

## livedoor v. Nippon Broadcasting System, Inc.

**livedoor:** "Yahoo"-like internet portal business company

**Nippon Broadcasting System, Inc.:** One of the biggest radio broadcasting companies

**Fuji Television Network, Inc.:** The biggest TV network company

(Fuji-Sankei group includes a large (4th or 5th in Japan) newspaper company, Sankei Newspaper Inc., and lots of related companies)

2004

9/10 Fuji announced share acquisition of Nippon [8960 -> 4064660 (2.37% -> 12.39%)]  
Purpose: Fuji and Nippon would advance business cooperation.

2005

1/7 livedoor began purchasing Nippon's share through the market. The lot was very small and nobody discovered the purchase. livedoor kept purchasing until Feb 7, when its shareholding reached 5.36%.

1/17 Fuji began and announced tender offer of Nippon's share; Nippon's board gave consent to Fuji's tender offer

Price: 5950yen (average market price of three months before 1/14 (4937yen) + 21%)

Number of shares: 12335341- (-> Fuji would hold 50% (or more) of Nippon's share)

Period: 1/18 - 2/21

Purpose: Nippon becomes a subsidiary of Fuji. Fuji and Nippon intend to integrate TV contents business and radio contents business.

Tender offer agency: Daiwa Securities SMBC

Fuji announced issuance of convertible bond in order to finance the acquisition

Nippon board gave consent to Fuji's purchase.

Nippon held 22.51% of Fuji's share, but this stock would lose voting right after the acquisition by Fuji (commercial code 241(3)).

2/8

livedoor announced that it acquired 29.6% of Nippon's share through its subsidiary on Feb 8 and that it held 35% of Nippon's share. The fund for the purchase was financed from Lehman Brothers.

livedoor announced issuance of convertible bonds in order to finance the acquisition of Nippon.

The CEO of livedoor, Mr. Horie, announced that livedoor proposed a business cooperation plan to Nippon

- 2/9 Fuji stopped appearance of Mr. Horie on a Fuji's TV show.  
Fuji announced that it was considering counter measures against livedoor's proposal and denied the possibility of cooperation with livedoor.
- 2/10 Fuji announced the change of terms of its tender offer.  
Number of shares: 25% (or more)<sup>1</sup>  
Period: 1/18 - 3/2  
Additional Purpose: "Fuji is going to consider seriously about collaboration with other firms on broadband business and mobile communication business"
- 2/13 Mr. Horie announced that livedoor might let Nippon issue new shares in order to make the Fuji's share less than 25%
- 2/14 Nippon's market share price, which had been taking a jump since January, fell about 12%. Probably the market considered that the battle would take a long time.
- 2/16 Nippon board gave consent to Fuji's modified offer again.
- 2/18 livedoor's share price fell six days in a row by more than 30%. The market probably anticipated that Fuji's tender offer would succeed and that the livedoor's CB, which would be issued to Lehman Brothers, would dilute livedoor's equity.
- 2/21 livedoor announced that it wanted to cooperate with Nippon and Fuji-Sankei group. Exploiting livedoor's internet media would enable more business opportunity to both parties.  
livedoor acquires more than 40% of Nippon's share.  
Mr. Okuda, the chair of Nippon Keidanren (the largest business community interest group) and the CEO of Toyota, commented on a press interview that Mr. Horie should explain his motive of the acquisition.  
"He is accountable to explain whether he wants just to improve Fuji-Sankei group or he wants to make money. If Mr. Horie's only purpose were to make money, I could not agree with him. Koito Co., one of Toyota's related companies, experienced T. Boone Picken's takeover in 1989, but it was clear

---

<sup>1</sup> Fuji shares, which Nippon held, would have voting right if Fuji held less than 25% of Nippon's share. See commercial code 241(3). Fuji wanted to prevent livedoor from having voting power of Fuji. Note that Nippon held 22.51 % of Fuji's share, so that livedoor would get significant influence on Fuji when livedoor acquired Nippon.

that Pickens was a green mailer. Therefore Toyota group resisted the takeover and finally kicked him out."<sup>2</sup>

2/22 Mr. Asou, Minister of Public Management, Home Affairs, Posts and Telecommunications, commented that he ordered discussion about reform of Radio Act. The reform might involve restriction of foreign capital<sup>3</sup> in broadcasting companies.

Mr. Katayama, one of the LDP Diet members, commented that the government should start a discussion about reform of Radio Act and Broadcast Act, involving restriction of foreign capital.

2/23 Prime Minister Koizumi commented that broadcasting company is of a public nature and that it may be necessary to introduce some regulation.

**Nippon board resolved to issue options to Fuji TV, one of Fuji's subsidiaries.**

**The exercise of these options (equivalent to 47,200,000 shares) would make Fuji's holding of Nippon more than 60%.**

Mr. Amai, the vice president of Nippon, explained that the issuance is not unfair because the exercise price is 5950yen, which is the same as the market price at Jan 17.

At midnight, Mr. Horie commented that livedoor was going to file a preliminary injunction of the issuance to Tokyo District Court on the next day because the issuance would injure other shareholders of Nippon. He also said that livedoor might file a lawsuit against Mr. Murakami, Fuji's president and Nippon's director at the same time, for damages.

2/24 Fuji extended the tender offer period to March 7.

**livedoor filed a preliminary injunction before Tokyo District Court.**

Mr. Okuda said, "The both arguments are right, in some aspects. I hope the final decision will be made at the judiciary."

The Tokyo Stock Exchange observed 3.8% fall of Fuji, 6.5% fall of livedoor, and 7.6% fall of Nippon.

Fuji extended the period of its tender offer until March 7.

---

<sup>2</sup> You know, this IS a terrible comment -- I cannot believe the chair of Nippon Keidanren made such a comment!

<sup>3</sup> Note that livedoor is NOT a subsidiary of any foreign company. No foreign company holds significant portion of livedoor's share. However, when Lehman Brothers exercises the conversion right in the future, the convertible bonds turn into standard shares and Lehman Brothers appears as a large shareholder of livedoor -- at least, temporarily.