

Q&A regarding our share repurchases method (ASR transaction) conducted on May 15 of this year

Of the 3.5 million treasury share repurchases that we announced on May 14 and completed on the following 15th (hereafter, “share repurchases”), we have received comments and inquiries from shareholders and investors because we have not accurately communicated our intentions regarding the methods and effectiveness of the 1 million share repurchase program.

Accordingly, we have prepared a Q&A concerning this method, and we would like to provide the following information.

Note: Notices regarding this ASR transaction can be found on the news page of our website. Please refer to below:

“Notice of Purchase of Treasury shares by Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) and Issuance of the Fourth and Fifth Share Acquisition Rights Through Third-Party Allocations (Acquisitions of treasury shares by facility-type treasury shares acquisition (Accelerated Share Repurchase))” dated May 14 (Japanese-language version only. The English-language version will be upgraded to HP as soon as possible.)

“Notice of the Result and Completion of the Acquisitions of Treasury Shares through Off-Auction Own Share Repurchase Trading (ToSTNeT-3)”

■ Background to adopting ASR transaction

We adopted an accelerated share repurchase transaction (“ASR” transaction) method in response to a proposal by SMBC Nikko Securities (“Nikko Securities”) for the repurchase of 1 million shares. This is common practice in the United States as a method of repurchasing shares.

When ASR is translated into Japanese, it is a “prompt share buyback,” and it is distinctive that “all purchase slots can be purchased on the same day.” There is no difference in the impact on the balance of supply and demand in the market or in the economic impact between the buyback of company shares (so-called regular) in the market and the ASR transaction of this time.

We have adopted the ASR transaction based on the belief that demonstrating our firm intention to buy out all of our purchase slots on the same day will meet the expectations of our shareholders and investors.

■ Q&A on ASR transactions

Q: Is ASR trading a common transaction?

A: According to Nikko Securities, it has already been commonly used in the United States as a method for acquiring treasury shares (“share repurchases”), and transactions, and may become popular in Japan as well in the future.

Q: What is the difference between a regular share repurchases and an ASR transaction?

A: The major difference is that in ASR transaction, the purchase of treasury shares is completed on the same day, and you can show your intention to purchase all of the purchase slots.

Q: Why has the purchase of Treasury shares been completed on the same day?

A: This was due to the fact that Nikko Securities borrowed shares and used the system of the Tokyo Stock Exchange to subscribe to (sell to us) our share repurchases on May 15.

Q: What was the purpose of the stock borrowing by Nikko Securities?

A: The shares are borrowed for the purpose of subscribing to a share repurchase program to be implemented by the Company.

Q: Does Nikko Securities need to return the borrowed shares?

A: Nikko Securities needs to return the borrowed shares. Therefore, we recognize that Nikko Securities is buying shares from the market for its own account.

Q: From whom did Nikko Securities borrow stock?

A: It borrowed shares from Mint Co. (hereafter, the company). The company is one of our major shareholders.

Q: Does it mean that the company also sold shares?

A: It did not sell them. Nikko Securities buys the number of shares borrowed from the market for its own account and returns the shares to the company at a later date.

Q: Does Nikko Securities sell shares borrowed from the company in the market or lend them to third parties?

A: Absolutely not. Since Nikko Securities has already subscribed to our share repurchases with all of the shares borrowed (which we are buying), it will not sell or lend to third parties in the market, and it is impossible to do that.

Q: How long will Nikko Securities buy shares from the market and when will it return them to the company?

A: It will buy back shares from the market and return the shares borrowed to the company between the day after the subscription for the share repurchases (May 16) and September 20.

Q: Is the impact on the market the same for the usual stock repurchases in which companies make purchases on the market and the current scheme?

A: We believe that the impact on the market is the same.

Q: Why are you issuing share acquisition rights?

A: Share acquisition rights are issued to settle the purchase price at the time of purchase and the market-based purchase price at a later date.

Q: If the stock price rises more than the price at the time of treasury shares purchase, will Nikko Securities lose money and the Company will make a profit?

A: With regard to the difference between the purchase price at the time of treasury shares purchase and the market purchase price in the event of a rise in the stock price, we will transfer the difference in treasury shares to Nikko Securities and settle the settlement by exercising fourth share acquisition rights, so there will be no loss to both companies.

Q: If the stock price rises (when fourth share acquisition rights is exercised by Nikko Securities), is the economic benefit the same with normal treasury shares purchase?

A: Economic benefits are the same. In a normal treasury shares purchase, if the stock price rises, the number of treasury shares that can be purchased at the same price is reduced. When fourth share acquisition rights are exercised, we will transfer the difference from treasury shares already purchased to Nikko Securities, so our treasury shares count will be reduced. For this reason, the economic benefits are exactly the same.

Q: If the stock price falls below the price at the time of treasury shares purchase, will Nikko Securities make a profit and the Company will lose money?

A: With regard to the difference between treasury shares purchase price and the market purchase price when the stock price declines, the Nikko Securities exercises fifth share acquisition rights, and we receive and settle the difference in cash. Therefore, there is no loss to both companies.

Q: If the stock price falls (when fifth share acquisition rights is exercised by Nikko Securities), is the economic benefit the same with normal treasury shares purchase?

A: Economic benefits are the same. In a normal treasury shares purchase, if the stock price falls, the cash required to buy the same number of shares is reduced. The exercise of fifth share acquisition rights reduces our cash requirements because we receive the difference between the cash we have already paid from Nikko Securities. For this reason, the economic benefits are exactly the same.

Q: When will these settlement transactions take place?

A: After Nikko Securities completed the market purchase, we and Nikko Securities will conduct these settlement transactions between August 1 and September 24. Nikko Securities returns the borrowed shares to the company and the transaction is completed.

Q: In other words, is the supply-demand balance and economic impact on the market the same as the regular share buybacks that the company buys in the market and ASR transaction this time?

A: That's right. The supply-demand balances and the economic impact on the marketplace are exactly the same for ASR transactions than for purchases of all available stock through regular share buybacks.

Q: Why did you choose a complex ASR transaction rather than a regular share repurchases, even though the effects are the same?

A: We have chosen to ensure that the marketplace understands our intention to buy out all of the purchase slots because treasury shares purchase can be completed promptly, that is, on the same day.

Q: Release of the ASR transaction is too complicated and difficult to understand.

A: We disclosed detailed information on ASR transactions with the aim of ensuring that our shareholders/ investors accurately understand our initiatives. This resulted in the majority of descriptions regarding share acquisition rights (the fourth and fifth) required for Nikko Securities to conduct settlement at a later date, which are not related to the original intent of treasury shares purchases. We apologize for the confusion.

Q: The effectiveness of ASR transactions and your intentions have not been properly communicated to investors.

A: We sincerely regret that the effect of this matter and our intention were not properly conveyed to our shareholders and investors because we did not provide a more adequate explanation.

In the future, IR will endeavor to provide information that is more accurate and easy to understand for shareholders/investors. We hope that this briefing will help you understand the situation.

If you have any questions, please contact our inquiry form (<https://faqfields.dga.jp/form/contact.html>).

We appreciate your continued support for us in the future.