

April 18th, 2018

Dear Sirs

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to CHORI 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 and Strategic Capital hold over 300 units of voting right of CHORI CO., LTD. (hereinafter referred to as "CHORI") over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 17th, 2018, we notified CHORI 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 18th, 2018, CHORI certainly received the documents of the proposal.

A brief detail of our proposal is as followings.

1. The Description of the proposal

- ① Revision of the provisions of articles with regard to the bonus to directors payed only when the company achieves the goal of ROE

The remuneration paid to directors of CHORI consists of monthly salary and annual bonus. We require the bonus of each year from the 72th to the 74th fiscal period shall be paid only when its ROE of the previous fiscal year achieves higher than or equal to 10%.

- ② Revision of the provisions of article with regard to the dissolution of Cross-Shareholdings

The company shall sell all the listed shares which it holds, as of the effective date of the revision of the provision of articles, for reasons other than pure investment purposes immediately during 72nd to 74th fiscal period.

- ③ Revision of the provisions of articles with regard to the decision-making authority for dividend policy.

The current provision of articles of CHORI stipulates that the board of directors (hereinafter referred to as the "board") determines matters regarding dividend to its shareholders. We require a revision of the provisions of articles to modify the decision-making authority from the board to the shareholder's meeting.

④ Increase of the dividend

Subject to the abovementioned revision of the provisions of articles, we require that the dividend per share for this fiscal year is increased to the excess amount of the consolidated net profit per share to 23 yen (round down to the nearest integer). According to the forecast of CHORI, it would be 183 yen per share.

2. The background of the proposal

① Revision of the provisions of articles with regard to the bonus to directors paid only when the company can achieve the goal of ROE

CHORI released, on 25th April, 2017, its Mid-term Business Plan for three years which targeted its goal of ROE to be higher than or equal to 10%. Based on the outlook of net profit in this fiscal year CHORI released and net worth on 31st March 2017 and 31st December 2017, ROE at the end of March 2018 will be approximately 9.30%, which obviously goes below 10%.

Although ROE of CHORI used to exceed over 20% before, it continues to decline year by year. Such decline should not be allowed. Therefore, we require the bonus should not be paid to directors unless the company achieves its targeted goal of ROE which is higher than or equal to 10%.

For the reference, total amount of bonus paid to directors during the previous fiscal year was JPY 35 million, while total amount of remuneration to directors JPY 182 million.

② Revision of the provisions of article, with regard to the dissolution of Cross-Shareholdings

Corporate Governance Code (hereinafter referred to as the "Code"), which is one of the regulations at Tokyo Stock Exchange, will be revised in a couple of months. The revised Code stipulates that the policy with regard to the decrease of cross-shareholdings (cases where listed companies hold the share of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships) should be disclosed in Rule 1-4, and wording "the decrease of cross-shareholdings" will be clearly stated. The revision of the provision of article above is to dissolve cross-shareholdings within three years to meet the newly revised Code.

As of the end of March 2017, CHORI holds the listed shares of 35 companies as “Cross-Shareholdings”, which reach 4.0 billion yen in total.

Therefore, CHORI shall dispose all the listed shares which it holds as Cross-Shareholdings as quick as possible and shall utilize the proceeds to maximize shareholders value.

③ Improper decision by the board regarding former dividend policy:

The board is required to determine the amount of dividend based on its fair judgment properly reflecting the shareholders’ interests as long as the board has such authority. However, CHORI’s dividend payout ratio had been around 20% for several years and will also be at low level of about 25% in this fiscal year, on the basis of the decision of the board, in spite of the fluctuation of net profit and huge cash and deposits on its balance sheet. Such decisions by the board are far from properly reflecting shareholders’ interests.

④ Dividend of the fiscal year end:

According to its Consolidated Financial Statements for the Nine Months Ended December 31, 2017, CHORI owes only about 3.9 billion yen of interest-bearing debts although it keeps about 10.5 billion yen of cash and deposits. Moreover, since CHORI kept about 9.0 billion yen of investment securities, including Cross-Shareholdings, as of March 31st, 2017, it has already sufficiently enough cash and cash equivalent in its balance sheet.

Consolidated net assets of CHORI as of the end of December 2017 was about 50.6 billion yen (about 2,063 yen per share) and the forecast of consolidated net profit of this fiscal year is 4.5 billion yen (183.34 yen per share). Based on the forecast of dividend per share, 46 yen, dividend payout ratio would be 25.1%. Considering CHORI’s large capital on its balance sheet and the forecast of net profit of this fiscal year, the above mentioned dividend is far from satisfactory for shareholders.

As a result that CHORI has kept low dividend, ROE in this fiscal year, ended on 31st March 2018, will be approximately 9.30% although it used to exceed over 20% before. Based on the net profit of this fiscal year CHORI forecasted and net worth on 31st December 2017, net worth of CHORI has been increased by 227.6% from 31st March 2005 to 31st March 2018. On the other hand, the increase of net profit in the same period is only 60.1%, which is far below the increase of net asset above.

CHORI does not need a huge reserve on its balance sheet and should return surplus funds to shareholders. Moreover, the further increase of net assets will lead only to the decrease of ROE. CHORI shall significantly increase the dividend to shareholders from its surplus since the return to shareholders from surplus cash leads to increase shareholders value and share price.

Besides, since the proposed amount of increased dividend is expected to be within the current net profit, it will not damage the state of cash and deposits on its balance sheet.

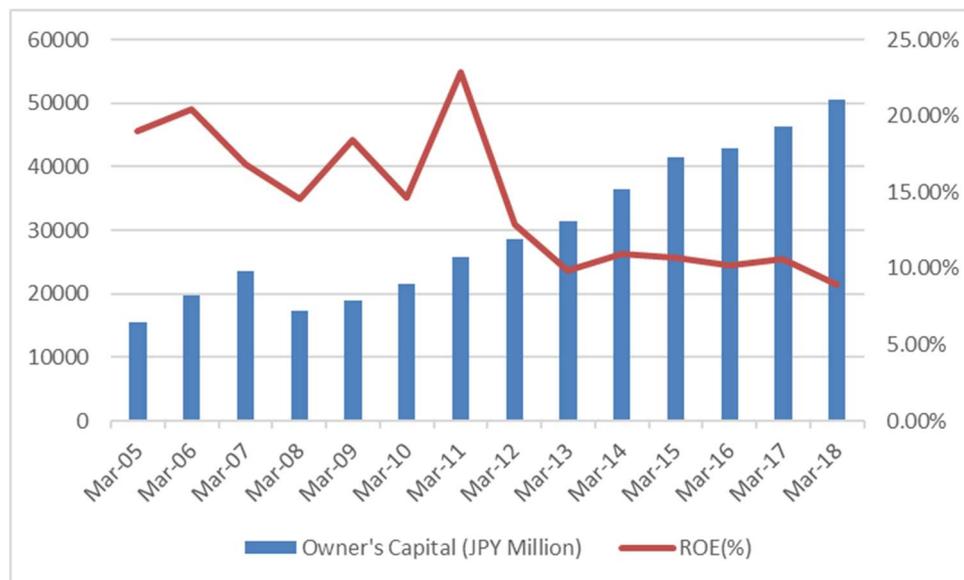
Contact Information

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81-3-6433-5277

Historical Consolidated Financial Data of CHORI for the Past Fourteen Years

'Its ROE has decreased from over 20% to around 10% although its owner's capital has increased to double.'



Note: Both of owner's capital and ROE at 03/2018 are estimates. With regard to owner's capital at 2018, the figure represents one at the end of 2017. ROE at 2018 represents the division of the estimate profit at 2018, CHORI released, by the average of owner's capital at 03/2017 and the end of 2017.