

April 11, 2016

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 holds 3.82% (sum of accounts represented by multiple standing proxies) of the outstanding share of CHORI CO., LTD. (hereinafter referred to as "CHORI"). Strategic Capital also holds one unit of share in CHORI.

The Fund and Strategic Capital are pleased to announce that, on April 11, 2016, 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 11, 2016, 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

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 shareholder's meeting.

② Increase of the dividend

Subject to the above mentioned revision of the provisions of articles, we require that the dividend per share for this fiscal year is increased to the amount which equals to the consolidated net profit per share (round down to the nearest integer). According to the forecast of CHORI, it would be 179 yen per share.

2. The background of the proposal

① 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 has been around 20% for several years, 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.

② Dividend of the fiscal year end :

According to its Consolidated Financial Statements for the Nine Months Ended December 31, 2015, CHORI owes only about 4.2 billion yen of interest-bearing debts although it keeps about 8.4 billion yen of cash and deposits, and about 1.0 billion yen of "deposit paid to parent company". Moreover, CHORI keeps about 6.8 billion yen of investment securities as of March 31<sup>st</sup>, 2015 (5.2 billion yen after the deduction of disposed investment securities, according to the announcement of CHORI on March 23<sup>rd</sup>, 2016), most of which are intended as "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). Now that Japan's Corporate Governance Code (hereinafter referred to as the "Code") has entered into effect since June 2015, such "Cross-Shareholdings", which does not fit the Code, should be dissolved. After dissolution of such "Cross-Shareholdings", CHORI can utilize the fund effectively for new business developments, mergers and acquisitions or return to shareholders to increase shareholder's value.

Consolidated net assets of CHORI as of the end of December 2015 was about 42.9 billion yen (about 1,754 yen per share) and the forecast of consolidated net profit of this fiscal year is 4.4 billion yen (179 yen per share). Based on these figures, ROE (net profit on equity) would be about 10.3% and, based on the forecast of dividend per share, 36 yen, announced by CHORI on 26<sup>th</sup> January 2016, dividend on equity would be about 2.1% and dividend payout ratio would be 20.1%. Considering CHORI's large capital on its balance sheet and the forecast of net profit of this fiscal year, the abovementioned dividend is far from satisfactory for shareholders.

CHORI does not need huge reserve on its balance sheet and should return surplus funds to shareholders. These returns lead to increase shareholders'

value. Under the current circumstances of negative interest rate, such surplus reserve held as cash and its equivalent may virtually decrease its value.

Besides, since the amount of increased dividend is supposed 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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