

30 March 2026

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Dear Sameshima-san,

**Follow-up comments from call between METI and ACGA members, 16 March 2026**

Somewhat belatedly, we would like to thank you for the call that you and your team had with ACGA Japan Working Group members on 16 March. We believe that it was a useful exchange of perspectives and appreciate the opportunity to discuss METI's plans for clarifying on tender offer (TOB) guidelines.

One of the key points from the discussion is whether the board should always recommend the highest price when there are rival TOB offers, or if there are other considerations that may be relevant for instance where the highest bid might involve asset-stripping of key assets of the company (e.g. Mandom) or other aspects that might affect the success and viability of the company into the future, and potentially impacting wider stakeholders.

Representing the views of ACGA members on the call, we wish to reiterate that the presumption is that the board should in general favour the highest bid, or to give this the most serious consideration if there is just one TOB proposal at a premium to the market price, in line with the Principle of Corporate Value and Shareholders' Common Interests. If the board might consider that other factors to have greater weight over the highest bid (or a single bid at a premium to the market), then it is incumbent on the board to state the financial rationale clearly, and to provide all the relevant terms of the various bids to shareholders. Transparency regarding financial details and other relevant considerations enables shareholders to make an informed decision. It is ultimately up to shareholders to vote or to tender according to the bids that are put to it, and terms that are transparent on all the financial details and other relevant considerations.

In recent years, METI together with FSA have provided guidelines that have reinvigorated the market and substantially increased takeover proposals since 2025, a factor that has helped to generate much greater interest and market activity on the Tokyo Stock Exchange. Any clarifications on TOB guidelines should not be seen as undermining or reversing the existing guidelines, but rather as supplementary clarifications to deal with exceptional situations where the highest bid may involve risks for the company that the board wishes to highlight. We thus wish to reiterate:

- Where a board supports a lower bid on corporate value grounds, it must disclose the full financial terms of all competing proposals, not merely the rationale for its recommendation. Board endorsement of a lower bid should not remove shareholders' right ultimately to decide on the bids. Transparency on all bid terms needs to be provided in any situation where the board does not recommend the highest bid.

- The valuation methodology used to conclude that a lower bid better enhances corporate value should be subject to independent scrutiny, and the specific assumptions, data sources, and reasoning should be disclosed in supporting the conclusion. Given the challenges of objectively verifying corporate value comparisons for different scenarios, a high standard of explanation is called for in such situations.

We urge that the principle in Footnote 30 of the METI Guidelines should be reaffirmed with any clarifications of the guidelines: where a proposed price exceeds any plausible range of corporate value enhancement for example because synergy assumptions are implausible or the acquirer's own track record does not support its projections, the board's conclusion that a lower-priced proposal is superior on corporate value grounds should stand up to critical examination. The clarifications should not be seen as giving management greater discretion in recommending lower bids without clear economic or financial rationale, and management should continue to be transparent to shareholders about details of higher bids even if they may not recommend these.

We appreciate METI's aim to make the existing guidelines clear and to hear the views of the various stakeholders. Thank you very much for having the discussion with ACGA members. As always, we remain open to any further discussion on this or related matters.

Yours sincerely,

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Secretary General

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