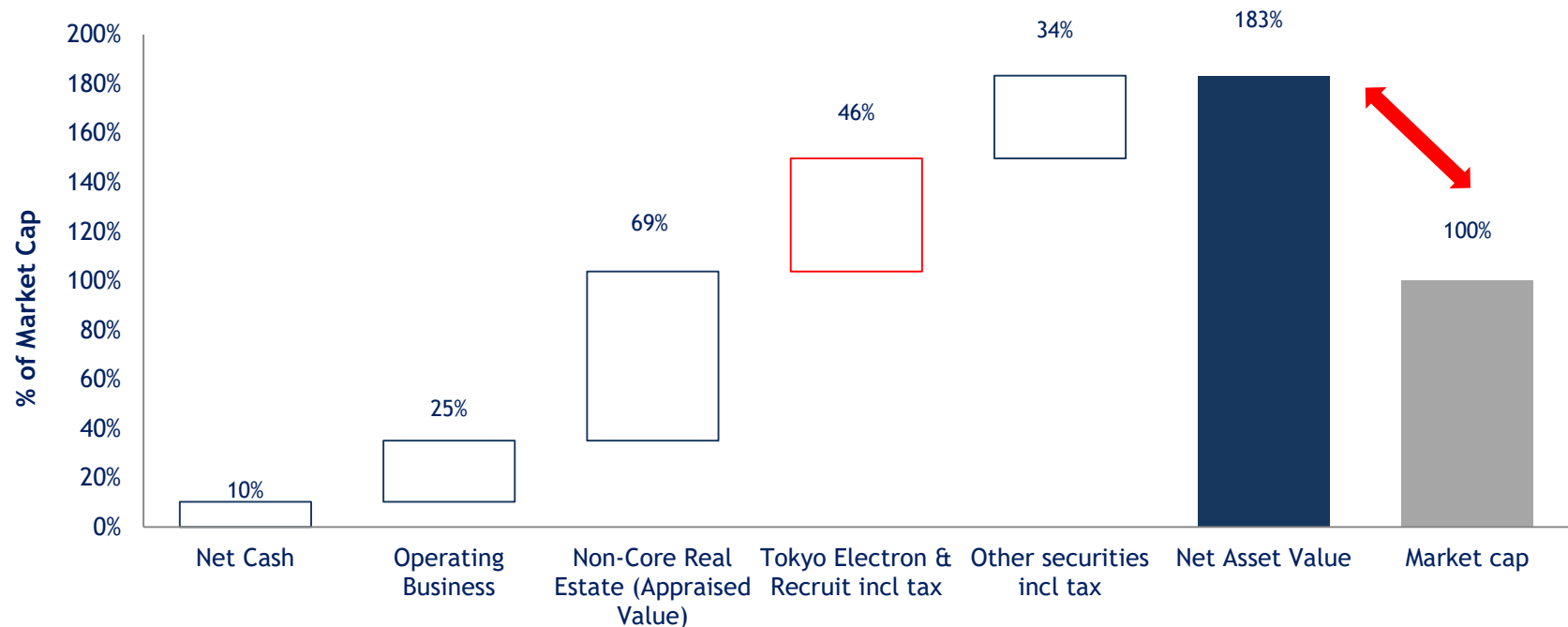
- TBS’ “strategic holdings”, starting with its stake in Tokyo Electron, are abnormally large.
- TBS has not articulated a persuasive strategic rationale for its ownership of Tokyo Electron or other “strategic holdings”.

保有株式具体内

銘柄	株式数 (株)	貸借対照表計上額 (百万円)	保有目的
東京エレクトロン株	7,723,383	93,926	グループ経営上の取引関係維持・強化のため
株スカパーJ S A Tホールディングス	18,434,000	8,663	グループ経営上の取引関係維持・強化のため
三井不動産株	3,420,795	8,120	グループ経営上の取引関係維持・強化のため
株三井住友フィナンシャルグループ	224,781	909	グループ経営上の取引関係維持・強化のため
株RKB毎日ホールディングス	140,000	699	グループ経営上の提携関係維持・強化のため
中部日本放送株	545,500	429	グループ経営上の提携関係維持・強化のため
株新潟放送	485,000	363	グループ経営上の提携関係維持・強化のため
株パソコ	750,000	264	グループ経営上の良好な関係維持・強化のため
D.A. コンソーシアムホールディングス(株)	150,000	206	グループ経営上の良好な関係維持・強化のため
朝日放送株	240,000	182	グループ経営上の提携関係維持・強化のため

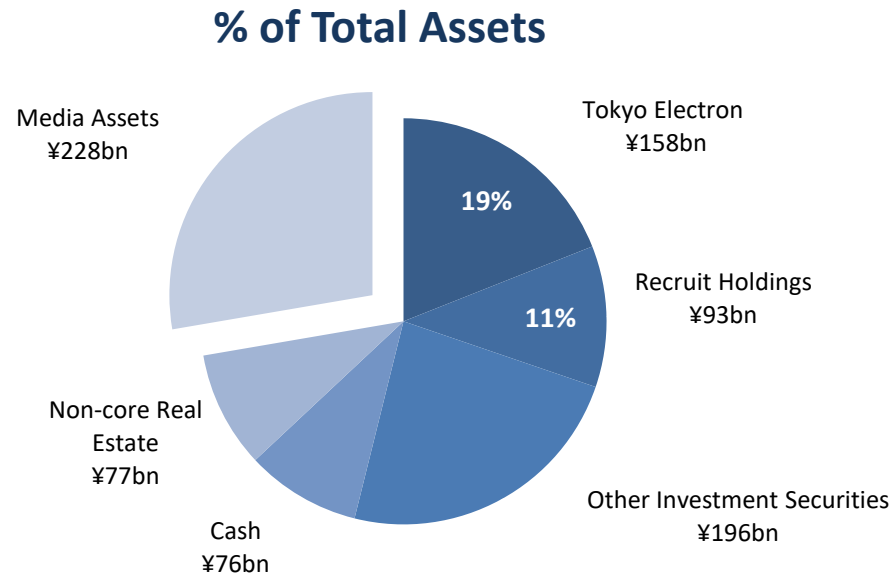
Why are strategic holdings bad for shareholders?

- “Strategic holdings” locked inside TBS suffer a substantial discount compared to their true market value.



Why strategic holdings are bad for shareholders?

- Risk management: Two stocks, Tokyo Electron and Recruit, account for 63% of TBS' market cap and 30% of total assets.
- TBS is in substance an investment fund, not a broadcasting company. A professional investment manager that assembled a portfolio this narrow and random would be guilty professional negligence.

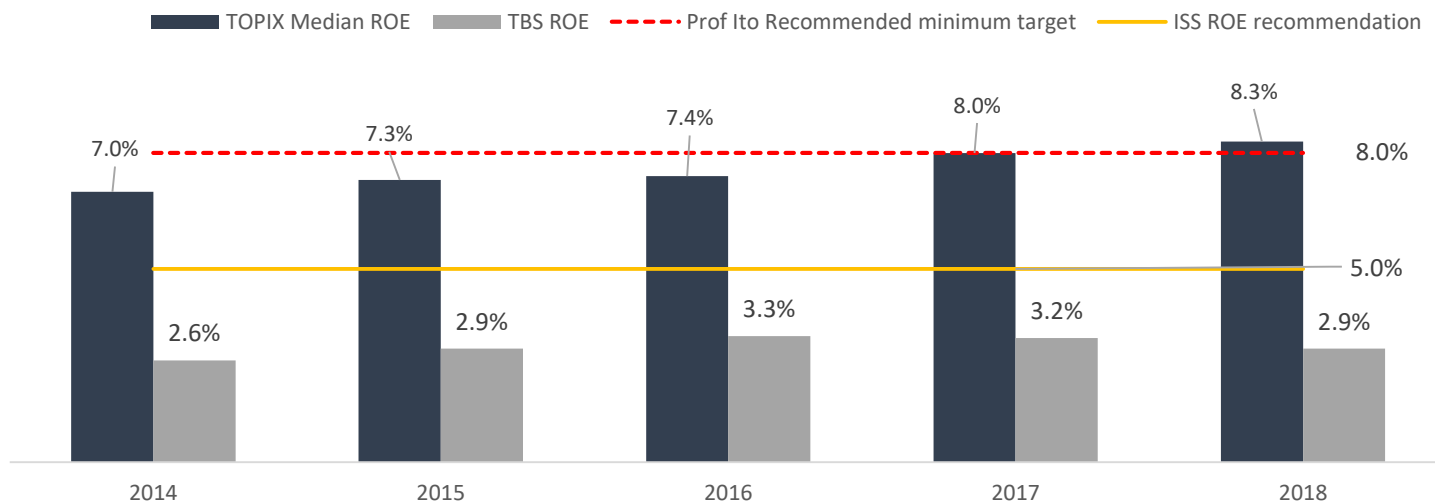


Why are strategic holdings bad for shareholders?

- Cross-shareholdings shield TBS management from accountability to TBS general shareholders.

<u>Cross-held Companies Owned by TBS</u>	<u>% held</u>	<u>% of TBS Owned</u>	<u>TBS Outside Director</u>
Mainichi Newspapers	1.9%	0.7%	Yutaka Asahina
Dentsu	1.3%	1.4%	Tadashi Ishii
MBS Media Holdings	9.8%	4.6%	Keiichi Mimura

- TBS management has shown little urgency about challenges facing broadcasting industry or need to improve ROE.



What are TBS' Objections to the Proposal?

- Tokyo Electron acquired at low cost many years ago, therefore shareholders have “nothing to lose” if the share price goes down
- Needed to fund future capital expenditures
- Tax and technical issues

- TBS suffers a substantial discount due to its excessive securities portfolio
- The concentration and magnitude of TBS' securities portfolio exposes TBS shareholders to undue risk
- Principle 1-4 of the Corporate Governance Code puts an obligation of TBS to reduce and ultimately eliminate cross-shareholdings
- The proposal takes a step toward this, by proposing that TBS distribute 40% of its stake in Tokyo Electron
- TBS has not offered persuasive reasons as to why such a proposal would not be in the best interests of TBS shareholders

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