May 2nd, 2018

Dear Sirs

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to TOSHO Printing CO., LTD.

Strategic Capital, Inc. (hereinafter referred to as "Strategic Capital") is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund and Strategic Capital hold over 300 units of voting right of TOSHO Printing CO., LTD. (hereinafter referred to as "TOSHO") over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 27th, 2018, we notified TOSHO of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June and confirmed that, on May 2nd, 2018, TOSHO certainly received the documents of the proposal.

A brief detail of our proposal is as followings.

1. The Description of the proposal
   ① Increase of the dividend
   We require that the dividend per share for this fiscal year is increased to 280 yen.
   ② Revision of the provisions of articles with regard to the establishment of the optional nomination committee and remuneration committee
   We require to add new Articles in the current provisions of articles as set forth below.
   (Establishment of the committees for nomination and remuneration)

Article 33: The company shall establish the optional nomination committee and remuneration committee (hereinafter referred to as the "committee(s)") as advisory organizations under the board of directors.

(Appointment of committee members, etc.)

Article 34: The members of the committees shall be appointed at the board of directors held after the annual shareholder meeting.

2. Each committee shall be composed of 3 or more committee members and the majority of the committee members of each committee shall be outside directors.
3. The chairmen of each committee shall be appointed from outside directors.
4. The committee members of each committee may be removed at any time by resolution of the board of directors.

(The items to be advised by the nomination committee)

Article 35: The nomination committee shall discuss and advise the following items in response to the inquiries from the board of directors:

(1). The proposal with regard to appointment or dismissal of directors to be submitted to the shareholder meeting;

(2). Appointment or dismissal of the representative director; and

(3). Other relevant items inquired from the board of directors with regard to appointment or dismissal of directors.

(The items to be advised by the remuneration committee)

Article 36: The remuneration committee shall discuss and advise the following items in response to the inquiries from the board of directors:

(1). The proposal with regard to the remuneration of directors to be submitted to the shareholder meeting;

(2). The design of the management remuneration systems such as the proportion of management remuneration linked to the business results and the balance of cash and stock;

(3). The specific amount of remuneration of each director; and

(4). Other relevant items inquired from the board of directors with regard to the remuneration of directors.

③ Revision of the provisions of articles with regard to the dissolution of Cross-Shareholdings

We require to add new Chapter and Article in the current in the provisions of articles as set forth below.
If the above mentioned proposal regarding the establishment of the optional nomination and remuneration committees from Article 33 to Article 36 will not be approved, this proposal regarding Article 55 shall be replaced with Chapter 8 Article 51.
Chapter 8 Cross-Shareholdings
(the disposition of Cross-Shareholdings)
Article 55: The company shall sell all the listed shares which it holds, as of the effective date of the revision of the provision of articles, for reasons other than pure investment purposes immediately during 107th to 109th fiscal period.

2. The background of the proposal

① Dividend of the fiscal year end:

As of the end of December 2017, TOSHO held approximately 6.3 billion yen as cash and cash equivalent, approximately 20.9 billion yen as short-term investment securities, and approximately 42.8 billion yen as investment securities, while interest-bearing debt on its balance sheet is only 0.8 billion yen. Sum of these cash and securities, after deducted interest-bearing debt, reaches 69.2 billion yen, which is so huge as to account for 90% of its net assets and 162% of its market capitalization (as of April 26th, 2018).
From August 2016 to September 2016, TOSHO disposed half of the shares of RECRUIT Holdings it had held (hereinafter referred to as "RECRUIT shares") and the proceeds of such disposal after tax is estimated approximately 12.1 billion yen. Therefore, as stated in the description of the proposal above, we require that the dividend per share for this fiscal year is increased to 280 yen (approximately 12 billion yen in total).

In February 2017, TOSHO released the Mid-term Management Plan including investment plan in its business (hereinafter referred to as the "Mid-term Plan"). In the Mid-term Plan, TOSHO stated that it will invest approximately 30 billion yen in total from fiscal year 2017 to 2019, 10 billion yen in response to the change of its business structure and 20 billion yen in expansion of its new business area.
However, the investment in response to the change of its business structure has never exceeded its usual level at least in these 9 months of fiscal year 2017.

Moreover, ROE of TOSHO for the past five years has been below 1% except for the fiscal year 2016 in which the RECRUIT shares were disposed and the proceeds of such disposal were reported as extraordinary profits.
Based on the outlook of net profit in this fiscal year TOSHO released, and net worth on 31st March 2017 and 31st December 2017, ROE at the end of March 2018 will be approximately 1%. We require TOSHO to complete 10 billion yen investment to improve its low efficiency as soon as possible, if such investment is truly needed and the return can be expected from it.

Also, the investment in expansion of its new business area remains a trifle as long as we refer to the publications of TOSHO. TOSHO is a subsidiary of TOPPAN PRINTING CO., LTD. (hereinafter referred to as "TOPPAN"). Therefore, investment in expansion of its new business area should be determined as a member of TOPPAN group. We have to say that 20 billion yen of investment in expansion of its new business area, which accounts for approximately 30% of its net assets at the end of December 2017, is exorbitant for TOSHO to determine independently. Actually, in fiscal year 2017, TOSHO has acquired a small publishing company of textbook, which relates to TOSHO's business, for 1.1 billion yen. We consider this level of investment is suitable for TOSHO.

As stated above, TOSHO has approximately 70 billion cash and securities. If TOSHO disposes its securities including remaining RECRUIT shares, the proceeds of such disposal after tax will be estimated approximately 58.2 billion yen. And even if 10 billion yen of investment in response to the change of its business structure is executed, TOSHO can distribute more than 40 billion yen to its shareholders. Therefore, we expect that 280 yen dividend per share for this fiscal year and also for coming 2 years are possible. Accumulating such dividend for 3 years (fiscal year 2017, 2018 and 2019), the total amount distributed to shareholders will be 36.3 billion yen. As a result of this, TOSHO can reduce its huge net assets, which is one of reasons for its extremely low ROE.

② The establishment of nomination and remuneration committees:
Corporate Governance Code (hereinafter referred to as the "Code"), which is one of the regulations at Tokyo Stock Exchange, will be revised in a couple of months. The revised Code is expected to stipulate, in Supplementary Principle 4.10.1,

that the company should seek appropriate involvement and advice from independent directors in the examination of such important matters as nomination and remuneration by establishing independent advisory committees under the board, such as an optional nomination committee and an optional remuneration committee, to which independent directors make significant contributions. The revision of the provision of article above is to establish the nomination and the remuneration committee to meet the newly revised Code.
As stated above, TOSHO is a subsidiary of TOPPAN, and six board members (out of thirteen) and all the auditors are from TOPPAN. In such circumstances, it is important that appointment or dismissal of directors, and management remuneration shall be determined not only by the intention of its parent company.

③ The disposition of Cross-Shareholdings:
The revised Code stipulates that the policy with regard to the decrease of cross-shareholdings (cases where listed companies hold the share of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships) should be disclosed in Rule 1-4, and wording “the decrease of cross-shareholdings” will be clearly stated. The revision of the provision of article above is to dissolve cross-shareholdings within three years to meet the newly revised Code.

TOSHO holds listed shares of 25 companies as "Cross-Shareholdings", which reach 28 billion yen in total mainly occupied by RECRUIT shares on its non-consolidated balance sheet as of the end of March 2017. And TOSHO holds 42.8 billion yen of investment securities. We require that TOSHO shall promptly dispose of all the listed shares including not only Cross-Shareholding but also all the investment securities which it holds and shall utilize the proceeds to increase its shareholder value.

Contact Information
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