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(Securities Code 8014)

June 1, 2020

To Shareholders with Voting Rights:

Kazuo Sakihama
President, CEO & COO
Chori Co., Ltd.
1-7-3, Awajimachi, Chuo-ku, Osaka,
Japan

NOTICE OF THE 73RD ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 73rd Annual General Meeting of Shareholders of Chori Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the Annual General Meeting of Shareholders, you can exercise your voting rights either in writing or via the Internet. Please review the information in the Reference Documents for the General Meeting of Shareholders provided later in this Notice and submit your vote by no later than 5:30 p.m. on Monday, June 15, 2020, with reference to Guidance for Exercising Your Voting Rights described on pages 3 to 4.

Date and Time: Tuesday, June 16, 2020 at 10:00 a.m. Japan time (Reception opens at 9:30 a.m.)

Place: Shinagawa Intercity Hall, located at 2-15-4, Konan, Minato-ku, Tokyo, Japan

Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 73rd Fiscal Year (April 1, 2019 - March 31, 2020) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Committee
 2. Nonconsolidated Financial Statements for the Company's 73rd Fiscal Year (April 1, 2019 - March 31, 2020)

Proposals to be resolved:**<Company Proposals (Proposals No. 1 through No. 3)>**

Proposal No. 1: Election of Seven (7) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

Proposal No. 2: Election of Three (3) Directors Who Are Audit & Supervisory Committee Members

Proposal No. 3: Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member

<Shareholder Proposals (Proposals No. 4 through No. 9)>

Proposal No. 4: Revision of the provisions of articles with regard to the election of outside directors.

Proposal No. 5: Revision of the provisions of articles with regard to the evaluation of the effectiveness of the Board.

Proposal No. 6: Revision of the provisions of articles with regard to the appropriation of surplus

Proposal No. 7: Appropriation of Surplus

Proposal No. 8: Revision of the provisions of articles with regard to disclosure of cost of capital

Proposal No. 9: Revision of the provisions of articles with regard to the to the Dissolution of Cross-Shareholdings

Matters Determined concerning the Convocation:

Please refer to the "Guidance for Exercising Your Voting Rights" shown on pages 3 to 4.

- Any updates to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements will be posted on the Company's website.
- This Notice consists of the Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements, excluding the items stated below, that are subject to audit by the Audit & Supervisory Committee and Accounting Auditor for the purposes of preparing the audit reports. The items stated below are posted on the Company's website pursuant to the laws and regulations as well as Article 16 of the Articles of Incorporation of the Company.

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|---|--|
| ■ Business Report: | "Accounting Auditor," "Company's Systems and Policies" |
| ■ Consolidated Financial Statements: | "Consolidated Statement of Changes in Equity,"
"Notes to the Consolidated Financial Statements" |
| ■ Nonconsolidated Financial Statements: | "Nonconsolidated Statement of Changes in Equity,"
"Notes to the Nonconsolidated Financial Statements" |

The Company's website
<https://www.chori.co.jp/english/ir/indication.html>

Guidance for Exercising Your Voting Rights

Please review the information provided in the Reference Documents for the General Meeting of Shareholders (from page 5 to 23) and exercise your voting rights.

You can exercise your voting rights through any of the three methods set out below.

Exercising of Voting Rights by attending the General Meeting of Shareholders

Date and time of the General Meeting of Shareholders: Tuesday, June 16, 2020 at 10:00 a.m. Japan time

Please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue. In addition, attendees are requested to bring the Notice of the 73rd Annual General Meeting of Shareholders (this document) with them.

Exercise of Voting Rights in Writing

Deadline for the exercise of voting rights: Monday, June 15, 2020 at 5:30 p.m. Japan time

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it to us by the deadline.

Exercise of Voting Right via the Internet

Deadline for the exercise of voting rights: Monday, June 15, 2020 at 5:30 p.m. Japan time

Please access the Website for Exercising Voting Rights using a PC, smartphone or mobile phone to indicate your vote for or against the proposals.

Website for Exercising Voting Rights: <https://soukai.mizuho-tb.co.jp/>

For more information, please read the instructions on page 4.

Company Proposals (Proposals No. 1 through No. 3)

- In case of approval, mark “○” in the approval column
- In case of opposition, mark “○” in the disapproval column

(If you are indicating different intentions regarding some of the candidates in Proposal No. 1 or No. 2, please enter such candidates' numbers.)

Shareholder Proposals (Proposals No. 4 through No. 9)

- In case of approval, mark “○” in the approval column
- In case of opposition, mark “○” in the disapproval column

At this General Meeting of Shareholders, company proposals (proposals from the Board of Directors) and shareholder proposals (proposals from some of the shareholders) shall be resolved.

Proposals No. 4 through No. 9 have been made by some of the shareholders.

The Board of Directors is opposed to each of these proposals. For details, please refer to page 17 onwards.

- If you mark “○” both in the approval column and the disapproval column, your vote will be void.
- If there is no indication of your vote for or against any proposal, the Company deems that you have voted “for” the proposal on company proposals, and “against” the proposal on shareholder proposals.
- When exercising your voting rights by proxy, (1) a letter of attorney signed by the shareholder, the grantor, or with his/her signature and seal and (2) Voting Rights Exercise Form of the shareholder, the grantor, or other documents to confirm the identification of the shareholder, need to be submitted.

A proxy is limited to one shareholder who owns the Company's Voting Rights as stipulated in the Articles of Incorporation of the Company.

Guidance for Exercising your Voting Rights via the Internet

Scanning the QR Code “Smart Exercise”

1. Scan the QR code on the bottom right of your Voting Rights Exercise Form.
 2. Please follow the instructions on the screen to indicate your vote for or against the proposals.
- You can log in to the Website for Exercising Voting Rights without entering your voting rights exercise code or password.

You can only exercise your voting rights once using “Smart Exercise”.

If you would like to change your votes after exercising your voting rights, please access the PC website and log in by entering the “voting rights exercise code” and “password” provided on the back of the right hand side of your Voting Rights Exercise Form, and exercise your voting rights again.

*If you scan the QR code again, you can access the PC website.

Entering your voting rights exercise code and password

Website for Exercising Voting Rights URL: <https://soukai.mizuho-tb.co.jp/>

1. Access the Website for Exercising Voting Rights.
2. Enter the “voting rights exercise code” provided on your Voting Rights Exercise Form.
3. Enter the “password” provided on your Voting Rights Exercise Form.
4. Please follow the instructions on the screen to indicate your vote for or against the proposals.

Inquiries

- Contact information for PC related technical inquiries
Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
Internet related technical support
Telephone: 0120-768-524 (Weekdays from 9:00 a.m. to 9:00 p.m.)
- Contact for other inquiries for stock-related administrative work
Telephone: 0120-288-324 (Weekdays from 9:00 a.m. to 5:00 p.m.)
- The password serves as a tool to verify the voter’s identity. Please be sure to keep it in a safe place until the conclusion of this General Meeting of Shareholders. We are unable to provide your password over the phone.
- If you enter the wrong password for a specified number of times in succession, the web page will be locked and become unusable. In this case, you need to follow the instructions on the screen to try again.
- If you exercise your voting rights both in writing and via the Internet, the vote exercised via the Internet will be recognized as the valid one.
- If you exercise your voting rights several times via the Internet, only the final vote will be deemed as the valid one.
- Please understand that shareholder is solely responsible for any expenses incurred to connect to the Internet.
- The Company has tested and confirmed the operation of the Website for Exercising Voting Rights, using general internet access devices, but certain types of devices may not be able to access the website.

Reference Documents for the General Meeting of Shareholders

Proposals and References

<Company Proposals (Proposals No. 1 through No. 3)>


Proposal No. 1 Election of Seven (7) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)


All of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company will complete their terms of office at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members).

This proposal was determined by the Board of Directors after deliberation on the proposal by the Governance Committee, which is an advisory body for the Board of Directors. It was also reviewed by the Audit & Supervisory Committee, and no objection was raised.


The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows:


No.		Name	(Age)	Term of office	Current positions at the Company
1	[Reappointment]	Kazuo Sakihama	(64 years old)	7 years	President, CEO & COO President and Executive Officer
2	[Reappointment]	Shigemasa Yabu	(59 years old)	5 years	Director Managing Executive Officer
3	[Reappointment]	Hiroshi Yoshida	(52 years old)	3 years	Director Executive Officer
4	[New appointment]	Yoshihiro Teratani	(56 years old)	0 years	Executive Officer
5	[Reappointment]	Kazuhiro Tohge	(59 years old)	2 years	Director Executive Officer
6	[Reappointment]	Satoko Nakayama	(61 years old)	2 years	Director Executive Officer
7	[New appointment]	Mitsuo Ohya	(64 years old)	0 years	

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	 <p>Kazuo Sakihama May 2, 1956 64 years old</p> <p>[Term of office as Director] 7 years</p> <p>[Reappointment]</p>	<p>Apr. 1980 Joined the Company</p> <p>Oct. 1996 Supervisor of Section 4, Chemicals Department 1 of the Company</p> <p>Oct. 2001 General Manager of Electronics BU of the Company</p> <p>Aug. 2004 Department Manager of Performance Materials & Devices Department of the Company</p> <p>Sep. 2007 Department Manager of Performance Materials & Devices Department of the Company</p> <p>Apr. 2009 Deputy General Manager of Chori (China) Co., Ltd.</p> <p>Jun. 2010 Executive Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations (China Business) of the Company, Deputy General Manager of Chori (China) Co., Ltd. and General Manager of Chori (Tianjin) Co., Ltd.</p> <p>Apr. 2012 Executive Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations (Performance Chemicals and Industrial Chemicals) of the Company</p> <p>Jun. 2013 Director, Executive Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations (Performance Chemicals, Industrial Chemicals, Fine Chemicals and Life Science) of the Company</p> <p>Jun. 2014 Director, Executive Officer, General Manager of Chemicals & Life Science, Machinery, Electronics Operations</p> <p>Jan. 2015 President, CEO & COO, President and Executive Officer (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1980, Mr. Kazuo Sakihama has worked mainly in chemicals and machinery businesses. After serving as Deputy General Manager of Chori (China) Co., Ltd., Director, Executive Officer, General Manager of Chemicals & Life Science, Machinery, Electronics Operations, and in other positions, he has been the President, CEO & COO, President and Executive Officer (current position) since 2015. He has abundant business experiences in the Company and knowledge in all the areas of management of trading company, global business management, as well as general management and operations. Based on those qualifications, we have continuously nominated him as a candidate for Director.</p>	19,383 shares


No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	 <p>Shigemasa Yabu April 7, 1961 59 years old</p> <p>[Term of office as Director] 5 years</p> <p>[Reappointment]</p>	<p>Apr. 1985 Joined the Company</p> <p>Jan. 1999 Comprehensive Planning Office of the Company</p> <p>May 2004 Section Manager of Corporate Planning Department of the Company</p> <p>Jul. 2006 Section Manager of Public Relations Section of General Affairs Department of the Company</p> <p>Jun. 2010 Department Manager of Corporate Accounting Department of the Company</p> <p>Jun. 2012 Department Manager of Corporate Planning Department of the Company</p> <p>Jun. 2013 Executive Officer, General Manager of Corporate Planning Department of Corporate Planning Division of the Company</p> <p>Jun. 2015 Director, Executive Officer, General Manager of Corporate Planning Department of Corporate Planning Division, General Manager of Corporate Accounting Department of Corporate Administration Division, and General Manager of Pharmacovigilance & Quality Assurance Office of the Company</p> <p>Jun. 2017 Director, Executive Officer, General Manager of Corporate Planning Department of the Company</p> <p>Jun. 2018 Director, Executive Officer, General Manager of Corporate Planning Division, and Executive Chief Representative for China of the Company</p> <p>Jun. 2019 Director, Managing Executive Officer, General Manager of Corporate Planning Division, and Executive Chief Representative for China of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1985, Mr. Shigemasa Yabu has worked mainly in business management, credit control and legal work, and public relations and IR operations. After serving as Executive Officer and General Manager of Corporate Planning Department, and in other positions, he was appointed as Director in 2015. He has been the Director, Managing Executive Officer, General Manager of Corporate Planning Division, and Executive Chief Representative for China (current position) since 2019. He has abundant business experience in the Company and knowledge in all the areas of management of trading company, global business management, as well as general management and operations, and he was involved in the formulation of the medium-term management plan. Based on those qualifications, we have continuously nominated him as a candidate for Director.</p>	13,126 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	 <p>Hiroshi Yoshida February 23, 1968 52 years old</p> <p>[Term of office as Director] 3 years</p> <p>[Reappointment]</p>	<p>Apr. 1990 Joined the Company</p> <p>Nov. 2002 No. 1 Group Leader of Hokuriku Raw Materials BU of the Company</p> <p>Jun. 2007 Department Manager of Fiber Raw Materials Department of the Company</p> <p>Jun. 2012 Officer, Deputy General Manager of Textile Material Operations, Department Manager of Synthetic Fiber and Automotive Interiors Department and Department Manager of Performance Fiber and Textile Department of the Company</p> <p>Jun. 2013 Executive Officer, Deputy General Manager of Textile Material Operations (Synthetic Fiber and Automotive Interiors, Performance Fiber and Textile) and Department Manager of Performance Fiber and Textile Department of the Company</p> <p>Jun. 2014 Executive Officer, Deputy General Manager of Textile Material Operations (Synthetic Fiber and Automotive Interiors, Performance Fiber and Textile) and Department Manager of Synthetic Fiber and Automotive Interiors Department of the Company</p> <p>Jun. 2015 Executive Officer, Deputy General Manager of Textile Material Operations (Synthetic Fiber and Automotive Interiors, Performance Fiber and Textile), Department Manager of Synthetic Fiber and Automotive Interiors Department and Branch Manager of Hokuriku Branch of the Company</p> <p>Apr. 2017 Executive Officer, General Manager of Synthetic Fiber Manufacturing Service Operations and Branch Manager of Hokuriku Branch of the Company</p> <p>Jun. 2017 Director, Executive Officer, General Manager of Synthetic Fiber Manufacturing Service Operations and General Manager of Logistics Department (Textile) of the Company</p> <p>Jun. 2019 Director, Executive Officer, General Manager of Synthetic Fiber Manufacturing Service Operations, Supervising the Fibers, Textiles and Garments Segment, Branch Manager of Hokuriku Branch and General Manager of Logistics Department (Textile) of the Company</p> <p>Apr. 2020 Director, Executive Officer, General Manager of Textile Division, Senior Manager of Synthetic Fiber Business Department, Branch Manager of Hokuriku Branch and General Manager of Logistics Department (Textile) of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1990, Mr. Hiroshi Yoshida has worked mainly in textile material business. After serving as Executive Officer and Deputy General Manager of Textile Material Operations, and in other positions, he has served as the Director, Executive Officer, General Manager of Synthetic Fiber Manufacturing Service Operations since 2017. He has abundant business experience in the Company and knowledge in all the areas of management of trading company, global business management, as well as general management and operations. Based on those qualifications, we have continuously nominated him as a candidate for Director.</p>	5,791 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	 <p>Yoshihiro Teratani February 7, 1964 56 years old</p> <p>[Term of office as Director] 0 years</p> <p>[New appointment]</p>	<p>Apr. 1987 Joined the Company</p> <p>Oct. 2002 Chori (Shanghai) Co., Ltd.</p> <p>Oct. 2005 Deputy General Manager of Chori (China) Co., Ltd.</p> <p>Apr. 2006 Section 3 Manager of Life Science Department of the Company</p> <p>Apr. 2010 Department Manager of Fine Chemicals Department of the Company</p> <p>Apr. 2015 Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations of the Company</p> <p>Jun. 2016 Executive Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations of the Company</p> <p>Jun. 2017 Executive Officer, President & CEO of Miyako Kagaku Co., Ltd. (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1987, Mr. Yoshihiro Teratani has worked mainly in the chemicals business. After serving as Deputy General Manager of Chori (China) Co., Ltd. and, from 2016, Executive Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations, he has been President & CEO of our consolidated subsidiary, Miyako Kagaku Co., Ltd. (current position). He has abundant business experiences in the Company and the Group and knowledge in all the areas of management of trading company, global business management, as well as general management and operations. Based on those qualifications, we have nominated him as a candidate for Director.</p>	6,361 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	 <p>Kazuhiro Tohge September 5, 1960 59 years old</p> <p>[Term of office as Director] 2 years</p> <p>[Reappointment]</p>	<p>Apr. 1984 Joined TORAY INDUSTRIES, INC.</p> <p>Jun. 2005 Director of Thai Toray Synthetics Co., Ltd.</p> <p>Jun. 2010 Chief in charge of Corporate Marketing Planning Department and Chief in charge of Automotive Material Strategic Planning Department of TORAY INDUSTRIES, INC.</p> <p>May 2012 General Manager of Staple Fiber Business Division of TORAY INDUSTRIES, INC.</p> <p>Jun. 2014 Director of P.T. Toray Industries Indonesia, Vice President of P.T. Indonesia Toray Synthetics and Director of P.T. OST FIBRE INDUSTRIES</p> <p>May 2016 General Manager of Industrial & Clothing Textile Division of TORAY INDUSTRIES, INC.</p> <p>Apr. 2018 General Manager of Fibers & Textiles Division of TORAY INDUSTRIES, INC.</p> <p>Jun. 2018 Director, Executive Officer, General Manager of Promoting Textile & Garment Business Globalization of the Company</p> <p>Jun. 2019 Director, Executive Officer, Special Appointee of the President (in Relation to the Fibers, Textiles and Garments Segment) (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining TORAY INDUSTRIES, INC. in 1984, Mr. Kazuhiro Tohge has engaged mainly in sales operations related to the fiber and textile business. He has served as Vice President of P.T. Indonesia Toray Synthetics and General Manager of Industrial & Clothing Textile Division of TORAY INDUSTRIES, INC. and he has been the Director, Executive Officer, General Manager of Promoting Textile & Garment Business Globalization, and Special Appointee of the President (in Relation to the Fibers, Textiles and Garments Segment) of the Company (current position) since 2018. He has abundant overseas business experience and knowledge in all the areas of management, global business management, as well as general management and operations. Based on those qualifications, we have continuously nominated him as a candidate for Director.</p>	3,434 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
6	 <p>Satoko Nakayama January 14, 1959 61 years old</p> <p>[Term of office as Director] 2 years</p> <p>[Reappointment]</p>	<p>Apr. 1981 Joined the Company</p> <p>May 1988 System Department of the Company</p> <p>Feb. 2000 Seconded to Chori Com Co., Ltd.</p> <p>Jan. 2007 Section Manager of JSP System of Corporate Accounting Department of the Company and Chori Com Co., Ltd.</p> <p>Jul. 2010 Department Manager of System Department of the Company</p> <p>Jun. 2013 Officer, Department Manager of System Department of the Company</p> <p>Jun. 2014 Executive Officer, General Manager of Human Resources & General Affairs Department and System Department of Corporate Planning Division, General Manager of Operational Efficiency Improvement and Expense Reduction Project and Department Manager of System Department of the Company</p> <p>Jul. 2015 Executive Officer, General Manager of Human Resources & General Affairs Department, General Manager of System Department and General Manager of Operational Efficiency Improvement and Expense Rationalization Project of the Company</p> <p>Jun. 2018 Director, Executive Officer, Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department, Information System Department), General Manager of Pharmacovigilance & Quality Assurance Office, and General Manager of CHORI Innovation Activities of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1981, Ms. Satoko Nakayama has engaged mainly in system operations and has served as Executive Officer, General Manager of Human Resources & General Affairs Department, General Manager of System Department and General Manager of Operational Efficiency Improvement and Expense Rationalization Project. She has been the Director, Executive Officer, Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department, Information System Department), General Manager of Pharmacovigilance & Quality Assurance Office, and General Manager of CHORI Innovation Activities (current position) since 2018. She has abundant business experience in the Company and knowledge in all the areas of management of a trading company, as well as general management and operations. Based on those qualifications, we have continuously nominated her as a candidate for Director.</p>	7,612 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	 <p>Mitsuo Ohya June 11, 1956 64 years old</p> <p>[Term of office as Director] 0 years</p> <p>[New appointment]</p>	<p>Apr. 1980 Joined TORAY INDUSTRIES, INC.</p> <p>Jun. 2002 General Manager, Filament Dept. of TORAY INDUSTRIES, INC.</p> <p>Jun. 2008 Vice President of P.T. Indonesia Toray Synthetics and Director of PT. OST Fibre Industries</p> <p>Jun. 2009 General Manager, Industrial & Textile Fibers Division and General Manager, Fibers & Textiles Recycling Dept. of TORAY INDUSTRIES, INC.</p> <p>Jun. 2011 General Manager, Industrial & Textile Fibers Division of TORAY INDUSTRIES, INC.</p> <p>Jun. 2012 Vice President (Member of the Board) of TORAY INDUSTRIES, INC.</p> <p>Jun. 2014 President and Representative Member of the Board of Toray International, Inc.</p> <p>Jun. 2016 Senior Vice President (Member of the Board & Member of the Executive Committee) of TORAY INDUSTRIES, INC. (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining TORAY INDUSTRIES, INC. in 1980, Mr. Mitsuo Ohya has worked mainly in sales operations related to the fiber and textile business. Together with possessing abundant experience and a depth of expertise in the fiber and textile business, after serving as President and Representative Member of the Board of Toray International, Inc. from June 2014, he has been Senior Vice President (Member of the Board & Member of the Executive Committee), General Manager of the Fibers & Textiles Division and General Manager of the Osaka Head Office (current position) since 2016. He has achievements and knowledge related to all the areas of management. Based on those qualifications, we have nominated him as a candidate for Director.</p>	0 shares

(Note) No material conflict of interest exists between the Company and any of the candidates for Directors.

Proposal No. 2 Election of Three (3) Directors Who Are Audit & Supervisory Committee Members


All of three (3) Directors who are Audit & Supervisory Committee Members of the Company will complete their terms of office at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of three (3) Directors who are Audit & Supervisory Committee Members.

This proposal was determined by the Board of Directors after its deliberation by the Governance Committee, which is an advisory body for the Board of Directors. The Audit & Supervisory Committee has also consented to the submission of the Proposal.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows:

Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
 <p>Jun Furuya April 22, 1959 61 years old</p> <p>[Term of office as Director] 3 years (Of which, term of office as Director who is an Audit & Supervisory Committee Member: 2 years)</p> <p>[Reappointment]</p>	<p>Apr. 1991 Joined the Company</p> <p>Jul. 2003 Department Manager of Affiliated Companies Department of the Company</p> <p>May 2004 Department Manager of Corporate Planning Department of the Company</p> <p>May 2005 Department Manager of Corporate Accounting Department of the Company</p> <p>Jan. 2008 Department Manager of General Affairs Department of the Company</p> <p>Jun. 2010 Executive Officer, General Manager of General Affairs Department and General Manager of Logistics Management Department of Corporate Administration Division of the Company</p> <p>Jun. 2012 Executive Officer, General Manager of Corporate Accounting Department of Corporate Administration Division, System Department of Corporate Planning Division and Logistics Management Department of Corporate Administration Division and Department Manager of Corporate Accounting Department of the Company</p> <p>Jun. 2013 Executive Officer, General Manager of Corporate Accounting Department of Corporate Administration Division, System Department of Corporate Planning Division and Logistics Management Department of Corporate Administration Division of the Company</p> <p>Jun. 2014 Director, Executive Officer, General Manager of Corporate Accounting Department and Logistics Management Department of Corporate Administration Division and General Manager of Pharmacovigilance & Quality Assurance Office of the Company</p> <p>Jun. 2015 Expertise Officer of the Company and Senior Executive Director of Miyako Kagaku Co., Ltd.</p> <p>Jun. 2017 Director, Executive Officer, General Manager of Corporate Accounting Department and General Manager of Pharmacovigilance & Quality Assurance Office of the Company</p> <p>Jun. 2018 Director who is an Audit & Supervisory Committee Member of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1991, Mr. Jun Furuya has worked mainly in business management, credit control and legal work, human resources and general affairs. After serving as Director, Executive Officer, General Manager of Corporate Accounting Department and Logistics Management Department, and other positions, he has served as Senior Executive Director of consolidated subsidiary Miyako Kagaku Co., Ltd. and has been the Director, Executive Officer, General Manager of Corporate Accounting Department and General Manager of Pharmacovigilance & Quality Assurance Office of the Company, and, from 2018, a Director who is an Audit & Supervisory Committee Member (current position). He has abundant business experience in the Group and the Company, and knowledge of all the areas of the management of a trading company as well as general management and operations. Based on those qualifications, we have continuously nominated him as a candidate for Director.</p>	4,630 shares

Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
 <p>Masaaki Sawano March 2, 1954 66 years old</p> <p>[Term of office as Outside Director] 2 years (Of which, term of office as Director who is an Audit & Supervisory Committee Member: 2 years)</p> <p>[Reappointment] [Outside Director] [Independent Officer]</p>	<p>Apr. 1985 Registered as a lawyer</p> <p>Apr. 2006 Executive Governor of Japan Federation of Bar Associations</p> <p>Apr. 2006 Vice-president of Dai-Ichi Tokyo Bar Association</p> <p>May 2012 Chairman of Judicial System Research Board of Japan Federation of Bar Associations</p> <p>Sep. 2012 Outside Audit & Supervisory Board Member of Homemade Cooking Co., Ltd.</p> <p>Apr. 2014 Member of Advisory Council on Fundamental Issues in Corporate Management of Urban Renaissance Agency (to present) Chairman of Rent Council of Urban Renaissance Agency (to present)</p> <p>Jun. 2015 Substitute Audit & Supervisory Board Member of the Company</p> <p>Jun. 2016 Substitute Director who is Audit & Supervisory Committee Member of the Company</p> <p>Apr. 2017 President of Dai-Ichi Tokyo Bar Association, Vice-president of Japan Federation of Bar Associations</p> <p>Apr. 2018 Summary Court Judge Selection Committee Member of the Supreme Court (to present)</p> <p>Apr. 2018 Member of Business Evaluation Monitoring Committee of Urban Renaissance Agency (to present)</p> <p>Jun. 2018 Director who is an Audit & Supervisory Committee Member of the Company (to present)</p> <p>Jun. 2019 Outside Auditor of Japan Federation of Certified Public Tax Accountants' Associations (to present)</p> <p>Jun. 2019 National Property Kanto Region Deliberation Committee Member of Kanto Local Finance Bureau, Ministry of Finance (to present)</p> <p>Dec. 2019 Chairperson of Tokyo Metropolitan Government Election Administration Commission (to present)</p>	0 shares
<p>■ Reasons for nominating the candidate for Outside Director</p> <p>Although Mr. Masaaki Sawano has not engaged in corporate management other than as Outside Audit & Supervisory Board Member, the Company believes that he will appropriately fulfill his duties as Audit & Supervisory Committee Member, on the grounds that he is deeply familiar with corporate legal work as a lawyer and he has sufficient insight to supervise corporate management. Accordingly, we have continuously nominated him as a candidate for Outside Director.</p>		

Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
 Noriko Morikawa October 18, 1958 61 years old [Term of office as Outside Director] 2 years (Of which, term of office as Director who is an Audit & Supervisory Committee Member: 2 years) [Reappointment] [Outside Director] [Independent Officer]	Apr. 1981 Joined the Company Jul. 1984 Retired from the Company May 1987 Graduated from Montclair State University (America) Aug. 1988 Joined Daiwa Securities America Inc. (America) Dec. 1989 Completed Financial Accounting of MBA of College of Insurance (America) Sep. 1991 Joined Arthur Andersen LLP Mar. 1995 Joined Motorola, Inc. Jun. 2005 Director, General Manager of Accounting and Finance and General Manager of Domestic Accounting and Finance Division of Motorola, Inc. Jun. 2009 Joined Bosch Corporation Aug. 2010 Executive Vice President and Director of Bosch Corporation Jun. 2018 Director who is an Audit & Supervisory Committee Member of the Company (to present) Mar. 2020 Outside Director of Showa Denko K.K. (to present) ■ Reasons for nominating the candidate for Outside Director Ms. Noriko Morikawa is well versed in finance and accounting and has broad insight based on her abundant achievements as a corporate manager and experience working overseas. Based on those qualifications, the Company has judged that she will appropriately fulfill her duties as Audit & Supervisory Committee Member, and has continuously nominated her as a candidate for Outside Director.	0 shares


- (Notes) 1. No material conflict of interest exists between the Company and any of the candidates for Directors.
2. Mr. Masaaki Sawano and Ms. Noriko Morikawa are candidates for Outside Directors. Both of them satisfy the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange.
3. The Company has entered into an agreement with Mr. Masaaki Sawano and Ms. Noriko Morikawa to limit the liability for damage based on the Articles of Incorporation. Under this agreement, the amount limit of liability for damages shall be the minimum liability amount prescribed in Paragraph 1, Article 427 of the Companies Act only when they conduct their duties in good faith and without gross negligence. In addition, if the reappointment of Mr. Masaaki Sawano and Ms. Noriko Morikawa is approved, the Company intends to continue with such limited liability agreements.

Proposal No. 3 Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member

In order to prepare for cases where the number of Directors who are Audit & Supervisory Committee Members falls short of the number stipulated by laws and regulations, the Company proposes the election of one (1) Substitute Director who is Audit & Supervisory Committee Member.

This proposal was determined by the Board of Directors after its deliberation by the Governance Committee, which is an advisory body for the Board of Directors. The Audit & Supervisory Committee has also consented to the submission of the Proposal.

The candidate for Substitute Director who is Audit & Supervisory Committee Member is as follows:

Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
 Kenichi Araya July 23, 1957 62 years old [Outside Director] [Independent Officer]	Apr. 1985 Registered as a lawyer Jun. 2000 Outside Audit & Supervisory Board Member of Cleanup Corporation (to present) Apr. 2007 Auditor of Dai-Ichi Tokyo Bar Association Apr. 2008 Member of Mediation Committee of Tokyo Family Court (to present) Apr. 2009 Vice-president of Dai-Ichi Tokyo Bar Association Jun. 2011 Outside Audit & Supervisory Board Member of The Nisshin OilliO Group, Ltd. Jun. 2018 Substitute Director who is an Audit & Supervisory Committee Member of the Company (to present)	0 shares
	■ Reasons for nominating the candidate for Substitute Outside Director Although Mr. Kenichi Araya has not engaged in corporate management other than as Outside Audit & Supervisory Board Member, the Company believes that he will appropriately fulfill his duties as Audit & Supervisory Committee Member of the Company, on the grounds that he has abundant experience and broad insight as a lawyer. Accordingly, the Company continuously proposes his election as Substitute Outside Director.	

- (Notes) 1. No material conflict of interest exists between the Company and the candidate for Substitute Director.
2. Mr. Kenichi Araya is a candidate for Substitute Outside Director. He satisfies the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange.
3. The Company intends to enter into an agreement with Mr. Kenichi Araya to limit the liability for damage based on the Articles of Incorporation. Under this agreement, the amount limit of liability for damages shall be the minimum liability amount prescribed in Paragraph 1, Article 427 of the Companies Act only when he conducts his duties in good faith and without gross negligence.

<Shareholder Proposals (Proposals No. 4 through No. 9)>

Proposals No. 4, No. 5, No. 6, No. 7, No. 8, and No. 9 have been made by two (2) shareholders (hereinafter the “Proposing Shareholders”).

Proposal No. 4 Revision of the provisions of articles with regard to the election of outside directors.

1. Details of Shareholder Proposal

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. Reasons for Shareholder Proposal

TORAY INDUSTRIES, INC. (hereinafter “Toray”) holds a majority of voting rights in the Company, which makes it part of a so-called publicly listed parent/subsidiary pair. Minority shareholders of the Company are potentially exposed to risks of conflicts of interest with Toray shareholders, and the Directors indicated in the shareholder proposal are truly independent Outside Directors who are strongly expected to represent the interests of minority shareholders. As of April 1, 2020, the Company has seven Directors and three Outside Directors, and two out of the three Outside Directors have been announced as Independent Officers as prescribed by the Tokyo Stock Exchange. However, one of these two Independent Officers is a former employee of the Company, and, even if formally meeting the provisions of the Tokyo Stock Exchange, they cannot be considered to be substantially independent. Furthermore, both of these Independent Officers continue to refuse requests for interviews with the Proposing Shareholders, following a decision of the Board of Directors of the Company, and they show no desire to act for the benefit of minority shareholders.

Regarding measures to improve the governance of listed subsidiaries, a study group at the Tokyo Stock Exchange has been discussing the ideal position for Independent Outside Directors of listed subsidiaries since January of this year.

In response to this direction and to protect the interests of minority shareholders of the Company, we propose that a majority of the Directors of the Board of Directors of the Company be truly independent Outside Directors.

(Company Note) The above are the exact details and reasons from the shareholder proposal document as submitted by the Proposing Shareholders.

[Opinion of the Board of Directors on Proposal No. 4]

The Board of Directors of the Company **opposes Proposal No. 4.**

Reason for Opposition

The Board of Directors of the Company consists of members with diverse perspectives, experiences, and skills so that it can make transparent, fair, prompt, and decisive decisions. The Articles of Incorporation stipulate that the maximum number of Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be ten (10) and the maximum number of Directors who are Audit & Supervisory Committee Members shall be five (5). As of May 19, 2020, there are seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members) and three (3) Directors who are Audit & Supervisory Committee Members. Two (2) Outside Directors meet the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange.

In addition, on March 25, 2020, the Company established the Governance Committee (hereinafter the “Committee”) as a voluntary advisory body for the Board of Directors. The Committee consists of a total of three (3) members, including the President and two (2) Outside Directors who meet the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange. Outside Directors comprise the majority of the Committee, and it is chaired by an Outside Director. The Committee will strengthen the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination, compensation, etc. of Directors. In addition, it will deliberate on matters necessary from the perspective of protecting minority shareholder interests. Through the deliberations of the Committee, the Company will consider an optimal corporate governance structure.

Therefore, we object to the partial amendments to the Articles of Incorporation of this proposal.

Proposal No. 5 Revision of the provisions of articles with regard to the evaluation of the effectiveness of the Board.

1. Details of Shareholder Proposal

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.

2. Reasons for Shareholder Proposal

In the Corporate Governance Code (hereinafter the “CG Code”) established by the Tokyo Stock Exchange, Principle 4.11 Preconditions for Board and Board of Auditors Effectiveness stipulates that “The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.” Furthermore, the Supplementary Principle 4.11.3 stipulates that “Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.”

According to a CG report submitted by the Company to the Tokyo Stock Exchange on June 18 of last year: “The procedures for the fiscal year ended March 31, 2019 ... effectiveness assessment were applicable to all Directors. We conducted a questionnaire and collected individual opinions regarding the agenda of the Board of Directors meetings, composition and operation of the Board of Directors, and the systems that support the Board of Directors. At the Board of Directors meeting in May 2019, we evaluated and analyzed the effectiveness of the entire Board of Directors based on the questionnaire results. As a result, it was confirmed that the Board of Directors, including Outside Directors, are appropriately configured and that constructive discussions and exchange of opinions are conducted through free remarks, and that the Board of Directors is generally operated appropriately and is effective. Meanwhile, the main points raised were that discussions and supervision regarding representative director succession development planning, discussions regarding executive compensation, discussions regarding the appointment and dismissal of management executives, and discussions regarding the provision of Director training opportunities should be deepened. We will continue to improve and enhance these points.” This is virtually the same as the description of one year earlier described in the CG report of November 27, 2018.

If Directors, the members of the Board of Directors, evaluate the effectiveness of the Board of Directors, there is a risk that the evaluation will be less precise, and it is hard to believe that self-evaluation alone can provide objective, highly reliable and appropriate analysis and evaluation. In addition, it has been pointed out that questionnaires for Directors and Audit & Supervisory Board Members may become overly routine if they are conducted every year. Based on the description in the above CG report, it is possible that the Company has already fallen into such a situation.

From this perspective, the effectiveness of the Board of Directors must be evaluated, involving a third party organization, at least once every three years.

(Company Note) The above are the exact details and reasons from the shareholder proposal document as submitted by the Proposing Shareholders.

[Opinion of the Board of Directors on Proposal No. 5]

The Board of Directors of the Company **opposes Proposal No. 5.**

Reason for Opposition

The Company positions the Board of Directors as a strategic decision-making body and business oversight body, and has operated the Board of Directors by establishing the “Board of Directors Regulations,” which clarify the responsibilities, operations, and resolution items of the Board of Directors, as well as the responsibilities of the Directors. In the Corporate Governance Report submitted to the Tokyo Stock Exchange on June 18, 2019, as a result of the evaluation and analysis of the effectiveness evaluation of the Board of Directors, the Company stated its opinion on aiming to continuously improve and enhance discussions and supervision regarding CEO succession planning, discussions on executive compensation, discussions on the appointment and dismissal of management executives, and the provision of training opportunities for Directors.

On March 25, 2020, the Company established the Governance Committee (hereinafter the “Committee”) as a voluntary advisory body for the Board of Directors. The Committee consists of a total of three (3) members, including the President and two (2) Outside Directors who meet the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange. Outside Directors comprise the majority of the Committee, and it is chaired by an Outside Director. Going forward, the Committee will take appropriate improvement measures through deliberations on the results of the annual questionnaire for each Director regarding the effectiveness of the Board of Directors, which will lead to the improvement of the effectiveness of the Board of Directors.

Therefore, we object to the partial amendments to the Articles of Incorporation of this proposal.

Proposal No. 6 Revision of the provisions of articles with regard to the appropriation of surplus

1. Details of Shareholder Proposal

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.

2. Reasons for Shareholder Proposal

At present, dividends of surplus of the Company are decided by a resolution of the Board of Directors. This is a system that is premised on the Board of Directors making appropriate decisions regarding dividends of surplus in line with the interests of shareholders. However, despite having sufficient capital to maintain a sufficiently high capital ratio and possessing a wealth of cash and cash equivalents as well as investment securities, the dividend has remained at around 20% of net income for several years, and the Company has announced that it will remain at a low level of 26% in the current fiscal year, as described below. Therefore, it cannot be said that they have made appropriate decisions in the interest of shareholders.

For the benefit of the shareholders of the Company, the right to make decisions on dividends from surplus should be returned to the General Meeting of Shareholders.

(Company Note) The above are the exact details and reasons from the shareholder proposal document as submitted by the Proposing Shareholders. Note that “Proposal (2) above” refers to Proposal No. 5.

[Opinion of the Board of Directors on Proposal No. 6]

The Board of Directors of the Company **opposes Proposal No. 6.**

Reason for Opposition

With regard to the Company’s decision-making body for its dividend of surplus, it shall be by the resolution of the Board of Directors, in order to implement a flexible capital policy, in accordance with the provisions of Paragraph 1, Article 459, of the Companies Act, except as otherwise provided in laws and regulations. The Company believes that ensuring the flexibility of its capital policy is necessary under the current circumstances as well.

In addition, the Board of Directors of the Company sets as its basic policy to pay performance-linked dividends commensurate with net income attributable to owners of the parent, from the viewpoint of ensuring the flexible return of profits to shareholders and the stability of management and financial affairs. Accordingly, the Board of Directors determines a dividend amount deemed appropriate.

Regarding the dividend policy for the fiscal year ending March 31, 2021 onward, the Company has changed the dividend payout ratio based on net income attributable to owners of the parent from 25% or above (annually) to 30% or above (annually), and is working to further enhance dividends to shareholders.

Therefore, we object to the partial amendments to the Articles of Incorporation of this proposal.

Proposal No. 7 Appropriation of Surplus

1. Details of Shareholder Proposal

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.

2. Reasons for Shareholder Proposal

According to the Company's Financial Results for the Nine Months Ended December 31, 2019, interest-bearing debt excluding short-term borrowings from subsidiaries and associates was only about ¥2.1 billion on the quarterly consolidated balance sheets as of December 31, 2019. On the other hand, the cash and deposits it holds are about ¥10.6 billion. Furthermore, as of March 31, 2019, the Company had approximately ¥11 billion of investment securities, including strategically held shares. Therefore, it can be concluded that the Company already has sufficient cash and cash-like assets.

According to the Financial Results above, as of December 31, 2019, the Company's total equity (consolidated) is ¥56.563 billion (about ¥2,303 per share), the equity ratio is 47.8%, and the expected net income (consolidated) is ¥5.8 billion (¥236 yen per share). On the other hand, assuming the annual dividend of ¥62 per share announced by the Company, the payout ratio will be approximately 26%. When considering the amount of total equity and the expected net income, the level of this planned dividend is not sufficient for shareholders.

As a result of suppressing dividends in this way, return on equity (ROE), which used to exceed 20%, is expected to reach approximately 10.5% in the fiscal year ending March 2020.

The Company does not need to retain any more funds internally and any further increases in equity will only reduce ROE. Returning surplus funds to shareholders raises shareholder value and, in turn, raises the share price. Thus, dividends of surplus should be increased significantly.

Even if this proposal for the appropriation of surplus is implemented, the total amount of dividends will fall within the range of net income. Accordingly, it will not significantly change the Company's equity or cash and deposit levels as of the end of the previous fiscal year, and the Company's financial position shall remain strong.

(Company Note) The above are the exact details and reasons from the shareholder proposal document as submitted by the Proposing Shareholders. Note that "Proposal (3) above" refers to Proposal No. 6.

[Opinion of the Board of Directors on Proposal No. 7]

The Board of Directors of the Company **opposes Proposal No. 7.**

Reason for Opposition

The Company recognizes that the return of profits to shareholders is an important management issue, and sets as its basic policy to pay dividends twice a year, an interim dividend and a year-end dividend, which are performance-linked dividends commensurate with net income attributable to owners of the parent, from the viewpoint of ensuring the flexible return of profits and the stability of management and financial affairs. Under this basic policy, since the fiscal year ended March 31, 2018, the dividend payout ratio has been set at 25% or above (annually) based on net income attributable to owners of the parent, and the dividend has continued to increase.

In addition, it is necessary to secure internal reserves for business investments aimed at sustaining a stable financial foundation and the expansion of business profitability, in order to achieve sustainable growth. Reinforcement of the business model based on business investment is an important measure, and the Company will continue to proactively invest in growth strategies while carefully assessing risks.

At a meeting of the Board of Directors on May 19, 2020, comprehensively considering the business environment and other matters, it was resolved that from the fiscal year ending March 31, 2021, the Company will work to further enhance dividends to shareholders by changing the dividend payout ratio based on net income attributable to owners of the parent to 30% or above (annually).

The Company believes that stable and continuous return of profits to shareholders and the securing of internal reserves for investment in growth strategies will continue to enhance corporate value in the medium- to long-term and contribute to the interests of shareholders.

Therefore, we object to this proposal, which seeks the payment of a dividend amount calculated by deducting an interim dividend of ¥31 from consolidated net income per share for the fiscal year ended March 31, 2020.

Proposal No. 8 Revision of the provisions of articles with regard to disclosure of cost of capital

1. Details of Shareholder Proposal

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.

2. Reasons for Shareholder Proposal

The Company's share price has remained below the dissolution value. This means that ROE (return on equity) has not reached the level required by the investors (cost of shareholders' equity).

In “Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans” of the CG Code, management is required to understand the cost of capital of its own company accurately: “When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human resources, and specific measures that will be taken in order to achieve their plans and targets.” It should be said that the management of the Company is also required to plan and verify business plans and capital policies, upon accurately grasping the weighted average cost of capital based on the cost of shareholders' equity. The disclosure of the weighted average cost of capital also enables dialogue between the management of the Company and investors, including shareholders, on a common metric. By disclosing the cost of capital in this way, we believe that the Company can aim to improve the low valuation of its shares in the market.

(Company Note) The above are the exact details and reasons from the shareholder proposal document as submitted by the Proposing Shareholders. Note that “Proposals (2) and (3) above” refers to Proposals No. 5 and No. 6.

[Opinion of the Board of Directors on Proposal No. 8]

The Board of Directors of the Company **opposes Proposal No. 8.**

Reason for Opposition

The Company has formulated a numerical plan for profitability and capital efficiency in its medium-term management plan by using ordinary income, ordinary income ROA, and net income ROE as important performance indicators.

Going forward, the Company will continue to set target values for these important performance indicators, and regularly confirm the cost of capital to further enhance its corporate value.

Therefore, we object to the partial amendments to the Articles of Incorporation of this proposal.

Proposal No. 9 Revision of the provisions of articles with regard to the to the Dissolution of Cross-Shareholdings

1. Details of Shareholder Proposal

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.

2. Reasons for Shareholder Proposal

In “Principle 1.4 Cross-Shareholdings” of the CG Code, it is stipulated that “they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings.” In the Company’s CG Report, it is stated that “the significance of holding cross-shareholdings is verified each year for each individual stock, and, as a result, those that do not have a significance of holding are considered for sale and are being reduced.” However, even when the Proposing Shareholders perused the minutes of the Board of Directors meetings of the Company, it was not clear what kind of discussion was held regarding the significance of holding cross-shareholdings. Therefore, in order to further promote the sale of cross-shareholdings, a policy of selling the cross-shareholdings within three years shall be stipulated in the Articles of Incorporation.

As of March 31, 2019, the Company holds 11 listed shares for purposes other than pure investment (cross-shareholdings), totaling approximately ¥3.2 billion, on a non-consolidated basis. In addition, the Company holds listed shares of approximately ¥7 billion on a consolidated-basis. We would like the Company to quickly sell all of the cross-shareholdings that it currently holds and use the proceeds from the sale to improve shareholder value of the Company.

For a detailed explanation of the above proposals, see <https://toray-can-increase-the-value-of-chori.com/> or the special site link at the top right corner of the Strategic Capital, Inc.’s website, <https://stracap.jp/>.

(Company Note) The above are the exact details and reasons from the shareholder proposal document as submitted by the Proposing Shareholders. Note that “Proposals (2), (3) and (5) above” refers to Proposals No. 5, No. 6, and No. 8.

[Opinion of the Board of Directors on Proposal No. 9]

The Board of Directors of the Company **opposes Proposal No. 9.**

Reason for Opposition

The Company and its subsidiaries may acquire and hold shares of listed companies (hereinafter “Cross-shareholdings”) in order to maintain, expand and sustainably develop their businesses. In such cases, the Board of Directors and other bodies make decisions on acquisitions after considering the business conditions of the investees and the profitability of the investment. With regard to the Cross-shareholdings that are held, the Board of Directors verifies the significance of their acquisition and holding as well as their economic rationality, such as investment profitability, each year. If the Company deems that it is not economically rational, the Company immediately sells or reduces such shares.

Furthermore, the Company appropriately exercises the voting rights of those Cross-shareholdings that are held, from the perspective of whether or not the Company can expect an increase in corporate value, while respecting the management policies of investee companies.

The Company believes that the partial amendment of the Articles of Incorporation and sale of all Cross-shareholdings during the three fiscal periods from the 74th to the 76th fiscal years may prevent the Company from maintaining and developing its business and impair the Company’s corporate value.

Therefore, we object to the partial amendments to the Articles of Incorporation of this proposal.

Business Report

(April 1, 2019 - March 31, 2020)

1. Overview of the Company Group

1. Business Progress and Results

During the fiscal year ended March 31, 2020 (hereinafter, the “current fiscal year”), the economy lacked strength overall due to weakly trending trade associated with the trade frictions between the U.S. and China, as well as lagging growth in consumer spending affected by the consumption tax hike, etc. Furthermore, the global spread of the novel coronavirus disease (COVID-19) towards the end of the fiscal year reinforced a sense of stagnation.

Under these circumstances, the Group has steadily implemented the policies of its medium-term management plan “Chori Innovation Plan 2019,” announced on April 25, 2017. Business results were solid through the third quarter, but were affected by the spread of COVID-19 during the fourth quarter. With regard to the performance for the current fiscal year, net sales decreased 7.6% year on year to ¥329,360 million, due mainly to the market slowdown of the organic chemicals field in the chemicals segment. However, in terms of earnings, the fibers, textiles and garments segment saw steady sales growth in the overseas base materials field and profitability improvements in the domestic fibers, textiles, and garments filed. As a result, operating income increased 2.1% year on year to ¥8,219 million and ordinary income increased 0.3% year on year to ¥8,685 million, while net income attributable to owners of the parent increased 8.4% year on year to ¥6,101 million. Ordinary income and net income attributable to owners of the parent reached new highs, surpassing the record highs posted during the previous fiscal year.

2. Trends in Assets and Income

(Millions of Japanese Yen)

Item	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (Current fiscal year)
Net sales	270,908	311,705	356,537	329,360
Operating income	6,448	7,226	8,047	8,219
Ordinary income	6,967	7,499	8,660	8,685
Net income attributable to owners of the parent	4,780	4,730	5,630	6,101
Net income per share (Yen)	195.00	192.74	229.28	248.46
Total assets	97,983	119,055	118,499	114,400
Total net assets	46,343	51,153	53,897	57,279
Net assets per share (Yen)	1,887.37	2,079.84	2,191.45	2,328.79

(Notes) 1. Net income per share is calculated based on the average number of shares outstanding during the period, while net assets per share is calculated based on the number of shares outstanding at the end of the period. The total number of shares outstanding at the end of the period does not include treasury stocks.

2. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been applied from fiscal 2019, and therefore the figures presented for fiscal 2018 have been retroactively adjusted to reflect this new accounting basis.

Business Performance by Segment

The Group engages in domestic sales, export and import of various products, and overseas transactions, which are classified into four business segments: fibers, textiles and garments, chemicals, machinery, and others as follows.

Fibers, textiles and garments

Major items

- Raw cotton and thread for Chemicals and synthetic fibers and other natural fibers, textiles, knitting and products made of Chemicals and synthetic fibers, and other natural fibers, as well as industrial materials

In this segment, due to the overall sluggishness of the domestic market resulting from the lack of recovery in domestic consumer sentiment, etc., net sales decreased 4.8% year on year to ¥114,520 million. However, thanks to a steady sales growth in the overseas base materials field as well as improvements in profitability in the domestic fibers, textiles, and garments field, etc., segment income (ordinary income) increased 8.6% year on year to ¥4,028 million.

Chemicals

Major items

- Organic chemicals, inorganic chemicals, fine chemicals, pharmaceutical raw materials, additives for food and feed, natural minerals, and additives for lubricating oils and fuel oils

In this segment, net sales decreased 14.7% year on year to ¥150,634 million, and segment income (ordinary income) decreased 9.6% year on year to ¥3,515 million due mainly to the market slowdown of bulk products in the organic chemicals field.

Machinery

Major items

- Vehicle chassis, machines, and related materials

In this segment, net sales increased 7.4% year on year to ¥64,133 million and segment income (ordinary income) increased 28.9% year on year to ¥417 million due to the development of new markets in Europe and Africa, in addition to a steady growth in transactions for Central and South America in the vehicle chassis business.

Others

Major items

- Office outsourcing services

In this segment, net sales decreased 1.5% year on year to ¥72 million, and segment income (ordinary income) decreased 51.4% year on year to ¥15 million.

Fiscal years		Fiscal 2019	Fiscal 2020	Year-on-year comparison	Sales composition ratio
Business segment	Account	Amount	Amount	Increase (decrease) ratio	
Fibers, Textiles and Garments		Millions of Japanese Yen	Millions of Japanese Yen	%	%
	Net sales	120,240	114,520	(4.8)	34.8
	Ordinary income	3,710	4,028	8.6	—
Chemicals	Net sales	176,525	150,634	(14.7)	45.7
	Ordinary income	3,890	3,515	(9.6)	—
Machinery	Net sales	59,696	64,133	7.4	19.5
	Ordinary income	323	417	28.9	—
Others	Net sales	74	72	(1.5)	0.0
	Ordinary income	32	15	(51.4)	—

(Note) Net sales represent net sales from external customers.

3. Fund Procurement

The Company has been promoting the liquidation of notes receivable-trade during the current fiscal year aimed at the diversification and lower levels of interest in fund procurement. The Company concluded a commitment line contract with a total amount of ¥10,000 million with three financial institutions centered on Mizuho Bank, Ltd. as an arranger for the purpose of stabilizing fund procurement.

4. Issues to be Addressed

The global spread of COVID-19 that began toward the end of the fiscal year under review has significantly affected the business environment both in Japan and overseas, and the timing of its containment is unclear. In order to immediately respond to the drastically changing society and economic environment, the Group will manage risks more thoroughly, while steadily promoting “consolidated management,” “creation of a next-generation business model,” “corporate governance,” “compliance,” and “human resources,” which are the basic strategies for sustainable growth. The Group will strive to become a corporate group that continues to evolve and change on a global scale, built on outstanding capabilities and expertise, and to further increase corporate value.

1) Consolidated management

We will strengthen our management structure by “consolidated global operations by each business department,” “consolidated management,” “portfolio management,” and “digital management.”

2) Creation of next-generation business model

We will strive to expand our business scope and transform our profit structure through active business investments in growing fields and regions, as well as M&As that will bring out consolidated contributions and business synergies.

3) Corporate governance and compliance

We will aim to further enhance our corporate value by improving corporate governance and reinforcing compliance through the “establishment of a governance committee, a majority of which is composed of independent outside directors,” “improvement in dividend policies,” “enhancement of the Chori brand value,” “global risk management,” and “strengthening of various auditing functions for the consolidated subsidiaries.”

4) Human resources

Considering human resources as our most valuable management resources, we will enhance our human resources through the “development of next-generation human resources” and “promotion of healthy management.”

5. Parent Company and Major Subsidiaries

1) Relationship with parent company

The Company's parent company, TORAY INDUSTRIES, INC., holds the Company's common stock of 12,967 thousand shares (voting right ratio of 52.88%).

The Company's transactions with the parent company for the current fiscal year amounted to ¥2,113 million in net sales and ¥7,338 million in net purchase.

2) Status of major subsidiaries

Company name	Capital	Voting right ratio (%)	Principal business
Chori Machinery Co., Ltd.	¥100 million	100.00	Sale of transportation equipment, etc.
Miyako Kagaku Co., Ltd.	¥296 million	100.00	Purchase and sale of raw materials and products, etc. of chemicals, synthetic resins, pharmaceuticals, food, electronic components, etc.
Kozakura Shokai Co., Ltd.	¥60 million	100.00	Sale of Chemicals products (lubricating oil additives, fuel oil additives, etc.)
CHORI GLEX CO., LTD.	¥499 million	100.00	Import and sales of chemicals, construction materials and industrial products
Asada U Corporation	¥20 million	100.00	Sale of vehicle interior materials and packaging materials
Tokyo Shirayurikai Co., Ltd.	¥30 million	100.00	Planning, production and sales of ladies' apparel
Business Anchor Corporation	¥10 million	100.00	Office outsourcing services
Chori (China) Co., Ltd.	CNY55,314 thousand	100.00	Sales in China, export and import, and overseas transactions of various products
Chori America, Inc.	US\$4,000 thousand	100.00	Sales in the United States, export and import, and overseas transactions of various products
Thai Chori Co., Ltd.	THB202,000 thousand	98.94	Sales in Thailand, export and import, and overseas transactions of various products
Chori Co., (Hong Kong) Ltd.	HK\$20,000 thousand	100.00	Sales in Hong Kong and its neighboring countries, export and import, and overseas transactions of various products
Chori Singapore Pte. Ltd.	S\$4,000 thousand	100.00	Export and import and overseas transactions of various products
Chori Europe GmbH	€1,375 thousand	100.00	Sales in European countries, export and import, and overseas transactions of various products
Chori (Dalian) Trading Co., Ltd.	CNY8,112 thousand	100.00	Sales in China, export and import, and overseas transactions of various products
PT. Chori Indonesia	US\$750 thousand	100.00	Sales in Indonesia, export and import, and overseas transactions of various products
Taiwan Chori Merchandise Cooperation Ltd.	NT\$30,000 thousand	100.00	Sales in Taiwan, export and import, and overseas transactions of various products

3) Specified wholly-owned subsidiaries as of the balance sheet date

There are no subsidiaries that fall under specified wholly-owned subsidiaries.

6. Major Offices and Plants

a) Major offices of the Company

- 1 Osaka Head Office (Chuo-ku, Osaka)
- 2 Tokyo Head Office (Minato-ku, Tokyo)
- 3 Hokuriku Branch (Kanazawa-shi, Ishikawa)

b) Offices of principal subsidiaries

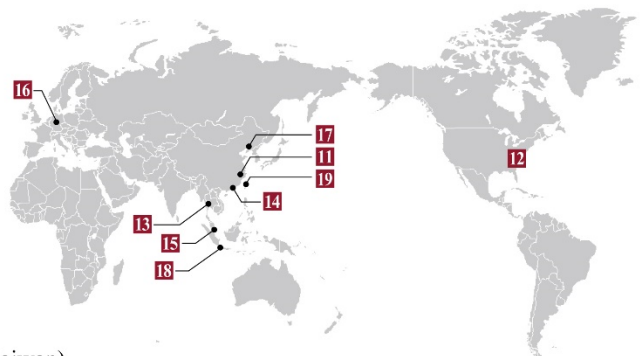
Domestic subsidiaries:

- 4 Chori Machinery Co. Ltd. (Minato-ku, Tokyo)
- 5 Miyako Kagaku Co., Ltd. (Chiyoda-ku, Tokyo)
- 6 Kozakura Shokai Co., Ltd. (Minato-ku, Tokyo)
- 7 CHORI GLEX CO., LTD. (Minato-ku, Tokyo)
- 8 Asada U Corporation (Nagoya-shi, Aichi)
- 9 Tokyo Shirayurikai Co., Ltd. (Taito-ku, Tokyo)
- 10 Business Anchor Corporation (Chuo-ku, Osaka)



Overseas subsidiaries:

- 11 Chori (China) Co., Ltd. (China)
- 12 Chori America, Inc. (United States)
- 13 Thai Chori Co., Ltd. (Thailand)
- 14 Chori Co., (Hong Kong) Ltd. (China)
- 15 Chori Singapore Pte. Ltd. (Singapore)
- 16 Chori Europe GmbH (Germany)
- 17 Chori (Dalian) Trading Co., Ltd. (China)
- 18 PT. Chori Indonesia (Indonesia)
- 19 Taiwan Chori Merchandise Cooperation Ltd. (Taiwan)



7. Employees

Status of employees of the Chori Group

Business segment	Number of employees		Year-on-year comparison
Fibers, Textiles and Garments	478	< 216 >	(8)
Chemicals	312	< 45 >	(6)
Machinery	14	< 3 >	1
Others	66	< 10 >	(1)
Companywide (common)	144	< 25 >	5
Total	1,014	< 299 >	(9)

(Notes) 1. The number of employees represents the number of persons in employment.

2. The number in < > in the column of the number of employees represents the average number of temporary staff for the current fiscal year.

The status of employees of the Company is as follows.

Number of employees	Year-on-year comparison	Average age (years old)	Average years of service
338	8	39.4	13.6

(Note) The number of employees represents the number of persons in employment. However, employees hired locally at overseas representative offices are not included.

8. Major Lenders

There are no loans that need special mention as loans payable at the end of the current fiscal year belong to consolidated subsidiaries.

(Note) The Company has concluded a commitment line contract with a total amount of ¥10,000 million with a syndicate of three financial institutions. There was no outstanding loan balance under such contract as of the end of the current fiscal year.

2. Status of Shares

1. Total Number of Shares Authorized to be Issued 55,000,000 shares

2. Total Number of Shares Outstanding 25,303,478 shares

3. Number of Shareholders 4,620 persons

4. Number of Shares of One Unit 100 shares

5. Major Shareholders

Shareholder name	Number of shares held (shares)	Percentage of shares held (%)
TORAY INDUSTRIES, INC.	12,967,310	52.81
BBH FIDELITY PURITAN: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	1,566,400	6.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	625,900	2.55
Wacoal Corporation	548,890	2.24
Japan Trustee Services Bank, Ltd. (Trust Account)	451,100	1.84
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	423,100	1.72
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	357,500	1.46
Tachibana Securities Co., Ltd.	318,400	1.30
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	296,000	1.21
State Street Bank and Trust Client Omnibus Account OM02 505002	275,000	1.12

- (Notes)
1. Treasury stocks of the Company of 747,620 shares are excluded from the above table of Major Shareholders.
 2. The Company's treasury stocks (747,620 shares) were excluded in the calculation of the percentage of shares held.

3. Company Officers

1. Directors (as of March 31, 2020)

Position	Name	Responsibilities and significant concurrent positions
President, CEO & COO	Kazuo Sakihama	
Director	Shigemasa Yabu	General Manager of Corporate Planning Division
Director	Hiroyuki Watanabe	General Manager of Chemicals & Life Science, Machinery, Electronics Operations
Director	Hiroshi Yoshida	Head of Textile & Garment Business and General Manager of Synthetic Fiber Manufacturing Service Operations
Director	Kazuhiro Tohge	Special Appointee of the President (Textile & Garment Business)
Director	Satoko Nakayama	Deputy General Manager of Corporate Planning Division
Director	Ryo Murayama	Executive Vice President and Representative Member of the Board of TORAY INDUSTRIES, INC.
Director (Full-time Audit & Supervisory Committee Member)	Jun Furuya	
Director (Audit & Supervisory Committee Member)	Masaaki Sawano	Member of the Selection Committee for Summary Court Judges of the Supreme Court Member of Advisory Council on Fundamental Issues in Corporate Management and Rent Council of Urban Renaissance Agency Member of Advisory Council on Fundamental Issues in Corporate Management of Urban Renaissance Agency Member of Business Evaluation Monitoring Committee of Urban Renaissance Agency Outside Auditor of Japan Federation of Certified Public Tax Accountants' Associations Member of Kanto Regional Government Asset Council, Kanto Local Finance Bureau, Ministry of Finance Chairman of Tokyo Metropolitan Government Election Administration Commission
Director (Audit & Supervisory Committee Member)	Noriko Morikawa	Outside Director of Showa Denko K.K. (appointed on March 26, 2020)

- (Notes)
- There were no changes in Directors for the current fiscal year.
 - Directors, Mr. Masaaki Sawano and Ms. Noriko Morikawa, are Outside Directors as provided in Item 15, Article 2 of the Companies Act.
 - Directors, Mr. Masaaki Sawano and Ms. Noriko Morikawa, are registered as Independent Officer with the Tokyo Stock Exchange.
 - Deeming that audits by a full-time member are essential to ensure the effectiveness of Audit & Supervisory Committee activities, the Company has elected a Full-time Audit & Supervisory Committee Member.
 - A Director (Full-time Audit & Supervisory Committee Member), Mr. Jun Furuya, has considerable knowledge of all the areas of the management, legal affairs, finance and accounting of trading companies, gained through the engagement mainly in business management, credit control and legal work, human resources and general affairs.
 - An Outside Director (Audit & Supervisory Committee Member), Mr. Masaaki Sawano, has extensive experience and broad insight acquired in his career as a lawyer.
 - An Outside Director (Audit & Supervisory Committee Member), Ms. Noriko Morikawa, has many years of experience in accounting and finance and has completed her Financial Accounting of MBA, and has considerable knowledge of finance and accounting.
 - The Company has introduced the Executive Officer System to promptly and appropriately respond to changes in the business environment, to speed up decision-making related to business executions, as well as to enhance management efficiency.

The following are 10 Executive Officers. (as of March 31, 2020)

Title	Name	Major positions and responsibilities
President and Executive Officer	Kazuo Sakihama	CEO & COO
Managing Executive Officer	Shigemasa Yabu	General Manager of Corporate Planning Division and Executive Chief Representative for China
Executive Officer	Hiroyuki Watanabe	General Manager of Chemicals & Life Science, Machinery, Electronics Operations and General Manager of Logistics Department (Chemicals & Machinery)
Executive Officer	Hiroshi Yoshida	Head of Textile & Garment Business and General Manager of Synthetic Fiber Manufacturing Service Operations, and General Manager of Logistics Department (Textile) and General Manager of Hokuriku Branch
Executive Officer	Kazuhiro Tohge	Special Appointee of the President (Textile & Garment Business)
Executive Officer	Satoko Nakayama	Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department, Information System Department), General Manager of Pharmacovigilance & Quality Assurance Office, and General Manager of CHORI Innovation Activities
Executive Officer	Akira Marui	General Manager of Apparel & Sports Wear Operations, Deputy General Manager of Logistics Department (Textile), and Chairman of Chori (Dalian) Trading Co., Ltd.
Executive Officer	Noriyasu Goda	General Manager of Technical Material and Garment Operations and Deputy General Manager of Logistics Department (Textile)
Executive Officer	Yoshihiro Teratani	President & CEO of Miyako Kagaku Co., Ltd.
Executive Officer	Tatsuyuki Sakoda	Deputy General Manager of Corporate Planning Division (Corporate Management Department) and Department Manager of Corporate Management Department

2. Summary of the Limited Liability Agreement

The Company has entered into an agreement with its Directors (excluding Executive Directors, etc.) to limit their liability for damages due to their negligence of duties, pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. Under the agreement, amount limit of liability for damages shall be the minimum liability amount prescribed by laws and regulations.

3. Compensation to Directors

Category	Number of paid persons	Total amount paid
Director (excluding Directors who are Audit & Supervisory Committee Members)	6	¥217 million
Director (Audit & Supervisory Committee Members)	3	¥32 million

- (Notes)
1. The amount paid for Directors does not include the portion of employee's salary for Directors who concurrently serve as employees.
 2. The number of paid persons above does not include one Director (excluding Directors who are Audit & Supervisory Committee Members) serving without compensation.
 3. The total amount paid includes Directors' bonus of ¥65 million for the current fiscal year (for six Directors (excluding Directors who are Audit & Supervisory Committee Members)).
 4. At the 69th Annual General Meeting of Shareholders held on June 15, 2016, it was approved that the total amount of compensation shall be ¥300 million or less per year for Directors (excluding Audit & Supervisory Committee Members), not including the portion of employee's salary for Directors who concurrently serve as employees, and ¥100 million or less for Directors (Audit & Supervisory Committee Members). Also, at the 70th Annual General

Meeting of Shareholders held on June 15, 2017, it was approved that the Company pays Directors (excluding Directors who are Audit & Supervisory Board Committee Members and non-executive Directors) the annual amount of ¥100 million or less (excluding the portion of employee's salary for Directors who concurrently serve as employees) as compensation for granting restricted stock, separately from the aforementioned compensation.

5. The amount of compensation to Directors (excluding Audit & Supervisory Committee Members) includes ¥19 million as compensation in the form of granting restricted stock.

4. Outside Officers

- 1) Significant concurrent positions of Outside Officers held in other companies and relationship between the Company and such companies

A Director (Audit & Supervisory Committee Member) of the Company, Mr. Masaaki Sawano, concurrently serves as a member of the Selection Committee for Summary Court Judges of the Supreme Court, a member of Advisory Council on Fundamental Issues in Corporate Management and Rent Council of Urban Renaissance Agency, a member of Advisory Council on Fundamental Issues in Corporate Management of Urban Renaissance Agency, a member of Business Evaluation Monitoring Committee of Urban Renaissance Agency, an Outside Auditor of Japan Federation of Certified Public Tax Accountants' Associations, a member of Kanto Regional Government Asset Council, Kanto Local Finance Bureau, Ministry of Finance, and the Chairman of Tokyo Metropolitan Government Election Administration Commission. There are no special relationships between the Company and these organizations.

A Director (Audit & Supervisory Committee Member) of the Company, Ms. Noriko Morikawa, concurrently serves as an Outside Director of Showa Denko K.K. There is no special relationship between the Company and the said company.

- 2) Main activities

In fiscal 2020, Director Mr. Sawano attended 15 times out of 15 Board of Directors meetings, while Director Ms. Morikawa attended 15 times out of 15 meetings. They provided opinions and advice based on their abundant experience and broad perspective.

In fiscal 2020, Director Mr. Sawano attended 14 times out of 14 Audit & Supervisory Committee meetings, while Director Ms. Morikawa attended 14 times out of 14 meetings. They exchanged opinions on audit results and discussed important matters related to audits.

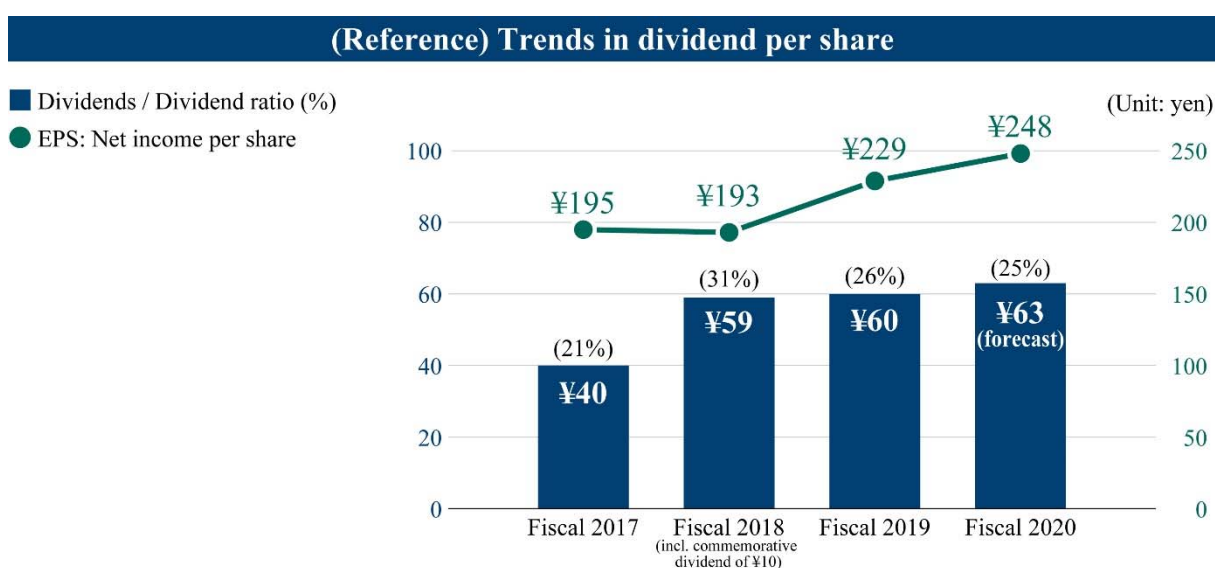
- 3) Total amount of compensations, etc. of the Company's Outside Officers

Number of persons	Amount of compensations, etc.	Compensations, etc. received from parent company or subsidiaries, etc. of said parent company
2	¥14 million	—

4. A Policy concerning the Decision on the Distribution of Surplus

The Company recognizes that the distribution of profits to shareholders is an important management issue, and sets it as its basic policy to pay dividends twice a year, an interim dividend and a year-end dividend, which are performance-linked dividends corresponding to net income attributable to owners of the parent of the year, from the viewpoint of ensuring the flexible return of profits and the stability of management and financial affairs.

The decision-making body for these dividends is not the General Meeting of Shareholders, but the Board of Directors, based on Paragraph 1, Article 459 of the Companies Act, except as otherwise provided in laws and regulations. With regard to the amount of dividends for the current fiscal year, the Company has set a policy to target approximately 25% or more of the consolidated dividend ratio, considering business environment and other matters comprehensively while maintaining sufficient investment funds for business growth. Based on this policy, the Company plans to pay a year-end dividend of ¥32 per share. Consequently, the total dividend for the current fiscal year will be ¥63 per share, including an interim dividend of ¥31 per share.



(Remarks)

Figures shown in millions of Japanese yen in this Report are rounded down to the nearest million.

CONSOLIDATED BALANCE SHEET

As of March 31, 2020

ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current assets	¥96,178
Cash and deposits	13,342
Deposit paid in subsidiaries and affiliates	500
Notes and accounts receivable-trade	64,034
Merchandise and finished goods	12,746
Work in process	64
Raw materials and supplies	5
Goods in transit	1,006
Other	4,517
Allowance for doubtful accounts	(39)
Non-current assets	18,221
Property, plant and equipment	2,376
Buildings and structures	1,055
Accumulated depreciation	(650)
Machinery, equipment and vehicles	1,382
Accumulated depreciation	(948)
Tools, Furniture and fixtures	672
Accumulated depreciation	(476)
Construction in progress	225
Land	806
Leased assets	576
Accumulated depreciation	(266)
Intangible assets	1,135
Goodwill	781
Other	353
Investments and other assets	14,710
Investment securities	9,913
Long-term loans receivable	1,473
Retirement benefit asset	5
Deferred tax assets	856
Other	2,881
Allowance for doubtful accounts	(420)
Total assets	¥114,400

LIABILITIES AND NET ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current liabilities	¥54,081
Notes and accounts payable-trade	45,235
Short-term loans payable	1,843
Accrued income taxes	1,618
Accrued employee bonuses	819
Allowance for losses from liquidation of subsidiaries and affiliates	42
Other	4,522
Non-current liabilities	3,039
Long-term loans payable	35
Deferred tax liabilities	565
Retirement benefit liabilities	2,233
Other	205
Total liabilities	57,121
Net assets	
Shareholders' equity	57,608
Capital stock	6,800
Capital surplus	1,753
Retained earnings	49,797
Treasury stock	(741)
Accumulated other comprehensive income	(423)
Valuation difference on available-for-sale securities	42
Deferred gains or losses on hedges	148
Foreign currency translation adjustments	(497)
Remeasurements of defined benefit plans	(116)
Non-controlling interests	93
Total net assets	57,279
Total liabilities and net assets	¥114,400

CONSOLIDATED STATEMENT OF INCOME

Year Ended March 31, 2020

Item	Amounts	
	Millions of Japanese Yen	
Net sales		¥329,360
Cost of sales		<u>301,050</u>
Gross profit		28,310
Selling, general and administrative expenses		<u>20,091</u>
Operating income		8,219
Non-operating income		
Interest income	202	
Dividend income	202	
Share of profit of entities accounted for using equity method	339	
Gain on adjustment of account payable	91	
Miscellaneous income	<u>179</u>	1,015
Non-operating expenses		
Interest expenses	95	
Loss on sales of notes receivable - trade	227	
Sales discounts	42	
Foreign exchange losses	93	
Miscellaneous expenses	<u>89</u>	<u>549</u>
Ordinary income		8,685
Extraordinary income		
Gain on sales of non-current assets	777	
Gain on sales of investment securities	<u>11</u>	788
Extraordinary losses		
Loss on valuation of investment securities	131	
Impairment loss	32	
Loss on disposal of non-current assets	11	
Loss on sales of investment securities	4	
Other	<u>2</u>	<u>183</u>
Profit before income taxes		9,290
Income taxes		
Current	3,184	
Deferred	<u>(4)</u>	<u>3,179</u>
Net income:		6,110
Net income attributable to non-controlling interests		<u>9</u>
Net income attributable to owners of the parent		¥6,101

NONCONSOLIDATED BALANCE SHEET

As of March 31, 2020

ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current assets	¥48,824
Cash and deposits	2,106
Deposit paid in subsidiaries and affiliates	605
Notes receivable-trade	11,184
Accounts receivable-trade	23,700
Merchandise and finished goods	9,051
Goods in transit	393
Advance payments	211
Prepaid expenses	26
Short-term loans receivable	68
Other	1,478
Allowance for doubtful accounts	(2)
Non-current assets	26,087
Property, plant and equipment	732
Buildings	183
Structures	0
Machinery and equipment	213
Vehicles	0
Tools, Furniture and fixtures	109
Construction in progress	225
Intangible assets	147
Software	144
Other	2
Investments and other assets	25,207
Investment securities	3,369
Investments in shares of subsidiaries and affiliates	16,227
Investments in capital	258
Investments in capital of subsidiaries and affiliates	2,453
Long-term loans receivable	1,442
Long-term loans receivable from subsidiaries and affiliates	30
Deferred tax assets	841
Other	883
Allowance for doubtful accounts	(299)
Total assets	¥74,911

LIABILITIES AND NET ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current liabilities	¥24,535
Notes payable-trade	3,811
Accounts payable-trade	14,686
Accounts payable-other	771
Accrued expenses	104
Accrued income taxes	796
Advances received	406
Deposits received	3,317
Accrued employee bonuses	600
Allowance for losses from liquidation of subsidiaries and affiliates	42
Non-current liabilities	1,908
Liability for retirement benefits	1,906
Other	2
Total liabilities	26,443
Net assets	
Shareholders' equity	48,259
Capital stock	6,800
Capital surplus	1,753
Legal capital surplus	1,700
Other capital surplus	53
Retained earnings	40,447
Other retained earnings	40,447
Retained earnings brought forward	40,447
Treasury stock	(741)
Valuation and translation adjustments	209
Valuation difference on available-for-sale securities	60
Deferred gains or losses on hedges	148
Total net assets	48,468
Total liabilities and net assets	¥74,911

NONCONSOLIDATED STATEMENT OF INCOME

Year Ended March 31, 2020

Item	Amounts	
	Millions of Japanese Yen	
Net sales		¥147,665
Cost of sales		<u>131,233</u>
Gross profit		16,431
Selling, general and administrative expenses		<u>11,114</u>
Operating income		5,317
Non-operating income		
Interest income	47	
Dividend income	1,061	
Reversal of allowance for doubtful accounts	6	
Gain on adjustment of account payable	75	
Miscellaneous income	<u>129</u>	1,320
Non-operating expenses		
Interest expenses	61	
Loss on sales of notes receivable-trade	53	
Sales discounts	29	
Foreign exchange losses	10	
Miscellaneous expenses	<u>41</u>	<u>196</u>
Ordinary income		6,442
Extraordinary income		
Gain on sales of investment securities	10	10
Extraordinary losses		
Loss on valuation of investment securities	46	
Loss on disposal of non-current assets	6	
Loss on sales of investment securities	1	
Other	<u>2</u>	<u>57</u>
Profit before income taxes		6,395
Income taxes		
Current	1,667	
Deferred	<u>69</u>	<u>1,736</u>
Net income		¥4,658