Shareholder Proposal

The details and reasons for the proposal

(1) Outline of proposal

In addition to any dividend proposed by the Company's Board of Directors and approved at the 91st Annual Meeting, the Company shall pay an in-kind dividend from capital surplus as follows:

(i) Class of Assets for Dividend: 3,064,414 shares of common stock of Tokyo Electron Co., Ltd. (Securities Code 8035) (the "In-Kind Shares")

(ii) Value of In-Kind Shares as Reflected on the Company's Financial Statements: ¥62,514m[1]

(iii) Allocation of Assets for Distribution

(a) Standard Lot Size of Shares: For every 57 Company shares there shall be distributed one (1) In-Kind Share

(b) Election to be Paid in Cash: Shareholders may elect to receive the dividend in the form of cash, to be calculated at the fair market value of the In-Kind Shares in accordance with Article 455 (2) of the Company Law and Article 154 of the Corporate Accounting Regulations. The election to receive cash instead of shares must be exercised on or before the effective date of the dividend.

(c) Lot Sizes Smaller than Standard Lot Size: Shareholders holding a lot of Company shares with fewer shares than the Standard Lot Size (i.e. 57 shares) will not be allotted In-Kind Shares with respect to such lot. Instead, the Company will pay such shareholders cash in respect of such lot in accordance with Article 456 of the Company Law.

(iv) Effective Date of Dividend: June 29, 2018; provided it shall be paid no later than September 28, 2018.

(2) Reasons for the Proposal

[1] AVI estimation as of 31st December 2017

As a national broadcaster TBS holds a distinct and special position in society, which, in addition to providing quality entertainment, has the responsibility of delivering reliable news and broadcasting in times of emergency. Under no circumstances should TBS' ability to fulfil this position be jeopardised, and it is not the intent of this proposal to do so.

The Broadcasting industry is undergoing considerable change, as technologies, such as subscription-based video streaming, reformulate how content is distributed and monetised. In such an environment, we recognise that TBS must maintain sufficient capital to provide stability and capture opportunities. The passing of this proposal will not hinder this.

It is not the existence of surplus capital that we believe is unjustified, but the magnitude and concentration of TBS' securities portfolio, the result of which means an undue amount of risk is being borne by shareholders and stakeholders alike. The directors have not given this due consideration, and it is time for shareholders to be heard on what they deem to be in TBS' best interests.

TBS' level of excess capital is unmatched both by peers and Japanese public equity markets more generally. 72% of the Company's assets consist of investment securities, real estate and cash unrelated to, and unnecessary for, the operation of the Company's broadcasting business. In particular, the Company's "strategic stock" portfolio is abnormally large (54% of total assets, the second highest of any large non-financial listed company) and unbalanced (the top 5 "strategic stockholdings" account for 37% of total assets, and 67% of the investment securities portfolio).

Within the "strategic stock" portfolio, the Company's exposure to Tokyo Electron (TEL) is of greatest concern, accounting for over 19% of total assets and 35% of the portfolio. This level of concentration exposes TBS to the vicissitudes of financial markets; something TBS has failed to provide a valid reason for.

Principle 1-4 of the Corporate Governance Code requires companies to disclose their policy with respect to cross-shareholdings and examine their risks:

"When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so. In addition, the board should

examine the mid- to long-term economic rationale and future outlook of major cross-shareholdings on an annual basis, taking into consideration both associated risks and returns. The annual examination should result in the board's detailed explanation of the objective and rationale behind cross-shareholdings."

TBS' most recent Corporate Governance Report, dated 1st March 2018, explains and justifies its strategic shareholdings in cursory fashion without providing detailed or informative explanations:

> ***"The Group, from the viewpoint of corporate value, comprehensively takes into consideration factors such as transactional relationships and business alliances, and holds shares of companies deemed necessary as part of our management strategy."***

With regards to TEL, TBS offer the following meagre justification in their 2017 securities report:

"Supporting and strengthening the TBS Group's transactional relationships"

TBS has failed to adequately explain or justify the risks associated with concentrating half of the Company's asset value in a narrow basket of domestic securities. The stake in TEL cannot be rationalised as a means of strengthening a business relationship between the two companies, as no such relationship exists. As we understand, TBS' business ties with TEL are limited to a capital infusion conducted 54 years ago and TEL's occupancy of a TBS-owned building. A transaction that occurred 54 years ago, and which has no bearing on the current performance of the company, is not an adequate justification for such a large shareholding. Nor is TEL's occupancy of a TBS building.

Furthermore, cross-holdings and cross-directorships with friendly companies, such as TEL, impairs the Company's corporate governance, insulating the management from independent and objective oversight. The presence of an "independent" Corporate Value Committee has failed to mitigate this, and allowed the existence of such excessive balance sheet risk to go unchallenged. In addition, 13 of TBS' 17-member board are employees of TBS, owning just 0.1% of the company. Three of the four "independent/outside" directors of TBS are executives of Mainichi Newspapers, Dentsu and MBS Media Holdings – all of which have cross-shareholding

relationships and/or transactional relationships with TBS. We, therefore, question the true independence of TBS' board and believe TBS management effectively operate free of accountability to the wider shareholder base.

This proposal requests that the Company reduce its holdings of TEL by 40% as a first step towards improving the Company's capital efficiency, risk management and corporate governance. We do not believe such a minor reduction in TBS' asset base is a preventative for capital investment, nor does it inhibit TBS from fulfilling its duty to other stakeholders and the public. The distribution of 40% of TEL shares to shareholders of TBS amounts to a payout value of ¥344 per share[2].

More detailed information on TBS can be found at www.improvingtbs.com with further rationale for this proposal.

[2] As of 20 April 2018