
Aeon Delight | 9787 |

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On **October 27, 2015**, AEON DELIGHT, Co. Ltd. announced a tender offer for Hakuseisha Co., Ltd.

Summary of tender offer

AEON DELIGHT is the third largest shareholder of Hakuseisha, owning 450,000 shares (5.58% ownership) through wholly owned subsidiary Kankyo Seibi Co., Ltd. On October 27, 2015, AEON DELIGHT reached an agreement with J. FRONT RETAILING Co., Ltd., (the parent of wholly owned subsidiary Daimaru Matsuzakaya Department Stores Co., Ltd., Hakuseisha's leading shareholder with 2,046,170 shares [25.36% ownership]). The agreement was on the outsourcing of Hakuseisha's operations and the transfer of personnel on loan, as well as the acquisition of all Hakuseisha's common stock (excluding shares held by Kankyo Seibi) and the execution of a tender offer with the intent of making Hakuseisha a wholly owned subsidiary of AEON DELIGHT.

Hakuseisha announces acceptance of tender offer and recommendation

At meeting of the board of directors held on October 27, 2015, Hakuseisha decided to support the tender and recommend acceptance by shareholders.

Tender offer price: JPY800 per share, JPY6.1bn total.

The planned pricing of the tender offer is JPY800 per share (October 27 closing price: JPY335), for a total purchase price of JPY6,095,365,600 based on the planned acquisition of 7,619,207 shares. The minimum number of shares to be acquired via the tender offer is 3,593,000 (44.53%), so that Hakuseisha can be made a wholly owned subsidiary of AEON DELIGHT to strengthen the capital partnership and achieve synergies.

Scheduled to become wholly owned subsidiary

If AEON DELIGHT is unable to acquire all of Hakuseisha's common stock, it intends make it a wholly owned subsidiary, with AEON DELIGHT and Kankyo Seibi as the only shareholders of Hakuseisha. This is under the condition that the total number of tendered and other shares is greater than the minimum (4,933,000 shares, equivalent to 66.7%) and an agreement is reached with the majority of shareholders other than those with a conflict of interest.

Background on tender offer

About Hakuseisha

Established in 1954, Hakuseisha is a comprehensive building maintenance company engaged primarily in cleaning, security, and facilities management. Now an equity-method affiliate of J. Front Retailing, Hakuseisha provides building maintenance services mainly for large retail facilities, such as the department stores operated by J. Front Retailing.

AEON DELIGHT thinks that Hakuseisha can offer skills gained from over 20 years in clean-room cleaning at facilities manufacturing precision equipment for industrial applications and at facilities making pharmaceuticals, and from over 13 years' experience in sanitation management systems at food-processing facilities.

Industry environment

AEON DELIGHT expects securing earnings to become more difficult given the limited growth expected in the number of commercial facilities and office buildings in Japan, and also given the continual pressure to reduce costs from existing customers, which will be exacerbated by anticipated increases in labor and materials costs.

Moreover, the company sees the need to shift from a labor-intensive to a knowledge-intensive business structures, as customer needs continue to grow more diverse and sophisticated. This is necessary to increase visibility of operations and ensure standardized methods; to develop IT technologies, equipment and materials while acquiring more advanced technology and knowledge; and to improve operation productivity and quality, including through consulting sales and quality-assurance contracts. To achieve this shift, the company requires a network that provides sophisticated and wide-ranging technology, expertise, and staff, as well as major investments to acquire relevant assets.

Events leading to the tender offer

AEON DELIGHT began considering working with Hakuseisha when Aeon, Co., Ltd. acquired all shares of Peacock Stores Inc. from J. Front Retailing in April 2013. Hakuseisha handled cleaning services and security for Peacock Stores. AEON Delight and Hakuseisha entered a subcontracting agreement in January 2014. The two companies began pursuing further cooperation through a capital relationship. Through synergies, the two companies recognized the potential to raise their corporate values. AEON DELIGHT approached J. Front Retailing in October 2014 about selling all its shares of Hakuseisha's common stock. In June 2015 AEON DELIGHT proposed strengthening the capital alliance and the two companies began specific talks.

AEON DELIGHT and Hakuseisha concluded that the corporate value and business foundations of each would benefit from the tender offer. They also decided that making Hakuseisha a non-listed company would eliminate the expenses associated with maintaining stock exchange listings.

Expected synergy

- ▶ Stronger sales capabilities
- ▶ Reinforced service quality and cost competitiveness
- ▶ Stronger business development
- ▶ Improved back-office efficiency

The impact on FY2/2016 consolidated earnings is expected to be limited.

Hakuseisha results summary

	FY03/13		FY03/14		FY03/15	
Sales	9,723	100.0%	10,037	100.0%	9,343	100.0%
YoY	1.1%		3.2%			
Gross Profit	1,178	12.1%	1,121	11.2%		
SG&A	823	8.5%	856	8.5%		
Operating Profit	354	3.6%	265	2.6%	140	1.5%
Recurring Profit	455	4.7%	449	4.5%	232	2.5%
Net Income	296	3.0%	290	2.9%	142	1.5%
Net Assets	6,169		6,501			
Total Assets	8,024		8,604			
Net Cash	3,123		3,661			

Source: Shared Research based on company data

This note is the most recent addition to the [full report](#).

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