

May 27<sup>th</sup>, 2019

Dear Sirs and Madams,

Strategic Capital, Inc.

Tsuyoshi Maruki, President & CEO

Re: The Announcement of Execution of Share Exchange Agreement to Make Tosho Printing Co., Ltd. a Wholly Owned Subsidiary of Toppan Printing Co., Ltd. And the Withdrawal of Shareholder Proposal to Tosho Printing Co., Ltd.

On May 13<sup>th</sup>, 2019, Tosho Printing Co., Ltd. (hereinafter referred to as "Tosho Printing") announced that it will be a wholly owned subsidiary of Toppan Printing Co., Ltd. (hereinafter referred to as "Toppan Printing") through a share exchange. According to the announcement, the share exchange is scheduled to be implemented after the Share Exchange Agreement is approved by resolution of the ordinary general meeting of shareholders of Tosho Printing that is scheduled to be held on June 27<sup>th</sup>, 2019.

Based on the ratio of allotment in the Share Exchange and share price on the date of the announcement, the total value of the shares of Toppan Printing which shareholders of Tosho Printing receive through the share exchange will be merely 0.74x of Tosho Printing's net asset value. We appreciate that one of parent-subsubsidiary listings problems is solved. On the other side, the ratio of allotment in the share exchange is not acceptable because it is far too unfavourable for shareholders of Tosho Printing. It is obvious that this share exchange reveals the negative effect due to parent-subsubsidiary listings. In fact, such effect is discussed at the meeting of the Council on Investments for the Future at the Prime Minister's Office, such as "the board of listing subsidiary is given a free hand and no measures are taken against poor share prices.". And it corresponds to our opinion submitted to the Ministry of Economy, Trade and Industry (hereinafter referred to as "METI") that "A parent company appoints incompetent managements and decrease the share price. Thus, the parent company can successfully make it a wholly subsidiary with cheap price.". As above, such negative effect of parent-subsubsidiary listings is commonly recognized among many investors including us.

We had a meeting with Tosho Printing on May 23<sup>rd</sup>, 2019. We pointed out that 1) the ratio of allotment is far too unfavourable because the going value of Tosho Printing is not taken into account, because based on the share price on the date of the announcement, consideration for a share of Tosho Printing is JPY1369 which equals to only the value of cash and securities after tax and 2) we cannot understand why the board of Tosho Printing approved such ratio which is unfavourable for shareholders of Tosho Printing. However, we could not obtain an answer for above and our request to have a meeting with the management of Toppan Printing was not accepted.

The approval of the share exchange in shareholders meeting of Tosho Printing requires more than two third of favour votes. As Toppan Printing holds more than a half of voting rights, it is likely that the resolution will be approved at the meeting. Surely, we have an option to vote against it and contend at law regarding such unfavourable ratio, however, it is hard to expect to win this case because judicial precedents in Japan show the judgement that every information such as asset value has been counted in the market price of share and it is acceptable if an acquisition premium is added to the current price in the market. Therefore,

it is hard to expect for the court to judge the ratio in this share exchange is unfair. We sincerely regret to say that the improvement of the ratio is hard to realize and it is inevitable to receive the shares of Toppan Printing if the exchange will be implemented.

Considering the negative effect due to parent-subsiary listings, managements ignoring minority shareholder's interests and judicial precedents not understanding the enterprise value, we have to admit that the interests of minority shareholders in Japan are not adequately protected . We hope discussion relating to the problem of parent-subsiary listings will be developed from now on such as the one in Fair M&A Study Group in METI, and new rules or policies will be established in the future.

Today, we sent a notice to let Tosho Printing know that we withdraw our shareholder proposals because of the high probability for Tosho Printing to go private.

Contact Information

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