

Asset Value Investors continues activist campaign in Japan

- Principle 1-4 of the Japanese Corporate Governance Code puts an obligation on TBS¹ to reduce and ultimately eliminate cross-shareholdings
- TBS suffers a substantial discount due to its excessive securities portfolio, and the concentration and magnitude of TBS' securities portfolio exposes TBS shareholders to undue risk
- TBS has not offered persuasive reasons as to why such a proposal would not be in the best interests of TBS shareholders
- AVI's shareholder proposal to TBS, if adopted, will be a small but significant step in the right direction for better corporate governance in Japan

June 20, 2018 - Asset Value Investors (AVI), investment manager for British Empire Trust plc (BTEM), the shareholder of 1.9% of Japan's Tokyo Broadcasting System Holdings (TBS) today held an information session in Tokyo where AVI outlined the rationale for its shareholder proposal ahead of TBS' annual general meeting on June 28. The session was attended by over 70 representatives from Japanese corporations, investment banks, insurance companies and asset managers.

Over the past year, AVI has sought to initiate changes by actively engaging with the Board of TBS to highlight various actions to improve corporate governance and balance sheet efficiency.

The proposal requests that TBS reduce its holdings of Tokyo Electron Ltd (TEL) by 40% as a first step towards improving the Company's capital efficiency, risk management and corporate governance. The distribution of 40% of TEL shares to shareholders of TBS amounts to a pay-out value of ¥344 per share².

Joe Bauernfreund, Chief Executive of AVI, said: "Japan has committed to meeting global standards of corporate governance, as reflected in the Corporate Governance Code and Stewardship Code. There is now a broad consensus within Japan itself that strategic holdings are damaging to corporate value and undermine good corporate governance. As far as TBS is concerned, the Company has not articulated a persuasive strategic rationale for its ownership of Tokyo Electron or other 'strategic holdings'."

"The stake in TEL cannot be justified as a means of strengthening a business relationship between the two companies, as no such relationship exists. As we understand, TBS' business ties with TEL are limited to a capital infusion conducted 54 years ago and TEL's occupancy of a TBS-owned building."

"Furthermore, cross-holdings and cross-directorships with friendly companies, such as TEL, impairs the Company's corporate governance, insulating the management from independent and objective

oversight. The presence of an “independent” Corporate Value Committee has failed to mitigate this, and allowed the existence of such excessive balance sheet risk to go unchallenged. In addition, 13 of TBS’ 17-member board are employees of TBS, owning just 0.1% of the company. Three of the four “independent/outside” directors of TBS are executives of Mainichi Newspapers, Dentsu and MBS Media Holdings – all of which have cross-shareholding relationships and/or transactional relationships with TBS. We, therefore, question the true independence of TBS’ board and believe TBS management effectively operate free of accountability to the wider shareholder base.”

“The response of TBS’ major institutional shareholders to AVI’s proposal will be a test of Japan’s actual commitment to the principles of the Corporate Governance Code and capital efficiency.”

- ENDS -

Note to editor

About Asset Value Investors

Asset Value Investors was established in 1985 to manage the assets of British Empire Trust plc (BTEM), then a £6 million London listed Investment Company. BTEM total assets today are £1,023 billion.

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 launched "Improving TBS," a website which aims to educate the shareholders about the proposal's intent and negotiations <https://www.improvingtbs.com/home>

[1] As of 20 April 2018

[2] Tokyo Broadcasting System Holdings Inc. (TBS), a £3billion (YEN 425billion) company is one of Japan's leading TV networks and media companies that owns TBS Television. It is headquartered in Tokyo.

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