

April 27, 2017

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 holds 5.03% of the outstanding share of TOSHO Printing CO., LTD. (hereinafter referred to as "TOSHO"). Strategic Capital also holds one unit of share in TOSHO.

The Fund and Strategic Capital are pleased to announce that, on April 25, 2017, 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 26, 2017, 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 120 yen.

2. The background of the proposal

① Dividend of the fiscal year end:

As of the end of December 2016, TOSHO held approximately 5.3 billion yen as cash and cash equivalent, approximately 27.1 billion yen as short-term securities, and approximately 24.9 billion yen as investment securities on its balance sheet. Sum of these cash, cash equivalent and securities, after deducted interest bearing debt, 0.8 billion yen, reaches approximately 56.5 billion yen, which is so huge as to account for 89% of its net asset and 132% of its market

capitalization (as of April 21, 2017)

In September 2016, TOSHO disposed half of the shares of RECRUIT Holdings (hereinafter referred to as “RECRUIT shares”) which TOSHO held. Five months later, on February 27, 2017, TOSHO released the Mid-term Management Plan including investment plan in its business (hereinafter referred to as the “Mid-term Plan”). Considering the process above, it is presumable that TOSHO, at the time of the disposal of RECRUIT shares, had no plans at all regarding use of the proceeds obtained from such disposal (hereinafter referred to as the “proceeds of disposal”), and that TOSHO, thereafter, commence developing the Mid-term Plan. Therefore, the explanation in the Mid-term Plan regarding use of the proceeds of disposal is merely an invented one, and, properly speaking, TOSHO shall return most of the proceeds of disposal to shareholders as a special dividend.

The remaining amount of the proceeds of disposal after tax is estimated approximately at 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 120 yen (approximately 10.3 billion yen in total).

TOSHO stated in the Mid-term Plan that TOSHO will invest approximately 30 billion yen in the coming three years. However, as far as reading the explanation in the Mid-term Plan, such investment is quite abstract and excessive considering the scale of its business. Moreover, even if TOSHO achieve every target in the Mid-term Plan, the prospected ROE in 2019 would be merely 1.7 %, which is, needless to say, extremely low. Such extremely low ROE is attributable to huge net asset in its balance sheet and poor capital efficiency. Therefore, TOSHO shall reduce the amount of investment drastically (15 billion yen, half of the amount intended in the Mid-term Plan, would be enough considering the scale of its business), and shall return the large amount of its net asset to the shareholders.

As stated above, TOSHO held approximately 56.5 billion yen of cash, cash equivalent and securities on its balance sheet as of the end of 2016. In the event TOSHO disposes all the remaining RECRUIT shares it still holds, TOSHO can return to shareholders more than 30 billion yen within its cash and cash equivalent on hand, even after deducting the investment of 15 billion yen and tax imposed on the disposal of RECRUIT shares. Accordingly, continuous 120 yen dividend per share in the coming three years, including this fiscal year, is expected of TOSHO. Since such continuous dividend for three years results in

30.8 billion yen of return to shareholders in total, TOSHO can drastically reduce its huge net asset, which is currently about 64 billion yen.

Contact Information

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## Consolidated Balance Sheet of TOSHO PRINTING

(As of the end of December 2016)

*TOSHO held approximately 57.3 billion yen, as cash, cash equivalent, and securities, which represented approximately 59.6% of total assets.*

Liquid Assets	<b>Cash</b>	<b>5,292 (5.5%)</b>	Liquid Liabilities		22,525 (23.4%)
	<b>Securities</b>	<b>27,101 (28.2%)</b>			
			Fixed Liabilities		9,865 (10.3%)
	Others	18,203 (18.9%)		<b>(Breakdown of Unrealized Profit of Investment Securities in Owner's Capital)</b>	<b>(15,160) (15.8%)</b>
Fixed Assets	<b>Investment Securities</b>	<b>24,888 (25.9%)</b>	Owner's Capital		63,757 (66.3%)
	Others	20,664 (21.5%)			
Total		96,148 (100%)	Total		96,148 (100%)

Units : Million Yen