

April 17, 2017

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 3.98% (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 12, 2017, 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 14, 2017, 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 article with regard to the dissolution of Cross-Shareholdings

The company shall, during 71st fiscal period, immediately sell all the listed shares which it holds for reasons other than pure investment purposes as of the effective date of the revision of the provision of articles.

- ② 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.

③ 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 excess amount of the consolidated net profit per share to 18 yen (round down to the nearest integer). According to the forecast of CHORI, it would be 173 yen per share.

2. The background of the proposal

① Revision of the provisions of article with regard to the dissolution of Cross-Shareholdings

As of the end of March 2016, CHORI holds the listed shares of 34 companies 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), which reach 3.8 billion yen in total.

CHORI stated in its annual securities report that the purpose of Cross-Shareholdings was “the maintenance and the expansion of its business relationship” and also mentioned “CHORI may acquire and hold stocks of listing companies to keep, to expand, and to grow its business sustainably” in its report regarding corporate governance submitted to Tokyo Stock Exchange on November 24, 2016 (hereinafter referred to as the "Corporate Governance Report").

However, when Strategic Capital had a meeting with the management of a certain listed company which issues shares held by CHORI as a significant number of its Cross-Shareholding, the management of the company told us that CHORI kindly acquired the equity of their company upon their request to hold the equity as stable shareholder. Therefore, the purpose of Cross-Shareholdings, at least for this company, is to become a stable equity holder. There is no justification for the management of CHORI to cooperate with other listed company’s anti-takeover defense, in other words, to support self-protection of the management of other listed company by using the assets of CHORI. Moreover, as CHORI is a stable shareholder of such other listed company, CHORI is expected to vote on behalf of the other listed company in the shareholders meeting. Such voting is utterly unacceptable as “standards with respect to the voting rights” which the Principle 1.4 (Cross-Shareholdings) of the Corporate Governance Code requires to establish and disclose in case a company holds Cross-Shareholdings. This is the supposed reason why CHORI cannot describe its voting “standards” in its Corporate Governance Report.

Even if the purpose of other Cross-shareholdings is “the maintenance and the

expansion of its business relationship”, it is not apparent how the holding of shares of client companies leads to “the maintenance and the expansion of its business relationship”. It is suspected that client companies built business relationship with CHORI as a benefit from the company to its shareholder . The business relationship should be developed based not on holding shares, but on the sustainable improvement of the quality of products and services which CHORI provides.

As mentioned above, CHORI cannot give rational explanation on its existing Cross-Shareholding, Therefore, Chori shall immediately dispose all the listed shares which it holds as Cross-Shareholdings and shall utilize the proceeds to maximize shareholders value.

② 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.

③ Dividend of the fiscal year end:

According to its Consolidated Financial Statements for the Nine Months Ended December 31, 2016, CHORI owes only about 3.3 billion yen of interest-bearing debts although it keeps about 10.1 billion yen of cash and deposits, and about 0.5 billion yen of "deposit paid to parent company". Moreover, since CHORI kept about 7.0 billion yen of investment securities, including Cross-Shareholdings, as of March 31st, 2016, it has already sufficiently enough cash and cash equivalent in its balance sheet.

Consolidated net assets of CHORI as of the end of December 2016 was about 44.3 billion yen (about 1,808 yen per share) and the forecast of consolidated net profit of this fiscal year is 4.7 billion yen (191.71 yen per share). Based on these figures, ROE (net profit on equity) would be about 10.6% and, based on the forecast of dividend per share, 38 yen, announced by CHORI on 26th January 2017, dividend on equity would be about 2.1% and dividend payout ratio would be 19.8%. 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.

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.

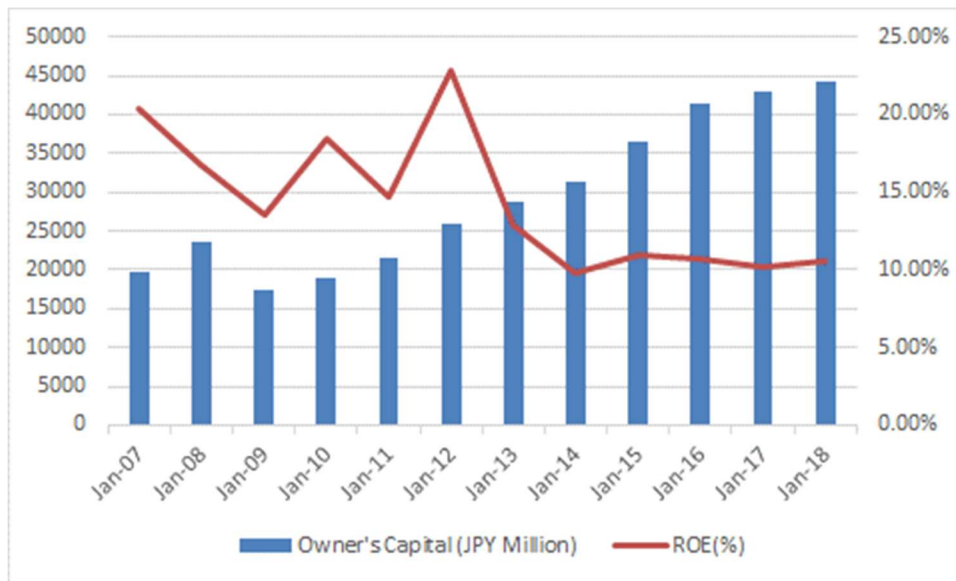
Contact Information

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Historical Consolidated Financial Data of CHORI for Twelve 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 03/2017 are estimates. With regard to owner's capital at 2017, the figure represents one at the end of 2016. ROE at 2017 represents the division of the estimate profit at 2017, CHORI released, by owner's capital at the end of 2016.