

The JFTC Issued a Caution to Mizuho Securities Co., Ltd.

April 13th, 2023

The Japan Fair Trade Commission (JFTC) today issued a caution to Mizuho Securities Co., Ltd. (Mizuho). In this case, Mizuho's conduct may lead to violation of prohibition of the Article 19(falling under the Item 5, Paragraph 9, Article 2 [Abuse of Superior Bargaining Position] of the Antimonopoly Act (AMA).

The Initial Public Offering (IPO) is taken place through the offering pricing process after the completion of the examination of recommendations.

For startups that do not wish to postpone their scheduled listing date on a stock exchange, it is difficult for them to change the lead underwriter, during the offering pricing process. Therefore, even if the lead underwriter makes a request that is significantly disadvantageous to the startups, it is considered that the startups will have no choice but to accept it.

Having considered above-mentioned situation, Mizuho may be found to have been in a superior bargaining position to the startups who had difficulty changing a lead underwriter in the offering pricing process of the IPO for which Mizuho served as a lead underwriter.

In the offering pricing process of the IPO for which Mizuho served as the lead underwriter, Mizuho had set an estimated offering price or a tentative price range and requested that these be accepted by the startups, over which Mizuho may have been deemed to have been in a superior bargaining position.

The opening price of the IPO in the above-mentioned cases was more than double the offering price. The startups could have raised more funds if they had been able to make Initial Public Offering at the offering price that would have been set based on the estimated offering price or tentative price range that they had claimed.

Although Mizuho's conduct was not immediately deemed a violation of the Antimonopoly Act, it may lead to a lower offering price being set unilaterally by the lead underwriter with strong bargaining power and unfairly put startups at a disadvantage, which might result in adversely affecting fair and free competition.

Finally, the JFTC inquired actual situation of offering pricing process, etc, and published the results of the Inquiry on January 28, 2022. The JFTC will take strict and appropriate

measures to specific deals that are an issue under the AMA in IPO-related transactions when the JFTC face these deals, including conducts such as this case.

* Every announcement is tentative translation. Please refer to the original text written in Japanese for more details.