



May 15, 2018

Company name: TOHO CO., LTD.  
Representative: Yoshishige Shimatani, President  
Securities code: 9602 (Tokyo Stock Exchange, First  
Section, and Fukuoka Stock Exchange)  
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### **Supplementary Notice Regarding Proposal No. 3 to Be Submitted at the 129th Annual General Meeting of Shareholders**

First of all, we would like to extend our deepest gratitude for your support of our operations.

We hereby provide a supplementary notice regarding Proposal No. 3, which we intend to submit at the 129th Annual General Meeting of Shareholders scheduled for May 30, 2018. Although the proposal in question lists three candidates for positions as directors who would concurrently serve as Audit & Supervisory Committee members, Institutional Shareholder Services, Inc., an advisory firm specializing in the exercise of voting rights, recommends that shareholders vote against the election of two of the three candidates, claiming that these individuals are not deemed sufficiently independent from management.

In response, we provide the following information to help our shareholders better understand why we proposed these candidates. We advise our shareholders to take note of our explanation and sincerely request their understanding of this proposal.

## Proposal No. 3: Election of Three Directors Who Are Audit & Supervisory Committee Members

### (1) Candidate No. 2 Takashi Kobayashi's Career Summary

Candidate No.	Name (Date of birth)	Career summary and position in the Company	Number of the Company's shares owned
2	Takashi Kobayashi (August 24, 1945)	June 1990 Counselor of International Business Division of the Industrial Bank of Japan, Limited Mar. 1991 Director and General Manager of Accounting Department of Palace Hotel Co., Ltd. Mar. 1993 Managing Director of Palace Hotel Co., Ltd. Mar. 1995 Senior Managing Director of Palace Hotel Co., Ltd. Mar. 2001 President of Palace Hotel Co., Ltd. May 2011 Audit & Supervisory Board Member of the Company Mar. 2014 Representative Director and Chairman of Palace Hotel Co., Ltd. (current position) May 2016 Director (Audit & Supervisory Committee Member) of the Company (current position) [Significant concurrent positions outside the Company] Representative Director and Chairman of Palace Hotel Co., Ltd.	0 shares
	Reelection Outside Independent  Attendance to the Board of Directors meeting: 9 of 10  Attendance to the Audit & Supervisory Committee meeting: 10 of 11	[Reasons for nomination as candidate for outside Director] Mr. Kobayashi is a management expert who has long been engaged in corporate management, and possesses a respectable degree of knowledge of finance and accounting based on his experience, etc. in banking business. Therefore, the Company judges that he is well suited for outside Director who is an Audit & Supervisory Committee Member and proposes his reelection.	

### (2) Candidate No. 3 Satoshi Ando's Career Summary

Candidate No.	Name (Date of birth)	Career summary and position in the Company	Number of the Company's shares owned
3	Satoshi Ando (April 27, 1974)	Oct. 2001 Registered as an attorney at law (Dai-Ichi Tokyo Bar Association) (current position) Oct. 2001 Joined Onishi Shoichiro Law Office (current position) May 2016 Director (Audit & Supervisory Committee Member) of the Company (current position)	0 shares
	Reelection Outside Independent  Attendance to the Board of Directors meeting: 10 of 10  Attendance to the Audit & Supervisory Committee meeting: 11 of 11	[Reasons for nomination as candidate for outside Director] Mr. Ando is knowledgeable about the industry that the TOHO Group belongs to and can be expected to give opinions from an independent and fair stance, based on his specialized knowledge as an attorney at law. Therefore, the Company judges that he is well suited for outside Director who is Audit & Supervisory Committee Member and it proposes his reelection. He has never in the past been involved in the management of a company except as an outside officer. However, the Company judges he will appropriately fulfill his duties as an outside Director based on the above reasons.	

(3) Supplementary Explanation regarding the Independence of the Candidates from Management

- ① Mr. Takashi Kobayashi, a candidate for the position of director who is an Audit & Supervisory Committee member, currently serves as an acting board member at PALACE HOTEL Co., Ltd., which has some transactional relationships, including receipt of venue rental fees and other expenses, with TOHO CO., LTD. However, the annual value of said transactions with the TOHO Group amounts only to ¥10 million. Therefore, the value of transactions between the TOHO Group and PALACE HOTEL accounts for a mere 0.004% of the Group's consolidated net sales, which totaled ¥242,668 million in the fiscal year ended February 28, 2018. Similarly, such transactions account for only approximately 0.03% of PALACE HOTEL's consolidated net sales. Accordingly, we have concluded that this candidate is sufficiently independent from the management of TOHO CO., LTD.
- ② Mr. Satoshi Ando, a candidate for the position of director who is an Audit & Supervisory Committee member, is acting as an attorney at law at Onishi Shoichiro Law Office. Although TOHO CO., LTD. paid attorney fees to said law office, the annual sum of such fees amounted only to around ¥5 million in the fiscal year ended February 28, 2018. Accordingly, we have concluded that this candidate is sufficiently independent from the management of TOHO CO., LTD.