

April 20th, 2020

To Whom It May Concern,

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 16th, 2020, 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 20th, 2020, Chori certainly received the documents of the proposal.

We would like to explain the context of our proposal as following;

1. Overview of our proposal and
2. The detailed translation of our proposal

1. Overview of our proposal

- (1). Increase the number of independent outside directors in order to protect minority shareholders.

A TSE study group examined the role of independent outside directors and the impact on improving the corporate governance of listed subsidiaries.

As Chori is a listed subsidiary, we are proposing the majority of the Board of Directors consist of independent outside directors.

- (2). Conduct evaluations of Board effectiveness including external analysis

Chori's disclosures on evaluations of Board effectiveness have generally been the same every year. Given concerns that the evaluation is becoming inadequate, we are proposing for a Board evaluation facilitated by a third party to be conducted every three years.

- (3). Authorize the AGM to make the appropriation of the surplus enabling shareholders to participate in capital policy decisions.

The current articles of incorporation stipulate that the dividend amount is decided only by the Board of Directors. As a result of accumulated equity capital, capital efficiency has declined and shareholder value has been impaired despite increased profits. We are proposing to change the articles of incorporation so that capital policy decisions reflect shareholders' views.

- (4). Change the current capital policy that is reducing ROE

The current level of shareholder returns is low, and if that level continues, equity capital will increasingly build up and impair Chori's shareholder value. We are proposing to increase the dividend payout ratio to 100% in order to stop the further accumulation of capital.

- (5). Improve the low stock valuation

Chori's capital efficiency is lower than its cost of capital, resulting in low stock price valuations. Our proposal is to request the disclosure of the figures regarding the cost of capital and its basis of calculation, thus raising management's awareness of the cost of capital and promoting effective dialogue with shareholders to improve the stock valuation.

- (6). Sell cross-shareholdings to improve capital efficiency

Half of the shares Chori holds as cross-shareholdings are shares of Wacoal Holdings ("Wacoal"). Despite Wacoal's comments that business between the two will continue even if the shares are sold, Chori stubbornly continues to hold them. Selling the shares will also eliminate the unnecessary impact by the stock's price movements on financial results of Chori. We further hope that the proceeds will be used to enhance shareholder value.

2. The detailed translation of our proposal

- (1). Revision of the provisions of articles with regard to the election of outside directors.

Add item ③ below to Article 20 and Supplementary Provisions concerning the enforcement date to the current Articles of Incorporation.

Article 20 (number of directors)

③ The majority of the Company's directors (including directors who are Audit and Supervisory Committee members) shall be outside directors as stipulated in Article 2, Item 15 of the Companies Act and a person who does not fall under any of the following, either now or in the past.

- A) Officers and employees of the Company or its parent company, subsidiaries or sister company (refers to a company whose parent company is the same as the Company's parent company), and the spouse and relatives within the third degree of such officers and employees
- B) Officers and employees from affiliated companies (refers to companies controlling the Company or being controlled by the Company with a voting right of 10% or more, excluding companies falling under A), major business partners of the Company, the issuing company of the shares held by the Company as cross-shareholdings, or a consultant company, accounting firm, or law firm that obtains money or other property from the Company
- C) Consultants, accounting experts or legal experts who obtain money or other property from the Company
- D) Individuals who have 10% or more voting rights of the Company, their spouses and relatives within the third degree of such individuals.

Supplementary Provisions Article 2 (Transitional measures concerning the number of directors)

Article 20, item ③ shall come into effect on the day following the 73rd Annual General Meeting of Shareholders of the Company. This Supplementary Provision shall be deleted after the provisions have taken effect.

- (2). Revision of the provisions of articles with regard to the evaluation of the effectiveness of the Board.

Add the following article to Chapter 4 of the current Articles of Incorporation. Articles 33 to 39 of the current Articles of Incorporation will be moved forward by one article respectively.

Article 33 (Evaluation of effectiveness of Board of Directors)

The Company shall analyze and evaluate the effectiveness of the Board of Directors once a year and disclose said results in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company. At least once every three years, an analysis and evaluation of the effectiveness of the Board of Directors shall be conducted with the involvement of an external third party.

- (3). Revision of the provisions of articles with regard to the appropriation of surplus
Delete Article 40 from the current Articles of Incorporation

In the event the Proposal (2) above is not approved, Article 41 of the current

Articles of Association will be moved and placed as Article 40, and Article 42 as Article 41. This Proposal (Revision of the Articles of Incorporation pertaining to appropriation of surplus) shall be resolved prior to the next Proposal (Appropriation of Surplus) and shall become effective when approved at the Annual General Meeting of Shareholders.

(4). Appropriation of Surplus

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

Subject to approval of Proposal (3) (Revision of the Articles of Incorporation pertaining to appropriation of surplus) above, the Company shall pay the dividends of the year-end surplus for the 73rd fiscal period per common share. The amount of dividends per share shall be calculated by deducting an interim dividend of 31 yen from consolidated net income per share for the fiscal year ending March 31, 2020 (rounded down to the first decimal). The total amount of dividends is obtained by multiplying the above-mentioned dividend per share by the number of shares subject to dividends as of the record date of voting rights at the 73rd Annual General Meeting of Shareholders of the Company.

C) Effective date of dividend payment from surplus

The day after the 73rd Annual General Meeting of Shareholders of the Company is held.

(5). Revision of the provisions of articles with regard to disclosure of cost of capital

Add the following chapter and article to the current Articles of Incorporation. The chapter and article numbers are based on Proposals of (2) and (3) above being approved. In the event any are rejected, the chapter and article numbers will be adjusted as appropriate.

Chapter 8 Cost of Capital

(Disclosure of capital cost)

Article 43. The Company shall disclose, in the Corporate Governance Report (hereinafter referred to as "Report") which it submits to the Tokyo Stock Exchange, its Weighted Average Cost of Capital and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the Report.

(6). Revision of the provisions of articles with regard to the to the Dissolution of Cross-Shareholdings

Add the following chapter and article to the current Articles of Incorporation.

The chapter and article numbers are based on Proposals of (2), (3) and (5) above being approved. In the event any are rejected, the chapter and article numbers will be adjusted as appropriate.

Chapter IX: Dissolution of Cross-shareholdings

(Dissolution of cross-shareholdings)

Article 44. The Company shall sell all the cross-shareholdings, as of the effective date of the revision of the Articles of Incorporation, immediately during the 74th and 76th fiscal periods.

Contact Information

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