

April 26<sup>th</sup>, 2019

Dear Sirs and Madams,

Strategic Capital, Inc.  
Tsuyoshi Maruki, President & CEO

**Re: Shareholder Proposal to TOSHO Printing Company, Limited and  
Announcement of the New Website Open for the Proposal**

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 Company, Limited (hereinafter referred to as "TOSHO" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 24<sup>th</sup>, 2019, 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 April 25<sup>th</sup>, 2019, TOSHO certainly received the documents of the proposal.

We would like to explain the context of our proposal as following;

1. Overview of our proposal and
2. The detailed translation of our proposal.

For further information, please click the link to a special website regarding our proposal (<https://cheer-up-tosho.com/english/>) or the top right links in [our corporate website](#).

1. Overview of our proposal

- ① Disclosure of WACC and its basis of calculation it for more effective dialogues.

The profitability of TOSHO is extremely low and its capital efficiency is low as well (ROE continues to stay less than 1%). Besides, TOSHO invested in acquisition which provides only poor return because TOSHO persists in completion of its mid-term management plan that states 20 bil investment in expansion of its new business area.

TOSHO impairs its shareholders' value as stated above because the managements

are not aware of the major premise of investment that investment return must exceed its cost of capital. We hope the managements of TOSHO raise their awareness about cost of capital. Also, through the effective dialogue with shareholders, TOSHO can increase its shareholders' value. Therefore, we would like TOSHO to improve its valuation by disclosing WACC and its basis of calculation.

- ② Increase in independent outside directors in the board to protect the interests of minor shareholders.

Among the 13 members of the board of TOSHO, there is no “truly” independent outside director. As discussed in the meeting of the Council on Investments for the Future at the Prime Minister's Office in March 2019 regarding parent-subsiary listings, it is highly expected for independent directors of listed subsidiary to participate in the decision making process of the board, representing the interest of minority shareholders. Therefore, we would like TOSHO to organize the board of directors of which the majority shall be independent outside directors, in order to protect the interests of minority shareholders.

- ③ Reconsideration of the mid-term management plan and implementation of special dividend to optimize excess net assets.

TOSHO disposed some of its shares of Recruit Holdings Co., Ltd (hereinafter referred to as “RECRUIT shares”) in 2016 and gained ca. 12 bil after tax. This makes TOSHO's net assets increased and leads to low capital efficiency. Almost all of the proceeds are segregated as general reserve of retained earnings but we cannot ignore that TOSHO holds such huge cash aimlessly that it cannot explain when and how they are used. Therefore, we would like TOSHO to distribute JPY280 special dividend per share in addition to the dividend proposed by TOSHO through reduction of the general reserve to ensure the appropriate level of net asset on its balance sheet.

- ④ Increase the shareholders' value through further disposal of RECRUIT shares and improvement of its extremely low operating profit margin.

As of the end of December 2018, TOSHO holds cross shareholdings of 42,205mil. We would like TOSHO to promptly dispose of all the cross shareholdings it holds within 3 fiscal years and shall utilize the proceeds to increase its shareholders' value, such as increase in return to shareholders and improvement in the profit margin of its existing business after giving explanation of risk and return.

2. The detailed translation of our proposal

- ① Revision of the provisions of articles with regard to disclosure of cost of capital  
The following Chapter and Article shall be newly added to the current Articles of Incorporation.

CHAPTER VIII. COST OF CAPITAL

(Disclosure of Cost of Capital)

Article 51. The Company shall disclose, in the Corporate Governance Report (hereinafter referred to as "Report") which it submits to the Financial Instruments Exchange, its Weighted Average Cost of Capital and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the Report.

- ② Revision of the provisions of articles with regard to set a minimum rate requirement of the independent outside directors in the board  
The following Paragraph shall be newly added to the Article 20 and the following Supplementary Provision shall be added to the current Articles of Incorporation.

2. The Company shall organize the board of directors of which the majority shall be outside directors who fall under outside director prescribed in Article 2, Item 15 of the Companies Act and who is not a person listed in any of the followings:

- (1) A person who is or used to be an officer or employee of another company which controls the Company or is controlled by the Company via holding at least 10% voting rights
- (2) A person who is or used to be an officer or employee of a major client or supplier of the Company
- (3) A person who is or used to be an officer or employee of an issuing company of shares the Company holds as cross shareholdings
- (4) A person who is or used to be consultant, accountant or legal professional who receives any amount of monetary consideration or other property from the Company
- (5) A person whose participation rate in the board meeting of the Company is less than 75% in the preceding fiscal year.
- (6) A person whose period in office is longer than 8 years in total including both a director and an auditor of the Company on the expiration date

- (7) A person who is engaged in full-time work and concurrently holds positions as an outside director or an outside auditor in another 2 or more companies other than the Company
- (8) A person who is not engaged in full-time work and concurrently holds positions as an outside director or an outside auditor in another 5 or more companies other than the Company

(Effective Date of Number of Outside Directors)

Supplementary Provision 1. Article 20, Paragraph 2 shall come into effect as from the day after the date of the Annual General Meeting in 2020. And this Supplementary Provision shall be deleted as of the same day.

③ Appropriation of Surplus

(1) Matters concerning year-end dividends

(1)-1 Type of dividend

Cash

(1)-2 Allocation and the total amount of dividends

JPY280 as special dividend in addition to the dividend proposed by the Board of Directors of the Company at the 107<sup>th</sup> Annual General Meeting of Shareholders and approved thereat.

The total amount of dividends is calculated by JPY280 by the number of shares subject to dividend payment as of March 31<sup>st</sup>, 2019.

(1)-3 Effective date of dividend payment from surplus

The day after the date of the Annual General Meeting of Shareholders to be held in June 2019.

(2) Matters concerning reduction of reserve and appropriation of surplus

i. Item and the amount of surplus to reduce

General reserve: JPY15,040,000,000

ii. Item and the amount of surplus to increase

Retained earnings brought forward: JPY15,040,000,000

If the Board of Directors of the Company submits the proposal on appropriation of surplus at the 107<sup>th</sup> Annual General Meeting of Shareholders, this proposal will be submitted to make an additional proposal separately from such proposal.

④ Revision of the provisions of articles with regard to the Dissolution of Cross Shareholdings

The following Chapter and Article shall be newly added to the current Articles of Incorporation. When the first proposal regarding Chapter VIII Article 51 above is not approved, this proposal regarding CHAPTER IX Article 52 shall be replaced with CHAPTER VIII Article 51.

CHAPTER IX. Dissolution of Cross shareholdings

(Dissolution of Cross Shareholdings)

Article 52

The Company shall sell all the cross shareholdings which it holds, as of the effective date of the revision of the Articles of Incorporation, immediately during 108<sup>th</sup> to 110<sup>th</sup> fiscal periods.

Contact Information  
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