

CHORI CO., LTD. Tsumugu Report 2020



# Tsumugu Report 2020

Fiscal 2019 (the year ended March 31, 2020)

—  
Making your dreams come true

## CHORI CO., LTD.

**Tokyo** 2-15-3, Konan, Minato-ku, Tokyo 108-6216, Japan  
**Head Office** Tel: +81-3-5781-6200

**Osaka** 1-7-3, Awajimachi, Chuo-ku, Osaka 540-8603, Japan  
**Head Office** Tel: +81-6-6228-5000

**URL** <https://www.chori.co.jp/english/>



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CHORI CO., LTD.





## Corporate Slogan

# Making your dreams come true

## Corporate Philosophy

As members of the global community, we will work for the betterment of society.  
We take pride in being fair and sincere, and in continuing to offer superb service in order to deliver superior customer satisfaction.

## Regarding the Name of the Report

Since its establishment as a raw silk wholesaler in 1861, Chori has been weaving (“Tsumugu”) a variety of connections and bonds with stakeholders in the same manner as it has been weaving silk. The report’s name “Tsumugu Report” reflects Chori’s corporate stance that has remained intact since its founding. Moving forward, we will continue to remain a company that weaves dreams into reality by cherishing our relationships with all stakeholders.

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### Editorial Policy

The “Tsumugu Report” was issued to provide all readers, including shareholders, investors, and all other stakeholders, with information on Chori’s management vision, corporate philosophy, strengths, and businesses, in order to broaden their understanding of the Company. The report also functions as a tool for engaging in new dialogues with stakeholders. The Tsumugu Report is issued in both Japanese and English, and is also available for viewing on our company website. <https://www.chori.co.jp/english/>



### Scope of Reporting

CHORI CO., LTD. and its Group companies; however, certain information applies only to CHORI CO., LTD.

### Period of Reporting

The information contained in this report is primarily for fiscal 2019 (April 1, 2019 to March 31, 2020); however, certain sections of the report contain information on fiscal 2020 and beyond.

### Cautionary Notice Regarding Forward-Looking Statements

Performance forecasts and other forward-looking statements contained in this report are based on Chori’s judgments and information available as of the issuance of this report and are subject to change due to a variety of factors. Accordingly, such forward-looking statements are not guarantees of any achievement of targets or forecasts, or future performance. In addition, the information contained in this report may change without prior notice. For this reason, we hope that readers make their own judgment when utilizing the information and materials contained in this report with the use of other information that may be available. Chori does not take responsibility for any losses or damages incurred through the use of this report. Moreover, the revised business results and dividend forecasts for fiscal 2020, resulting from the provision of allowance for doubtful accounts announced in July 2020, are not reflected in this report.



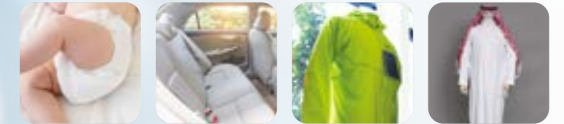
## Overview of Chori

Chori is a specialized trading company engaged in the textiles, chemicals, and machinery industries. 2020 marks the 159th year since our establishment.

As a specialized trading company, Chori supplies a wide range of products globally across its textiles, chemicals, and machinery businesses.

## Fibers, Textiles, and Garments Business

In the Fibers, Textiles, and Garments Business, we engage in every stage of the textile manufacturing process, from the handling of raw materials (upstream) to the management of textiles and other materials (midstream) and the manufacture and distribution of apparel and other finished products (downstream). We also boast a diverse lineup of silk materials to meet a wide assortment of needs from sportswear to traditional Middle Eastern garments, in addition to our selection of sustainable, environment-friendly products.



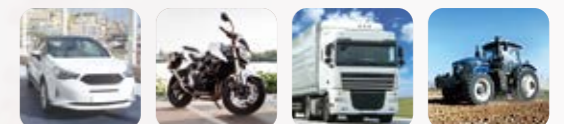
## Chemicals Business

In the Chemicals Business, along with basic chemical products, we handle a vast array of raw materials and ingredients contained in products used in our day-to-day lives, such as pharmaceuticals and capacitors used in electronics and other products, as well as cosmetics and food products. Our global presence also distinguishes us from our competitors with not only the procurement and sales of products in China and Asia, but also exports to and intermediary transactions with countries in Africa and other regions.



## Machinery Business

In the Machinery Business, we handle transportation equipment, such as four-wheel vehicles, two-wheel vehicles, and trucks, along with agricultural machinery, construction machinery, and other equipment. Since 2017, we have been conducting semi-knocked-down production and sales of automobiles in Mexico for Chinese automakers. In these ways, we have capitalized on our global network to promote the growth of the Machinery Business.





## Overview of Chori

# Chori at a Glance

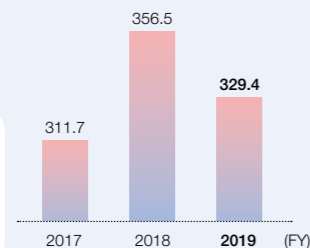
Since its establishment near the end of the Edo Period, Chori has continued to evolve in tune with the times while addressing the needs of society. This section highlights the figures defining the current state of Chori, a company with a long and rich history.

## Fiscal 2019 Business Results (Consolidated)

### Net Sales

¥ **329.4** billion

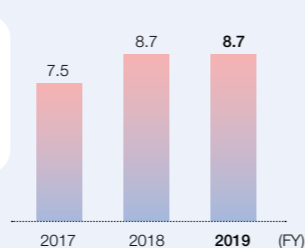
DOWN  
7.6% YoY



### Ordinary Income

¥ **8.7** billion

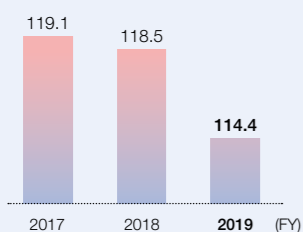
UP  
0.3% YoY



### Total Assets

¥ **114.4** billion

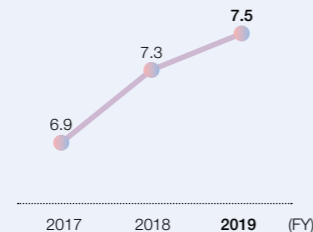
DOWN  
3.5% YoY



### ROA (Ordinary Income Basis)

**7.5%**

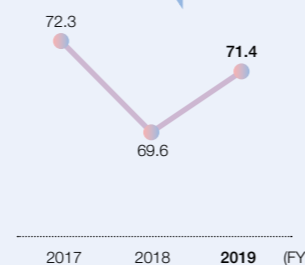
UP  
0.2 point YoY



### Ratio of Net Sales through Trade

**71.4%**

UP  
1.8 point YoY



## Chori's Growth Foundation



### Year of Establishment

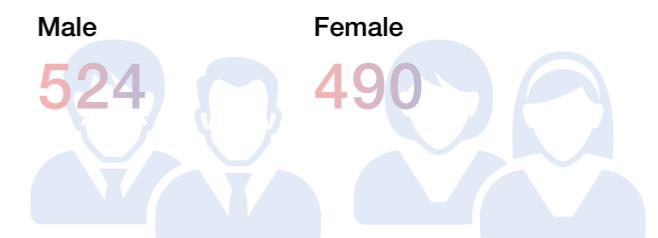
**1861**

Chori was founded as a raw silk wholesaler in 1861. The name "Chori" originates from the combination of the Japanese characters "蝶" (cho), derived from the image of a moth creating raw silk, and "理" (ri), stemming from the first name of Chori's first president, Riichiro Ohashi.

### Number of Employees (Consolidated)

**1,014**

\* As of March 31, 2020



### Certified as Sports Yell Company in Fiscal 2019

In December 2019, Chori was certified as a Sports Yell Company by the Japan Sports Agency. This certification recognizes companies that actively engage in sports activities as a means to promote healthy lifestyles for their employees. Chori provides employees with opportunities to live a healthier life through yoga classes during lunchtime as well as "CHOI-ARUKI," a walking competition in which employees compete within their department.



### 2020 Health and Productivity Management Award (Large Enterprise Category)

In March 2020, Chori was recognized as an outstanding organization under the large enterprise category of the Ministry of Economy, Trade and Industry's 2020 Health and Productivity Management Award. At Chori, we regard the health of our employees as our foremost priority and have established a medical office within our Tokyo and Osaka head offices. In addition, we provide support for dental checkups and quitting smoking.

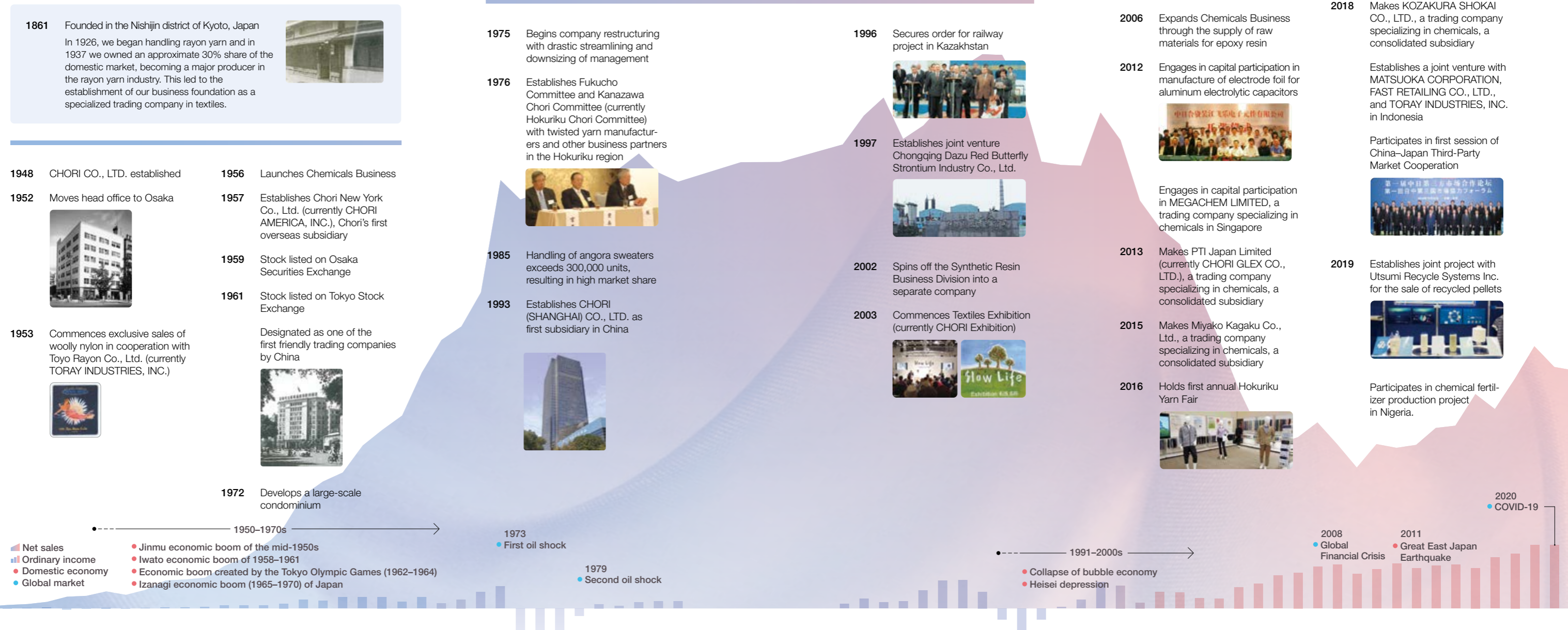




## Overview of Chori

# Chori's History

Chori has been creating value with all of its stakeholders since its establishment in 1861. While our past has seen both growth and setbacks, we will strive to continue to evolve in the years ahead.



## A Period of Growth 1948-1970s

### Handling of Synthetic Resin, Chemical Products, and Various Machineries

In 1956, Chori engaged in the business of chemical products and machineries, and developed the business alongside the Fibers, Textiles, and Garments Business. Meanwhile, in the 1970s, we expanded our business to include lifestyle-related products, such as food, clothing, and housing and leisure, and successfully improved our business results by diversifying our operations.

## A Period of Setbacks 1970s-2000s

### Selection and Concentration of Businesses Due to Significant Losses

In fiscal 1991, Chori recorded its highest net sales ever of ¥755.5 billion while incurring significant losses in the finance and real estate businesses. This prompted a restructuring of our business, which consisted of revising our portfolio of lifestyle-related products and devoting our attention to Chori's core businesses.

## A Period of Breakthrough Results 2000s-2020s

### Four Consecutive Years of Record-High Ordinary Income

In fiscal 2019, Chori's ordinary income totaled ¥8.7 billion, a record high for the fourth year in a row. By framing the drastic changes occurring in our business environment as opportunities for further growth and addressing them in a timely manner, we will continue to evolve as a corporate group in the years to come.

## AFTER COVID-19

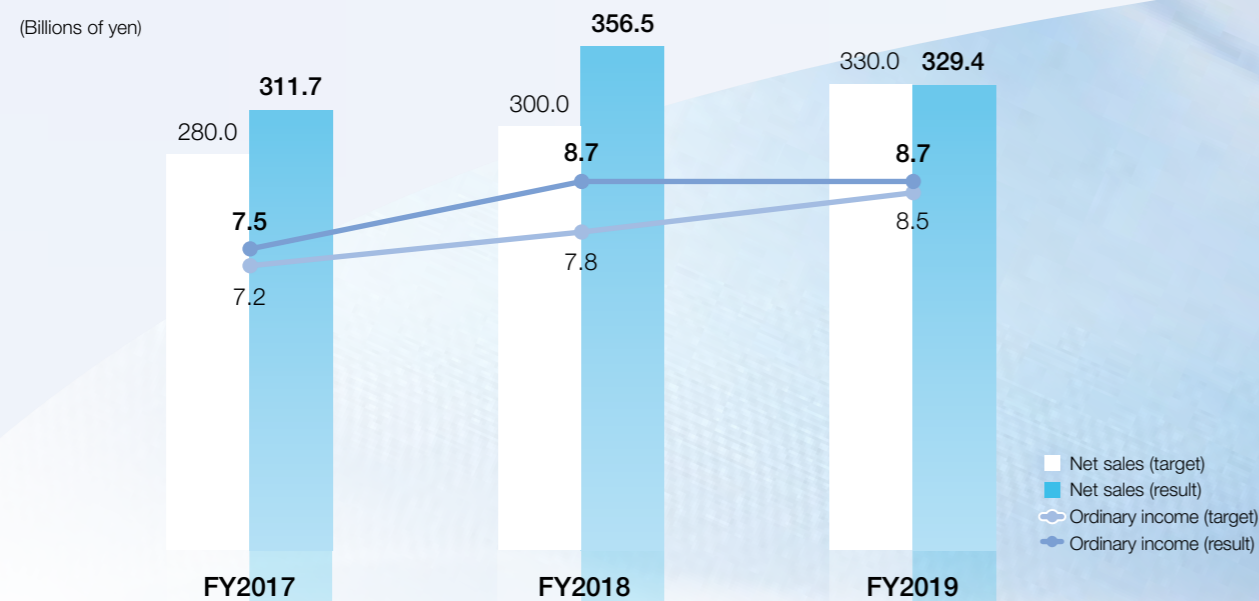
Fortify defensive measures



## Overview of Chori

## Previous Medium-Term Management Plan Review of Chori Innovation Plan 2019

- In fiscal 2018, Chori's ordinary income and net income attributable to owners of the parent were its highest ever, achieving the targets set out in the medium-term management plan one year ahead of schedule. In fiscal 2019, the final year of the plan, we felt the effects of COVID-19 as we were unable to reach our target for net sales. However, we continued to record favorable results for both ordinary income and net income attributable to owners of the parent, for which we again reached our targets and achieved record highs.
- Chori made ASADA U CO., LTD., a sales company of automotive interior and other materials, a consolidated subsidiary and proceeded with the Fibers, Textiles, and Garments Business's strategy of "expanding global development." Meanwhile, in the Chemicals Business, KOZAKURA SHOKAI CO., LTD., a trading company specializing in lubricating oil additives, fuel oil additives, and other chemicals, became a consolidated subsidiary through an M&A.
- Chori engaged in a joint venture for the sale of *ECO BLUE*<sup>TM</sup> polyester pellets, which are generated through the recycling of plastic bottles; participated in a chemical fertilizer production project in Nigeria; and actively carried out investments in other initiatives to further solidify its foundation for sustainable growth.
- Chori complied with its basic policy of ensuring a dividend payout ratio of 25% or more of net income while increasing its dividends for the seventh year in a row.



	FY2017 (Results)	FY2018 (Results)	FY2019 (Results)	FY2019 (Targets)
Net Sales (Billions of Yen)	311.7	356.5	329.4	330.0
Ordinary Income (Billions of Yen)	7.5	8.7	8.7	8.5
Net Income Attributable to Owners of the Parent (Billions of Yen)	4.7	5.6	6.1	5.5
ROA (Ordinary Income Basis)	6.9%	7.3%	7.5%	7.5%
ROE (Net Income Basis)	9.7%	10.7%	11.0%	10% or more

## New Medium-Term Management Plan Chori Innovation Plan 2022 (FY2020–FY2022)

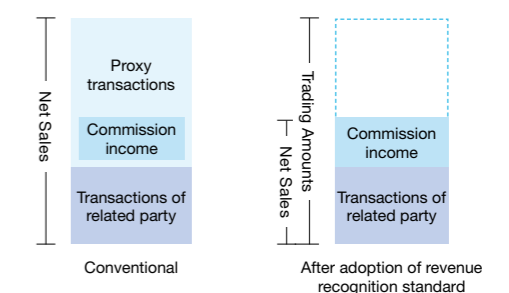
Becoming a corporate group that continues to evolve and change on a global scale, underpinned by our exceptional capabilities and expertise.

Numerical Targets	FY2022
Net Sales*	¥280.0 billion
(Reference: Trading Amounts)	¥350.0 billion
Ordinary Income	¥11.0 billion
Net Income Attributable to Owners of the Parent	¥7.3 billion
ROA (Ordinary Income Basis)	8% or more
ROE (Net Income Basis)	11% or more
Payout Ratio	30% or more

\* In the first quarter of fiscal 2020, Chori implemented the early adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018).

In May 2020, we announced our new medium-term management plan, Chori Innovation Plan 2022, covering the three-year period from fiscal 2020 to fiscal 2022. The global spread of COVID-19, which emerged near the conclusion of fiscal 2019, has had a tremendous impact on our business environment in both Japan and overseas and we have yet to see any signs of its containment. We must respond to this business environment and the rapidly shifting society and economic climate with a sense of urgency. To that end, we will fortify our defensive measures, including risk management, while forging ahead with our basic strategies of "reinforcement of consolidated management structure," "creation of next-generation business models," "corporate governance," "compliance," and "strengthening of human resource development structure." In this way, the Chori Group will become a corporate group that continues to evolve and change on a global scale, underpinned by its exceptional capabilities and expertise, and further enhance its corporate value.

### Accounting Standard for Revenue Recognition



Due to the lack of discretion for pricing, Chori records only the commission received as a proxy for low inventory risk transactions as net sales.



Overview of Chori

## The Basic Strategy of Chori Innovation Plan 2022

Chori will press forward with the following five basic strategies in its bid to become a corporate group that continues to evolve on a global scale, underpinned by its exceptional capabilities and expertise, while addressing the drastically changing social environment.

### Reinforcement of Consolidated Management Structure

As a part of its approach toward consolidated management centered on global business, Chori reorganized its company structure to the most optimal management system. Specifically, we introduced a new business division structure by unifying the Fibers, Textiles, and Garments Business into a single operation and separating management of the Chemicals and Machinery businesses. Moreover, to expand our global business, we will form strategic partnerships with global companies.

In terms of consolidated management, Chori will increase the consolidated-to-nonconsolidated ordinary income ratio from 1.35 times to 1.6 times, enhance the capabilities of core subsidiaries, and promote Group management.

We will also raise the level of our portfolio management by ensuring thorough credit control and strengthening inventory management while optimizing the transparency of costs and cost structures. As for digital management, we will enhance the development of global infrastructure while improving operating efficiency through robotic process automation (RPA).

- Consolidated management centered on global business
- Consolidated management
- Portfolio management
- Digital management

#### Strengthening of Consolidated-to-Nonconsolidated Ordinary Income Ratio

(Billions of Yen)	FY2019 (Results)	FY2022 (Targets)
Consolidated Ordinary Income	8.7	11.0
Nonconsolidated Ordinary Income	6.4	6.8




### Creation of Next-Generation Business Models

We will maintain the Business Investment Committee and proactively invest in growth fields and areas. In particular, we will proceed with the business investments outlined below centered on the themes of the environment, health, sustainability, and cutting-edge technology.

In terms of M&A, we will expand our scope of business and improve our consolidated performance by implementing separate approaches for companies that contribute to consolidated performance and companies that capture business synergies and by creating next-generation business models.

- Investment in and development of new businesses
- M&A

#### Focusing on Investment in Growing Fields and Areas

 <b>Fibers, Textiles, and Garments Business</b>	Environmental and recycling, health, hygiene, and materials fields
 <b>Chemicals Business</b>	Environmental, 5G-related, electronics and battery materials, healthcare, and agricultural fields
 <b>Machinery Business</b>	Global market development

#### Reference: Key M&A and Business Investments Undertaken During Chori Innovation Plan 2019

##### M&A

- ASADA U CO., LTD.
- KOZAKURA SHOKAI CO., LTD.

##### Business Investments

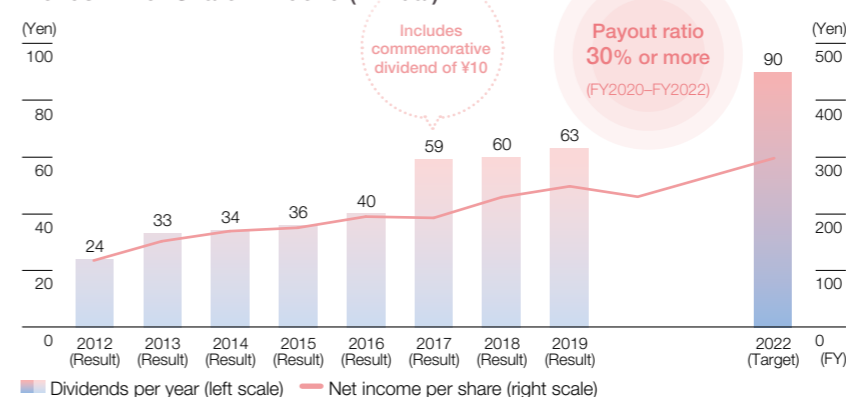
- Invested in PT. MATSUOKA INDUSTRIES INDONESIA
- Increased capital in SUZHOU FEILO ELECTRONIC COMPONENTS CO., LTD.
- Increased capital in QINGDAO RED BUTTERFLY PRECISION MATERIALS CO., LTD.
- Leased machinery for joint project with Utsumi Recycle Systems Inc. for the sale of recycled pellets
- Partially financed capital for construction of chemical fertilizer blending plant in Nigeria

- Fibers, Textiles, and Garments Business
- Chemicals Business

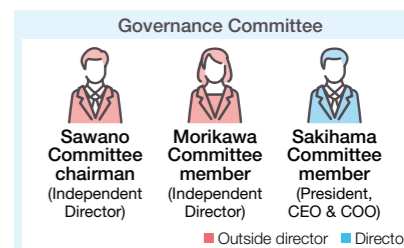
## Corporate Governance

In March 2020, Chori established its Governance Committee, comprising a majority of outside directors, as an advisory body to the Board of Directors. Through the enhancement and strengthening of corporate governance, we will pursue further increases in corporate value and target a dividend payout ratio of 30% or more. At Chori, our basic dividend policy is to provide performance-based dividends in accordance with the standards for net income attributable to owners of the parent from the perspectives of flexibly returning profits to shareholders and ensuring stable operations and finances while securing appropriate funds for investments in growth strategies.

#### Trends in Per-Share Dividend (Annual)



- Establishment of Governance Committee
- Improvement of dividend policy
- Continuation of stock-based compensation and enhancement thereof
- Group governance
- Enhancement of Chori's brand value
- CHORI Innovation Activities (Companywide activities)



- Appointment or dismissal of directors and executive officers
- Successor planning and training
- Compensation of directors and executive officers
- Compensation made individually
- Assessment of transactions and other dealings with the parent company group

## Compliance



Through the reinforcement of corporate ethics, elimination of legal violations, and strengthening of supervisory functions at consolidated subsidiaries, we ensure thorough compliance throughout our operations. As we continue to evolve our business globally, we will adhere to the laws, regulations, and customs of Japan and other countries and instill such awareness in our employees through internal training sessions and legal compliance manuals for the purpose of preventing legal violations.

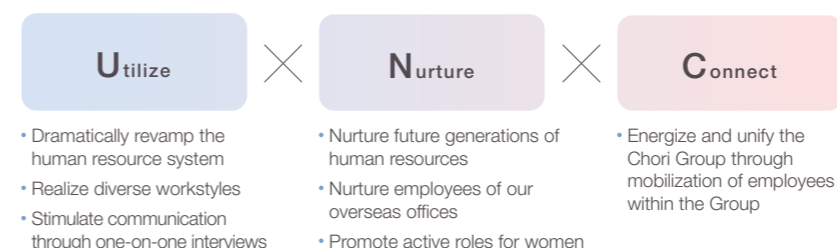
- Reinforcement of corporate ethics
- Elimination of legal violations
- Global risk management
- Strengthening of supervisory functions at consolidated subsidiaries

## Strengthening of Human Resource Development Structure

Guided by its vision for human resources, "Utilize people, and be useful to them. Nurture people, and develop with them. Connect people, and join together with them," Chori regards each and every one of its Group employees as its most valuable management resource and strives to ensure their health and well-being. Further, by promoting the following measures in line with the key principles of "utilize," "nurture," and "connect," we will cultivate our human resources for the next generation.

- Nurture of human resources for next generation
  - Promotion of health and productivity management
- (Please see page 36 for details)

#### Nurture of Human Resources for Next Generation





## Message from the President

With our sights set on the “new normal,” we will strive to remain a corporate group that continues to evolve and change on a global scale.



President, CEO & COO,  
President and Executive Officer

**Kazuo Sakihama**

Firstly, I would like to express my deepest sympathies to those who have been affected by COVID-19 and my prayers go out to each of you for a speedy recovery. I would also like to offer my sincerest condolences to those who fell victim to the series of natural disasters and the torrential rains in July 2020 in Kumamoto and other areas of the Kyushu region, as well as the Chubu region. I wish for the safety of everyone involved and for the earliest recovery of the disaster-stricken areas.

### Review of Chori Innovation Plan 2019

The three years covering our previous medium-term management plan, Chori Innovation Plan 2019, were the most successful three years in Chori's history. Fiscal 2017, the inaugural year of the previous plan, was a year in which we were able to improve our results amid the thriving global economy. Meanwhile, in fiscal 2018, despite suffering the effects of the stagnant global economy that transpired as a result of trade disputes between the U.S. and China, Chori recorded net sales of ¥356.5 billion and ordinary income of ¥8.7 billion, achieving its key numerical targets one year ahead of schedule. As for fiscal 2019, the final year of the plan, the impact of the increased trade disputes between the U.S. and China and the spread of COVID-19 led to lower net sales of ¥329.4 billion. However, ordinary income was ¥8.7 billion, marking the highest results ever for the fourth year in a row.

There is no doubt in my mind that this is the result of all of the hard work and commitment of each and every one of our Group employees to achieve our medium-term targets. It appears that our business foundation has evolved through the strengthening of consolidated management and the expansion of our overseas business toward the “reinforcement of consolidated management structure,” which we set out as one of our basic strategies. As a result, we succeeded in forming an even more robust financial base over this three-year period.

### Establishment of Chori Innovation Plan 2022

In May 2020, Chori formulated its new medium-term management plan, Chori Innovation Plan 2022, covering the three-year period from fiscal 2020 to fiscal 2022. Essentially, the new plan remains on course with our previous plan, but we have established its numerical targets to reflect the impact of COVID-19 and the “new normal,” which is said to arrive upon the containment of the virus. While we had initially projected ordinary income of ¥10.0 billion for fiscal 2020 based on our previous medium-term plan, the spread of COVID-19 during the formulation of Chori Innovation Plan 2022 called for

a revision of our targets to net sales of ¥200.0 billion, a nearly 40% drop over fiscal 2019, and ordinary income of ¥7.0 billion, a roughly 20% decline over the previous fiscal year. Although it is difficult to clearly indicate the numerical impact of COVID-19 on our business as of yet, these figures were determined in line with the anticipated deterioration in performance of our existing businesses based on what we have seen thus far. For fiscal 2022, the final year of Chori Innovation Plan 2022, Chori will target net sales of ¥280.0 billion and ordinary income of ¥11.0 billion.

#### Recording of Provision of Allowance for Doubtful Accounts and Revision of Business Results Forecasts (As of July 27, 2020)

Due to delays in the collection of ¥4.9 billion in accounts receivable at consolidated subsidiary Tohcho Co., Limited from a chemical manufacturing group in China, Chori recorded ¥2.5 billion in provision of allowance for doubtful accounts—equivalent to around 50% of the amount for accounts receivable—as part of selling, general and administrative expenses in the consolidated results for the first quarter of fiscal 2020. As a result, we revised our full-year consolidated business results forecasts for fiscal 2020 to operating income of ¥4.2 billion, ordinary income of ¥4.5 billion, net income attributable to owners of the parent of ¥2.1 billion, and net income per share of ¥85.52.

While we have updated our numerical targets in line with the projected impact of COVID-19, our mission to become “a corporate group that continues to evolve and change on a global scale, underpinned by our exceptional capabilities and expertise,” remains unchanged. We believe trading companies that are able to flexibly adapt to changes in the business environment are also those that can succeed on a global scale even in the midst of COVID-19 or in the “new normal.” This is because despite the trend toward placing priority on one's home country over the rest of the world, resolving issues through the efforts of a single country is nearly impossible and for that reason, our procurement capabilities are highly valuable. With that said, it is essential that we enhance the strengths of our business sites and maintain and upgrade our supply chain. Chori will continue to maintain a positive outlook during the three-year period of the new medium-term management plan and look forward to the arrival of the “new normal” by monitoring its operating



## Overview of Chori

environment and implementing the measures necessary in order to remain a corporate group that continues to evolve.

### Bolster Collective Strengths in Textiles and Separate Chemicals and Machinery Businesses

Under Chori Innovation Plan 2022, Chori will continue to move forward with its basic strategies of “reinforcement of consolidated management structure,” “corporate governance,” and “strengthening of human resource development structure,” which were set forth under the previous medium-term management plan. In particular, under “reinforcement of consolidated management structure,” we unified the Fibers, Textiles, and Garments Business into a single operation to optimize our management system. This has allowed us to expand the business seamlessly without the segmentation of its operation between upstream, midstream, and downstream like it was in the past, as well as to create new value through the ability to share ideas and know-how. Through such means, Chori will draw on its collective strengths to continue to flourish within the globally thriving textile industry.

Furthermore, we enhanced our collective strengths with the start of cross-sectional projects for the Fibers, Textiles, and Garments Business. The number of products handled by the various departments of the Fibers, Textiles, and Garments Business is significant. Therefore, by organizing and sharing these products among the entire business, these projects facilitate the achievement of economies of scale and sales growth. Specifically, the projects have been designed with a focus on “distinctive yarn” to strengthen the development of *TEXBRID™* highly stretchable yarn and other brands, on the “environment” to promote the use of environment-friendly materials such as recycled yarn, on “sewing” to expand the number of sewing factories, on “textiles” to promote textile projects globally in addition to the Hokuriku region, and on “geopolitics” to develop new sales channels by taking geopolitical risks into account. In addition, we

#### Examples of Cross-Sectional Projects for the Fibers, Textiles, and Garments Business

Distinctive Yarn	<ul style="list-style-type: none"> <li>Expand lineup of special and distinctive yarn</li> <li>Strengthen development of brands for distinctive yarn</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Promote use of recycled yarn and other environment-friendly materials</li> </ul>
Sewing	<ul style="list-style-type: none"> <li>Unify and strengthen the Fibers, Textiles, and Garments Business</li> <li>Expand number of sewing factories in Mauritius and other parts of Africa</li> </ul>
Textiles	<ul style="list-style-type: none"> <li>Implement the Global Textile Project in cooperation with textile manufacturers in East Asia</li> </ul>
Geopolitics	<ul style="list-style-type: none"> <li>Build new sales channels while responding to changes in the global climate</li> <li>Plan to reassign certain overseas production to Hokuriku region</li> </ul>
Masks and Nonwoven Fabrics	<ul style="list-style-type: none"> <li>Expand lineup of products utilizing woven textiles</li> <li>Address needs for medical gowns</li> </ul>
Antiviral and Antibacterial Treatment	<ul style="list-style-type: none"> <li>Address needs for antiviral and antibacterial treatment</li> </ul>
Health	<ul style="list-style-type: none"> <li>Address needs for at-home comfort and relaxation</li> </ul>

are currently involved in projects focused on “masks and nonwoven fabrics,” “antiviral and antibacterial treatment,” and “health,” to address the emerging needs stemming from the spread of COVID-19. In these ways, the Fibers, Textiles, and Garments Business will continue to boost its collective strengths by conducting its business from a cross-sectional perspective and addressing the needs for everything from yarn to sewn products.

Further, Chori will forge ahead with the separation of management of the Chemicals and Machinery businesses to generate and expand profits in both businesses. This measure is also aimed at establishing the Machinery Business as an independent operation from the Chemicals and Machinery Business. In 2017, we spun off and established Chori Machinery Co., Ltd. as the Machinery Business and have achieved remarkable results over the three years since. This success is owing to the fact that we are now able to clearly assess the costs directly associated with this business and to develop an organizational structure tailored to the generation of profits. The spin off has also had a positive impact on the Chemicals Business with the ability to accurately assess its globalization efforts. Going forward, we will continue to take steps to separate the management of these businesses with the aim of establishing an optimal management system.

### Realizing Sustainable Growth with Society

Under “Creation of next-generation business models,” one of the basic strategies laid out in the new medium-term management plan, Chori will carry out business investments centered on specific themes and thereby expand its entire operations. Specifically, in the Fibers, Textiles, and Garments Business, we will ramp up our efforts in the environmental and recycling, health, hygiene, and materials fields. Meanwhile, in the Chemicals Business we will center our attention on the environmental and healthcare fields, while in the Machinery Business we will focus on the development of global markets.



Project meetings in session (meeting room divided to maintain social distancing)



These themes were established for each business segment based on the United Nations Sustainable Development Goals (SDGs). As a company that aims to continue to expand worldwide, we understand the importance of fulfilling our social responsibilities whenever possible. Our current initiatives include the Fibers, Textiles, and Garments Business's efforts in *ECO BLUE™*, an environment-friendly material generated from recycled plastic bottles, as well as the Chemicals Business's efforts in the procurement of lithium compounds, a component of energy-efficient lithium-ion batteries, and the chemical fertilizer production project for the development of agriculture in Africa. Over the years, Chori has been involved in such CSR activities as the *Natural Dye* plant coloring event in support of those affected by the Great East Japan Earthquake and the sponsorship of the Japan Dance Convention, a dance contest for high school students. In addition to these ongoing efforts, Chori will continue to remain an important part of society and together realize sustainable growth.



### Chori's Response to COVID-19

With the Japanese government's declaration of the state of emergency in April 2020, Chori introduced measures to

mitigate the risk of its employees contracting COVID-19 and implemented a telecommuting system as a part of its efforts to ensure business continuity. Specifically, we introduced a telecommunications system to facilitate telecommuting for all of our employees with the aim of having as many as 70% of our head office employees work from home. At Chori, we have been promoting workstyle reforms even prior to the spread of COVID-19 through such efforts as encouraging our employees to use paid holidays as well as childcare leave, even to our male employees. We now have a telecommuting system in place as a result of COVID-19. While monitoring the state of the pandemic throughout Japan, we have continued to encourage our employees to work from home even after the state of emergency was lifted. Placing the health of our employees above all else, we will work to develop workstyles that are ideal for the current situation and for the “new normal.”

In terms of social contributions, we have been providing manufacturers with the materials necessary for the production of masks through our lineup of nonwoven fabrics as well as donating protective gear and goggles that were stockpiled during the Great East Japan Earthquake to healthcare facilities. Looking ahead, we will remain devoted to the development of society by continuing to address its needs in a timely manner.

### To All of Our Stakeholders

For Chori, the year 2020 marks the 159th year since its founding. We have been able to carry on our tradition thanks to the dedication and commitment of each and every employee and all of our other stakeholders. While experiencing many ups and downs along the way, we have been able to evolve to what we are today by constantly adapting to the changing times.

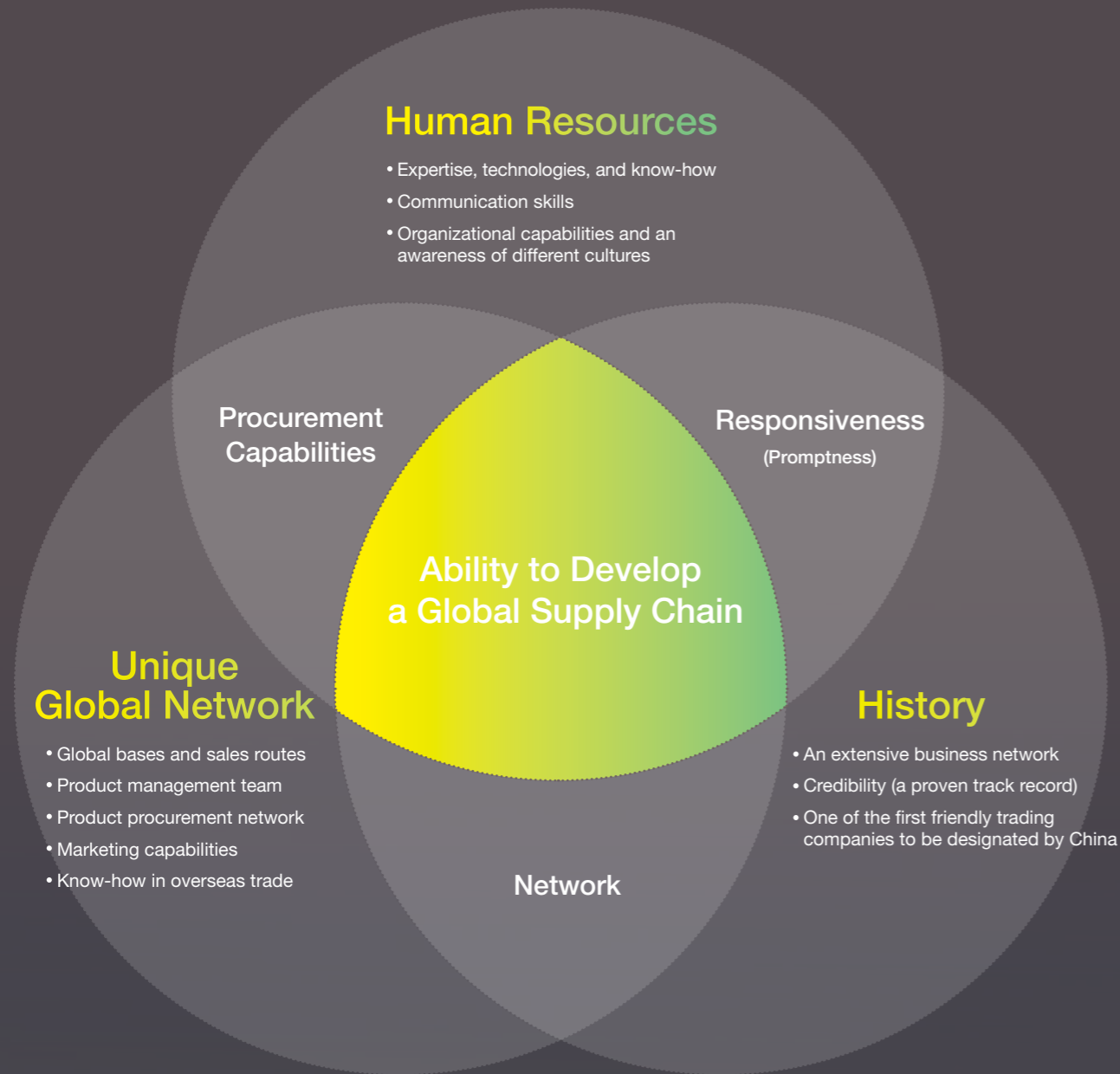
Our world is currently undergoing remarkable changes and experiencing a period of tremendous hardship. However, Chori will overcome these trying times by continuing to evolve and change in the years ahead, underpinned by the long track record it has built over its 159-year history. As we proceed forward and pursue this goal, we ask all of our stakeholders for their continued understanding and support.

Kazuo Sakihama

President, CEO & COO, President and Executive Officer



Feature: Chori's Strengths



# Chori's Strengths

Cultivated since Its Establishment



**Maricunga Salt Flat in Chile**

The Maricunga salt flat is located 3,800 meters above sea level on the eastern side of the Atacama region in northern Chile. The region is known for its low impurity content and high-quality resources.

**▶ Lithium Raw Materials**  
Essentially, lithium can be produced from either brine water or mineral ore. Brine extraction is conducted mainly in South America, and Chile is the world's leading producer of lithium extracted from brine water.

**▶ Lithium Extraction**  
In general, lithium components are extracted from brine water through an evaporation process. The process of evaporating the brine water and extracting the lithium takes anywhere from one to two years. The extraction process also depends on weather conditions and has a significant impact on the environment. For those reasons, Chori has adopted a new extraction process for this project.

<p><b>Errazuriz Group</b></p> <p>Established: 1960s</p> <p>Location: Santiago, Chile</p> <p>Business activities: Mining, fishery, food processing, insurance, automotive, etc.</p>	<p>Partial investment</p>	<p><b>SIMCO SpA (Project Conductor)</b></p> <p>Established: July 2016</p> <p>Location: Santiago, Chile</p> <p>Details: Able to commence commercial production immediately due to its ownership of rights to extract brine water from the Maricunga salt flat.</p>
<p><b>Project Outline</b></p> <p>Total cost: Approx. ¥25.0 billion</p> <p>Produced resource: High-purity lithium compounds</p> <p>Construction area: Area surrounding Maricunga salt flat</p> <p>Start of commercial production: 2022</p> <p>Estimated production volume: Approx. 20,000 MT per year (converted to lithium-carbonate)</p>		

# Lithium Compound Production Project in Chile

In this section, we will discuss the three strengths demonstrated by Chori throughout this project.



**Yasushi Ueda**  
Manager, Inorganic Fine Materials Department  
Chemical & Materials Business Department

**Overview and Background of the Project**

We will likely witness the growth of the lithium-ion battery market on the back of the global spread of electric vehicles (EVs) and their rising demand. In 2017, Chori decided to take part in this project based on the belief that the lithium compounds produced by SIMCO SpA, a subsidiary of the Errazuriz Group, reflect the level of quality necessary for lithium-ion batteries as well as their rising demand. For this project, we adopted a new production process to extract lithium components from brine water in place of the conventional evaporation process.

Chori first engaged in the import of lithium compounds in the 1970s and has been involved in the sale of lithium-ion battery materials to Asian markets in recent years. We will draw on this experience to contribute to the success of this project and fulfill our role of expanding sales of lithium-ion battery materials in Asia.





Inspection at Maricunga salt flat



## The History behind Chori's Lithium Business and Its Road to This Project

While lithium compounds have become a topic of attention in recent years, owing in part to the awarding of the Nobel Prize for the development of lithium-ion batteries, Chori has been involved in this field for many years. Our journey began

in the 1970s with the import of lithium compounds from the United States, which was followed by imports from South America into the 1990s. At the time, lithium compounds were limited to their use in lubricants and heat-resistant glass and the market was so small that I, who had just joined the Company, was put in charge of their business right away. However, the development of lithium-ion batteries revolutionized the industry and their potential spurred an upsurge in the production of lithium compounds across the globe. In addition to lithium compounds, in the 2000s Chori engaged in the business of nickel, cobalt, and manganese, all raw materials used in lithium-ion batteries.



## Selection of Chori for the Project and Utilization of Its Strengths

Chori was selected to unite with the Errazuriz Group on this project for two main reasons. One reason is the fact that Chori is a “supermarket of raw materials,” or in other words, it handles a range of raw materials for lithium-ion batteries.

Chori's extensive track record in the sale of lithium and related materials, such as nickel, cobalt, and manganese, has afforded the Company a wealth of knowledge in production technologies and markets. In addition to raw materials, we engage in the handling of cathode materials, anode materials, and other related materials, which allows us to provide the full lineup of ingredients for batteries. In reality, the number of trading companies that mirror our business is limited, as most companies focus on a particular type of material. Accordingly, Chori's track record in the business of lithium and the network of

information that has been cultivated through this business were looked upon to guide this project forward.

The other reason for Chori's selection was that it had a clear exit strategy in place. The production of lithium compounds without the existence of a proper sales and exit strategy would not appeal to any supplier. For that reason, rather than focusing our attention on investments, we suggested the type of needs that are apparent among customers worldwide and established a framework to promptly address such needs. The ability to develop such an exit strategy, to sell commodities, represents one of Chori's strengths. We excel at leveraging our extensive information network to identify needs and at producing and selling commodities that reflect those needs. Chori's ability to sell such commodities was a critical factor in being selected for the project.

However, as demand for lithium-ion batteries continued to grow, we started to see shortages in the supply of lithium compounds. This was when we came across the opportunity to engage in this lithium compound production project with the Errazuriz Group in Chile, with which we have worked together with for over 20 years in the vehicles business. Engaged in a variety of fields including construction materials and food products, the Errazuriz Group boasts an extensive business network consisting of a range of trading companies in Japan. And for this project, they were in search of a company that would team up toward the discovery of a new lithium compound production process.

In general, the compounds are extracted from brine water through a process of evaporation. This process involves drawing brine water from wells to the surface to create large pools and waiting for it to evaporate. It takes roughly two years to produce the compounds and the costs involved are extreme. With this in mind, as well the significant environmental impact associated with the evaporation process, the Errazuriz Group was in pursuit of an alternative method for the production of lithium.

### Chori's Lineup of Lithium-Ion Battery Materials

#### Cathode Materials

- Manganese compounds/manganese metal
- Lithium compounds
- Nickel compounds/briquette
- Cathode materials (nickel-lithium oxide, lithium-manganese oxide)
- Conductive auxiliary agent

#### Anode Materials

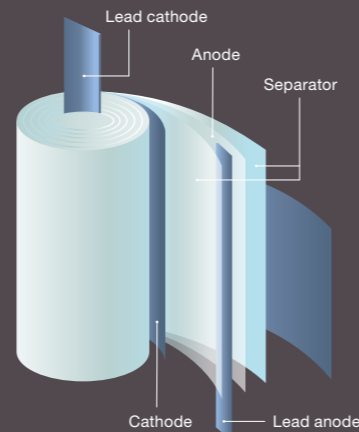
- Silicon anode materials
- Carbon anode materials
- Conductive auxiliary agent

#### Separator Materials

- Separator coatings

#### Electrolyte Materials

- Lithium compounds
- Fluorine materials



Extraction of lithium components from the groundwater beneath the massive salt flat



## Strengths and Distinctive Qualities of the New Lithium Production Process

In our new production process, lithium compounds are produced by extracting only the lithium components from the brine water. The conventional evaporation process entailed the evaporation of groundwater, which reduced the water volume of salt flats and involved the risk of people residing at the foot of mountains not being able to draw water from wells, in addition to the loss of marine habitats. On the other hand, the new process is extremely friendly to the

environment as it involves returning the drawn water to the salt flat, thereby maintaining its water volume. In addition, the new liquid compound production process has enabled us to drastically reduce production time in comparison with the evaporation process, and because it does not hinge on weather conditions, the new process allows us to adjust the production volume according to market conditions.

Another distinctive quality of the new process is its low production costs, which we were able to achieve through our global pursuit of manufacturers with cutting-edge technologies. We took advantage of the product quality assessment and analysis capabilities of CHORI Analysis & Technology Service (Suzhou) CO., LTD. by visiting manufacturers together with a production advisor from this Group company in order to pursue the highest-quality products at the lowest costs possible. As a result, we were able to reduce our costs by a significantly greater amount than what we had initially anticipated.



## Pursuit of Further Business Growth

While we have succeeded in lowering environmental impact, improving the efficiency of production management, and reducing costs through the introduction of our new production process, the lithium compound market continues to be dominated by three global manufacturers. Just as it would be difficult to convince someone who has been consuming the same product to switch to something completely different, going head to head with the world's three leading manufacturers is certainly not an easy task. With that said, rather than competing against the industry's major players for the production of lithium compounds, Chori will step up its approach of appealing to customers that embrace the distinctive qualities of its raw materials and gear its sales

efforts to that target market. By harnessing our strengths in the form of low environmental impact and more-efficient production management, we will differentiate ourselves from the three global manufacturers and overcome this massive obstacle.

Despite the unfavorable market environment stemming from the spread of COVID-19, the project is moving steadily toward its next stage. In addition to the new lithium compound production process, we are gearing up to launch a project that places even greater emphasis on the environment. With that said, we hope you look forward to Chori's continuous pursuit of becoming a company that fulfills its responsibilities to both local communities and the environment.

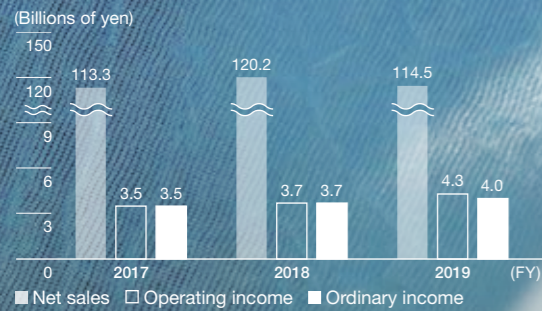




## Overview and Strategies by Business Segment

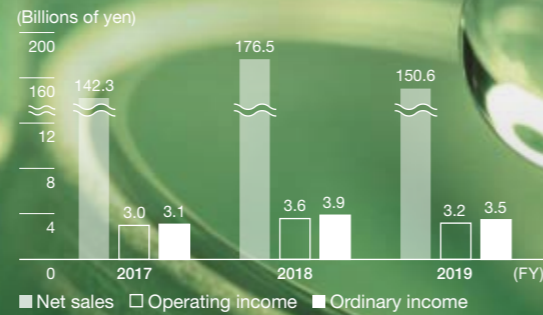
# Fibers, Textiles, and Garments Business

Due to the lack of recovery in domestic consumer sentiment and the unfavorable state of the Japanese market, net sales in fiscal 2019 came to ¥114.5 billion, a 4.8% decline over the previous fiscal year. However, on the back of brisk results in the overseas base materials sector and higher profitability in the domestic apparel sector, operating income climbed 16.1%, to ¥4.3 billion, while ordinary income rose 8.6%, to ¥4.0 billion.



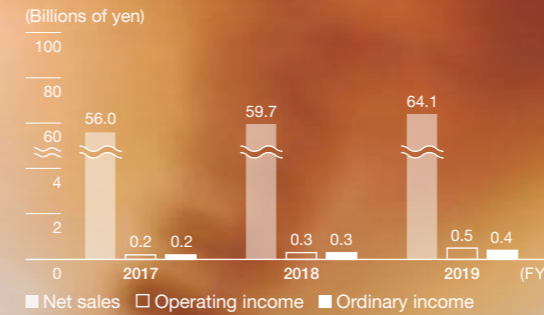
# Chemicals Business

As a result of sluggish market conditions for bulk products in the organic chemicals sector, net sales dropped 14.7% year on year, to ¥150.6 billion, operating income fell 12.9%, to ¥3.2 billion, and ordinary income declined 9.6%, to ¥3.5 billion.

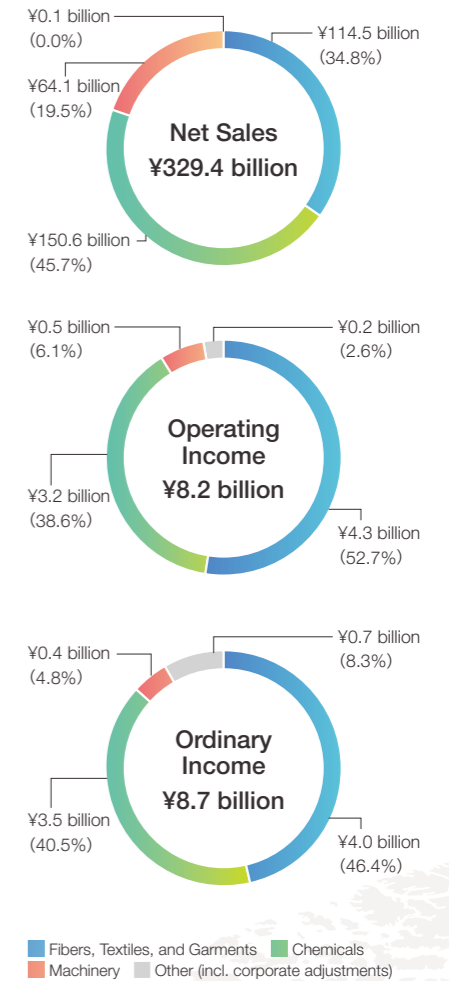


# Machinery Business

Due to the steady performance of the vehicles business and its transactions with Central and South America as well as its entry into the European and African markets, net sales grew 7.4% from the previous fiscal year, to ¥64.1 billion, operating income surged 44.4%, to ¥0.5 billion, and ordinary income soared 28.9%, to ¥0.4 billion.

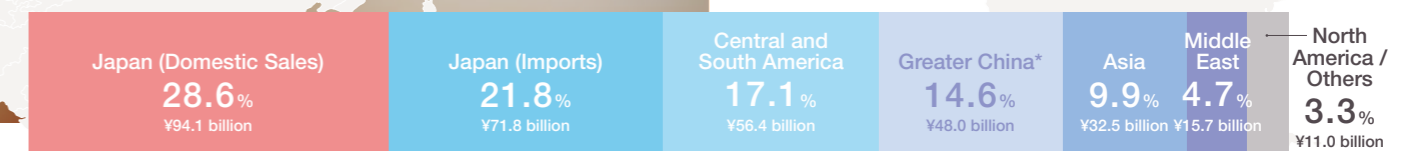


## Fiscal 2019 Business Results by Segment



# Overview

## Ratio of Net Sales in Fiscal 2019 by Region



### Group Structure

Business Segment	Number of Companies	Major Subsidiaries	Main Business
Fibers, Textiles, and Garments Business	10 companies	ASADA U CO., LTD. CHORI MODA CO., LTD.	Sales of automotive interior and packaging materials Planning of fashion apparel
Chemicals Business and Machinery Business	10 companies	Chori Machinery Co., Ltd. Miyako Kagaku Co., Ltd. CHORI GLEX CO., LTD.	Sales of transportation equipment and other products Sales of chemical products, industrial materials, pharmaceuticals, and food-related ingredients Import sales of chemical products, construction materials, and industrial products
Other	2 companies	Business Anchor Corporation	Outsourcing of administrative work
Overseas subsidiaries	19 companies	CHORI (CHINA) CO., LTD. CHORI AMERICA, INC.	Import and export sales, overseas transactions, and domestic sales of various products in China Import and export sales, overseas transactions, and domestic sales of various products in the U.S.

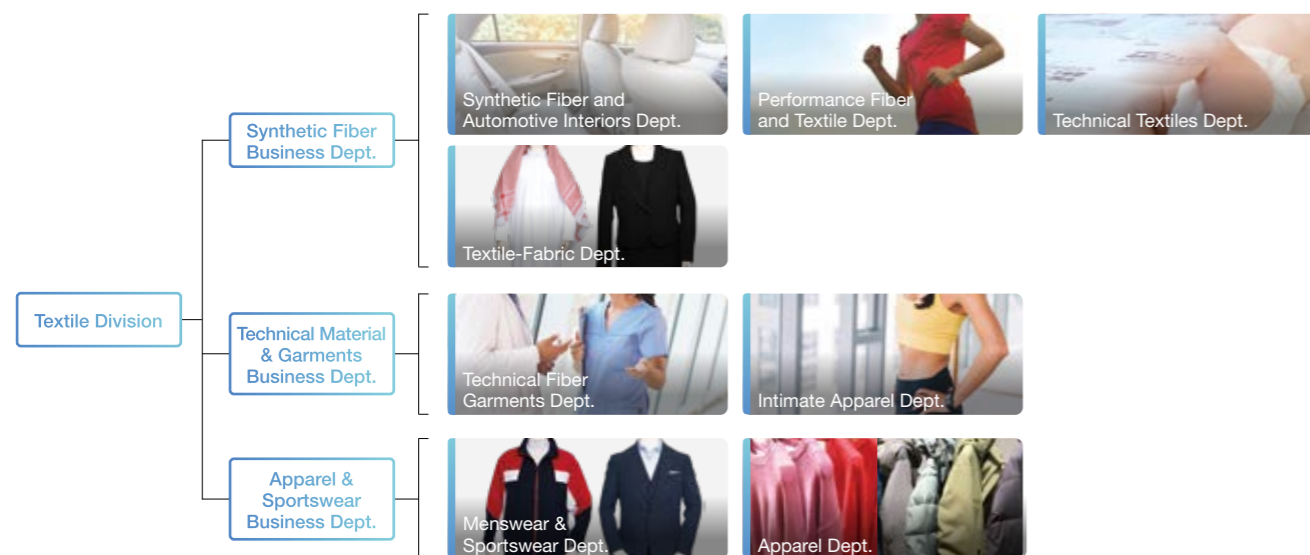
Note: In general, overseas subsidiaries are classified into multiple business segments.

Domestic sales declined from the previous fiscal year in the face of sluggish market conditions in the organic chemicals sector of the Chemicals Business and a slowdown in domestic consumption attributable to the spread of COVID-19. By contrast, sales overseas were brisk owing to steady transactions of the vehicles business in the Middle East with Central and South America as well as entry into the European and African markets.



Overview and Strategies by Business Segment

# Fibers, Textiles, and Garments Business



By merging the three divisions of the Fibers, Textiles, and Garments Business to form a single division, Chori established its new Textile Division. Doing so has eliminated divisional boundaries and united the divisions to operate as a single entity.

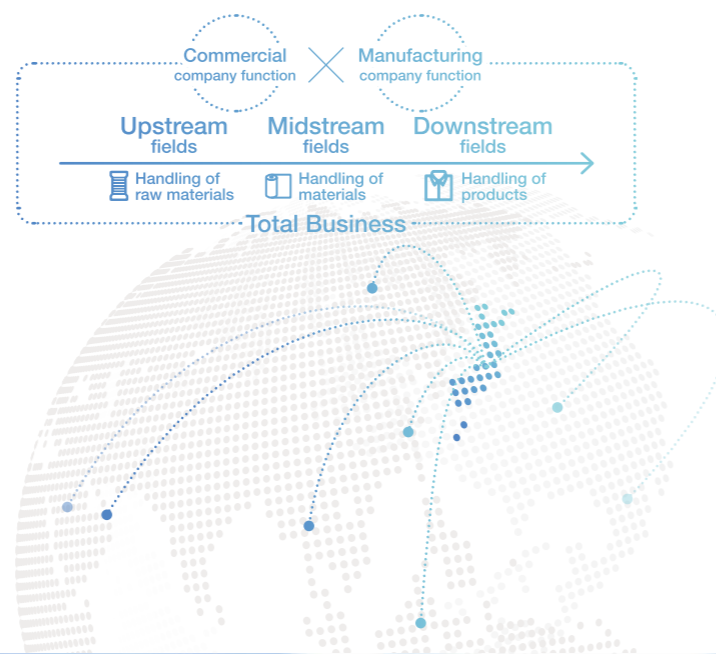
Through the ability to seamlessly conduct operations as a result of the restructuring, the Fibers, Textiles, and Garments Business has launched cross-divisional projects, shared ideas and know-how, and engaged in joint efforts with manufacturers as well as with partners in industry and academia. The restructuring has also facilitated the development of unique materials with water-repellent, odor-eliminating, and antibacterial features, in addition to proposals of optimal solutions at each stage of the material production process.

## Strengths of the Fibers, Textiles, and Garments Business

### A Global Supply Chain Combining Commercial and Manufacturing Capabilities

The Fibers, Textiles, and Garments Business has been the cornerstone of Chori's business throughout the nearly 160 years since its establishment. We have been building trust alongside our track record by leveraging our sound expertise and extensive insight. Today, on the strength of its global network, the business engages in every stage of the textile manufacturing process, from the handling of raw materials (upstream) to the management of textiles and other materials (midstream) and the manufacture and distribution of finished products (downstream).

Another strength of the business is its "commercial" capabilities, which include the marketing of products and procurement of raw materials, and its "manufacturing" capabilities, which cover the production, manufacture, and quality control of textiles. By merging these capabilities, Chori will continue to evolve the Fibers, Textiles, and Garments Business into a high-value-added business.



## Medium-Term Management Strategy:

GLOBAL ONE STOP Operation By CHORI

### ① Bolster collective strength in the business

In a bid to further solidify the integrated management of the Fibers, Textiles, and Garments Business, Chori reorganized its three-division structure into a single-division structure, realizing an optimal management system. In so doing, we will bolster the collective strengths of the business, which integrate the entire textile manufacturing process, from upstream to downstream, on a global basis.

### ② Enhance global supply chain management

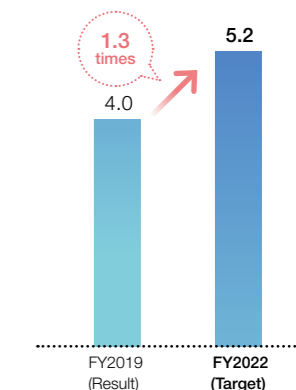
By forming strategic partnerships with competitive manufacturers across the globe, Chori will improve the sophistication of its manufacturing, procurement, processing, and sewing platforms and build a unique supply chain. We will also execute an exit strategy for global SPA apparel and sporting goods manufacturers and enhance our six-region global framework.

### ③ Strengthen global proposals and marketing capabilities for Chori's original products

Chori will step up its proposals of product lineups based on the themes of the environment and recycling. We will also distinguish our products from those of our competitors through branding of functional products.

## Ordinary Income Target

(Billions of yen)



## Initiative to Realize Medium-Term Management Plan

### Joint Project with Utsumi Recycle Systems Inc.

Chori has continued to promote business investments in growth fields since its previous medium-term management plan. Recognizing the potential of and growing demand for recycled materials, in September 2019 Chori decided to engage in a joint project with Utsumi Recycle Systems Inc.

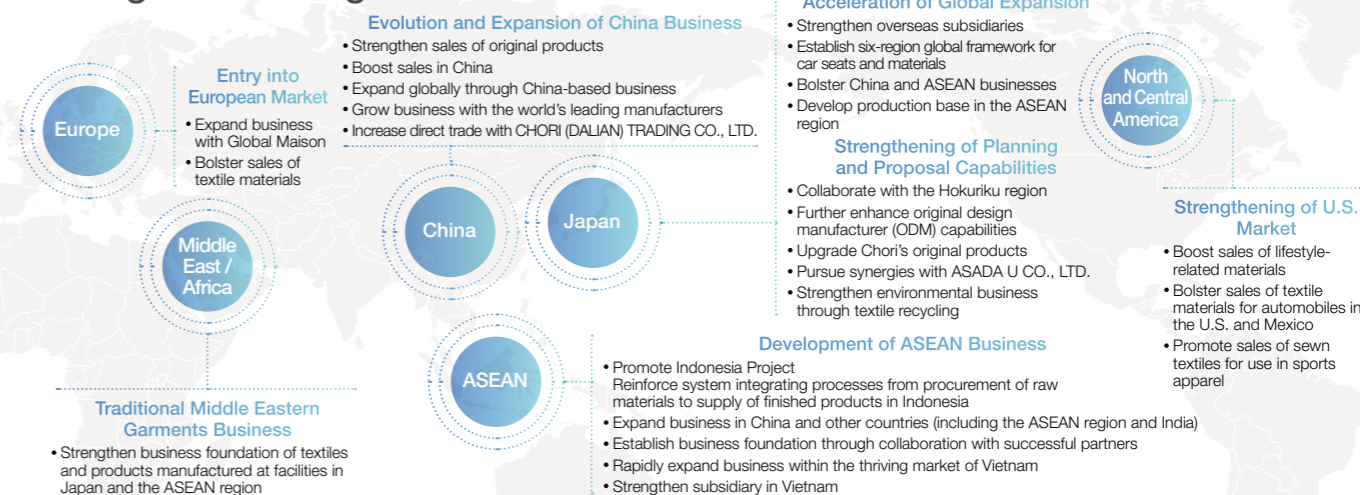
For this business project, we have provided a recycled pellet extruder to Utsumi Recycle Systems—which collects, cleans, and pulverizes used plastic bottles and produces pellets out of them—and have jointly engaged in sales of recycled pellets. Approximately ¥900 million will be invested toward the establishment of this machinery, which will generate roughly 15,000 tons of recycled pellets per year.

Moreover, we have implemented traceability for its manufacturing process, spanning the procurement of raw materials to the manufacture of the finished product. In the future, we will look to acquire identification information to verify the use of Chori's pellets in apparel products in an effort to build a production system that caters to high levels of safety and quality.



Please refer to page 30 for more information on our environment-related products.

## Regional Strategies





Overview and Strategies by Business Segment

# Chemicals Business



By separating management of the Machinery Business from the previous Chemicals & Life Science, Machinery, Electronics Operations, Chori established its new Chemicals Division. Also, with the aim of realizing strategic and functional business management, the Chemicals Division consists of multiple departments in the same manner as the Fibers, Textiles, and Garments Business.

This restructuring will facilitate the exchange of personnel and information among divisions, departments, and subsidiaries, while enabling Chori to promptly respond to the needs of communities worldwide with the potential for economic growth.

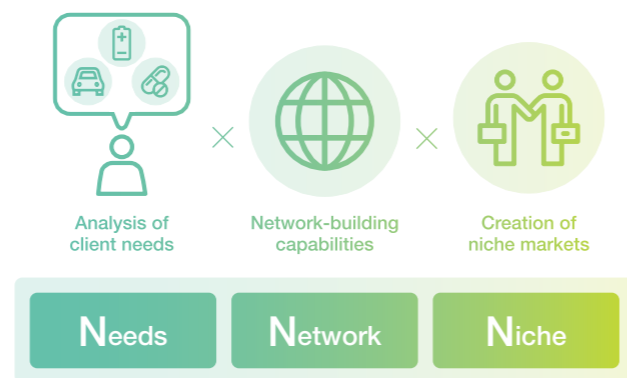
## Strengths of the Chemicals Business

### Global Pursuit of the Three "N"s

Chori is developing its business activities in accordance with its three "N"s: Needs (analyzing client needs), Network (building a network with domestic and overseas manufacturers), and Niche (creating niche markets). Recognizing the potential of petrochemicals, Chori began handling chemical products in 1956 and has since built a track record spanning over 60 years in the Chemicals Business. Over the course of this time, we have built a robust global network and centered our efforts not only on procurement and sales within China, but also on exports to and intermediary transactions with countries in the Middle East and Africa.

We have set ourselves apart from the competition and enhanced our market presence by addressing the needs of our clients for niche products while taking advantage of our global network. Looking ahead, we will step up our approach in new fields where we foresee further needs, such as pharmaceutical

products and agrochemical intermediates, food ingredients, raw materials for cosmetics, electronics and battery materials, and biodegradable plastics and other environment-related materials.



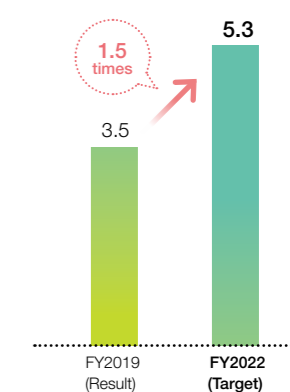
## Medium-Term Management Strategy:

Accelerate the Transformation to a Business Model Based on Business Investments

- Enhance business investments and promote development of new businesses**  
Chori will concentrate its management resources in fields with growth potential, such as environmental, 5G-related, electronics and battery materials, healthcare, and agriculture. We will also expedite the creation of new products and bolster our development capabilities.
- Accelerate global expansion**  
Chori will continue to strengthen and expand its China-based business and fast-track its establishment of businesses within the ASEAN region. We will also move ahead with the development of large-scale projects in South America and Africa.
- Transfer business headquarters to optimal location**  
Chori will promote the expansion of business operations at overseas subsidiaries and optimally deploy human resources with a wealth of experience.
- Strengthen subsidiaries centered on Miyako Kagaku Co., Ltd.**  
Chori will pursue business synergies through the exchange of personnel with Miyako Kagaku Co., Ltd. and other subsidiaries. We will also look to expand our lineup of new products.
- Expand business domain through M&A**  
Chori will invest in fields with growth potential and expand its business domain.

## Ordinary Income Target

(Billions of yen)



## Initiative to Realize Medium-Term Management Plan

### Expansion of Business of Miyako Kagaku Co., Ltd.

While "fortifying defensive measures," as laid out in the new medium-term management plan, Miyako Kagaku Co., Ltd. will strive to expand its business in order to realize medium- to long-term growth. Miyako Kagaku, which became a Group subsidiary in 2015 through an M&A, is a trading company that handles chemical products, industrial materials, and pharmaceutical and food-related ingredients. The company was founded in 1921 and has since developed solid relationships with business partners mainly in Japan. Miyako Kagaku will work to contribute to higher profits as a member of the Group through the continued growth of its business by drawing on Chori's extensive global network.

In an effort to realize the new medium-term management plan, the company will adopt a more environmentally responsive approach aimed at achieving a decarbonized society, such as by reducing sludge at plants through the use of biodisinfectants in the chemical products field and rolling out biodegradable resin to the agricultural industry and other primary sectors in the industrial materials field. Moreover, in the pharmaceutical and food ingredients fields, the company will address the needs of the flourishing healthcare market by building a platform for the supply of amino acids, which it specializes in, and by incorporating functional lactic acid materials. In order to transform into such a next-generation business, Miyako Kagaku will leverage the Group's global network in its product procurement.



Use of biodegradable resin for the cultivation of seedlings

## Regional Strategies





Overview and Strategies by Business Segment

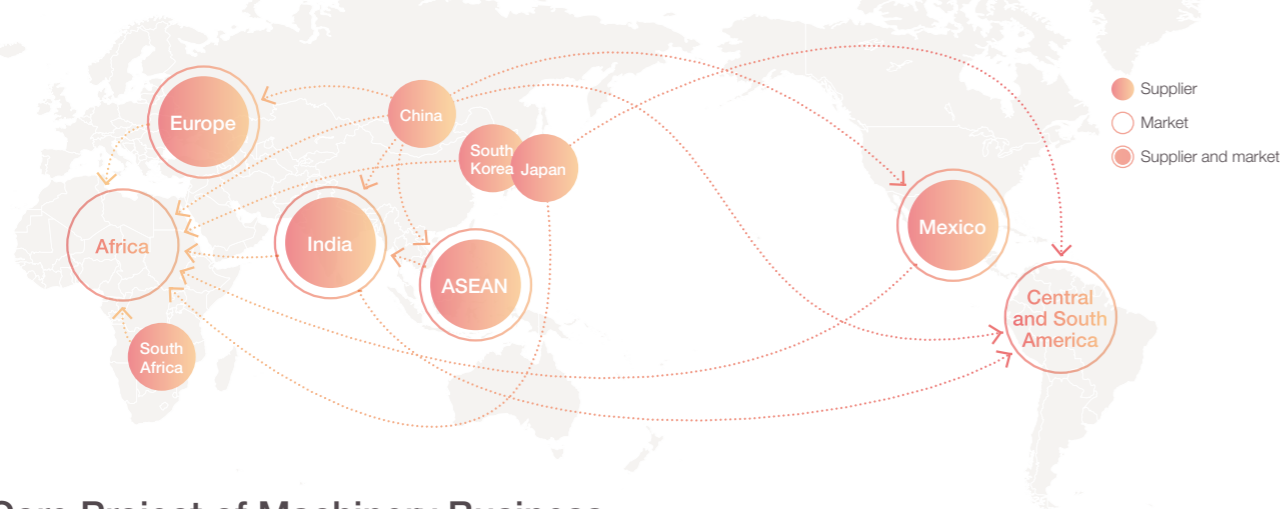
# Machinery Business

Operating Company		
Chori Machinery Co., Ltd.	Wholly owned consolidated domestic subsidiary	Four-wheel vehicles, two-wheel vehicles, and trucks; agricultural machinery; industrial equipment; construction materials; construction machinery; and marine equipment

With the aim of providing greater flexibility, in April 2017 Chori spun off Chori Machinery Co., Ltd., which supplies automobiles, machinery, and related materials to Central and South America.

Leveraging the Group's unique global network, which has expanded over the years, Chori Machinery commercializes products acquired from China, India, South Africa, and Mexico in markets such as Europe, the ASEAN region, and North, Central, and South America. Most notably, the company engages in a project in which the automobiles of Chinese automakers are assembled through semi-knocked-down production and sold in Mexico.

Recently, the company has been growing its business in the new markets of Africa and Southeast Asia. By drawing on its long-cultivated know-how and unique trade routes, Chori Machinery will continue to expand its business in the years ahead.

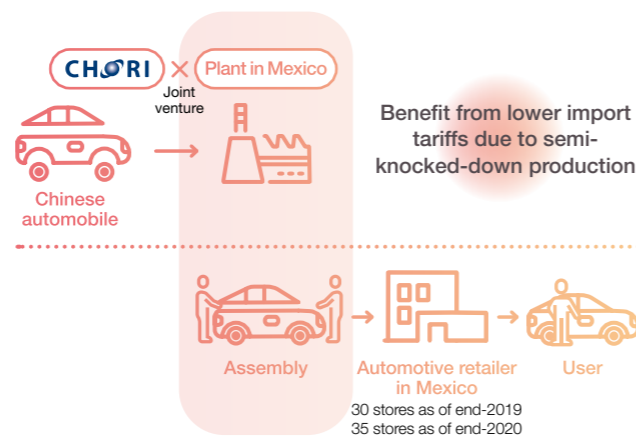


## Core Project of Machinery Business

### Semi-Knocked-Down Production in Mexico

In semi-knocked-down production, automobile parts are transported to another country, where the parts are assembled and the automobile is completed. It differs from knocked-down production in that the engine, suspension, and other main components have already been assembled by the time they are transported overseas. Accordingly, semi-knocked-down production offers the benefit of lower import tariffs.

In 2014, Mexico's annual automobile production volume surpassed that of Brazil, becoming the seventh highest in the world, and in 2018 it reached the 4.1 million-unit mark. Moving forward, Chori Machinery will continue to seek greater business opportunities within Mexico's prominent automotive industry.



## Medium-Term Management Strategy:

Develop the Global Market by Leveraging the Vehicles Business Platform

### ① Develop markets of four regions + India

Chori Machinery will strengthen its presence in the four regions of Mexico and Central and South America, the Middle East and Africa, Southeast Asia, and Europe, while expanding the Indian market.

### ② Expand product lineups through vehicles business and convert to revenue model

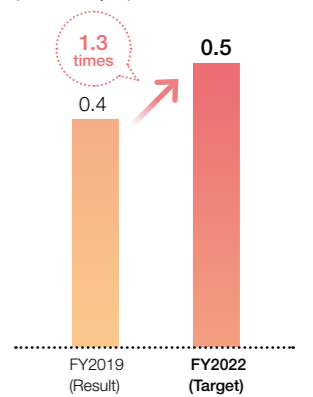
Chori Machinery will expand its business and revenue by extending beyond the scope of its vehicles business to the supply of such products as construction materials and food products of conglomerate companies, with which it has established business ties.

### ③ Promote strategic alliances with global corporations in each region

On the back of solid business relationships established through core products, Chori Machinery will pursue the growth of its business and revenue by swiftly adapting to the changing market conditions of each region and tapping into new businesses in areas with the potential for economic growth.

## Ordinary Income Target

(Billions of yen)



## Initiative to Realize Medium-Term Management Plan

### Establishment of the Economic Community of West African States (ECOWAS) as a Priority Area

In 2017, Chori Machinery began working with a company equipped with an automobile production system that handles food products, automobiles, chemical fertilizers, and other consumer goods. Through this joint venture, we will assemble Japanese, Korean, Chinese, and Indian automobiles through semi-knocked-down and knocked-down production in Nigeria. In addition, we will enhance our portfolio of construction materials and food products for the Nigerian market and pursue multiple projects in ECOWAS.

In 2020, Chori Machinery embarked on the business of three-wheeled vehicles. We have partnered with a company that handles such automobiles to export parts from India to Nigeria, where the automobiles are assembled in knocked-down production and then sold. Going forward, Chori Machinery will look to expand its business in the ECOWAS region as a priority area.



### ECOWAS

The Economic Community of West African States (ECOWAS) was founded in 1975 as a subregional group that promotes the economic integration of the countries constituting West Africa. ECOWAS currently consists of 15 nations in West Africa, including Nigeria, which accounts for a significant portion of the group's overall GDP.



Management Foundation Tailored to Sustainable Growth

# Chori's Sustainability Initiatives



## Environment

We understand the importance of respecting the environment when conducting our business activities and that it is our responsibility to address environmental issues in a proactive manner.

### Basic Principle

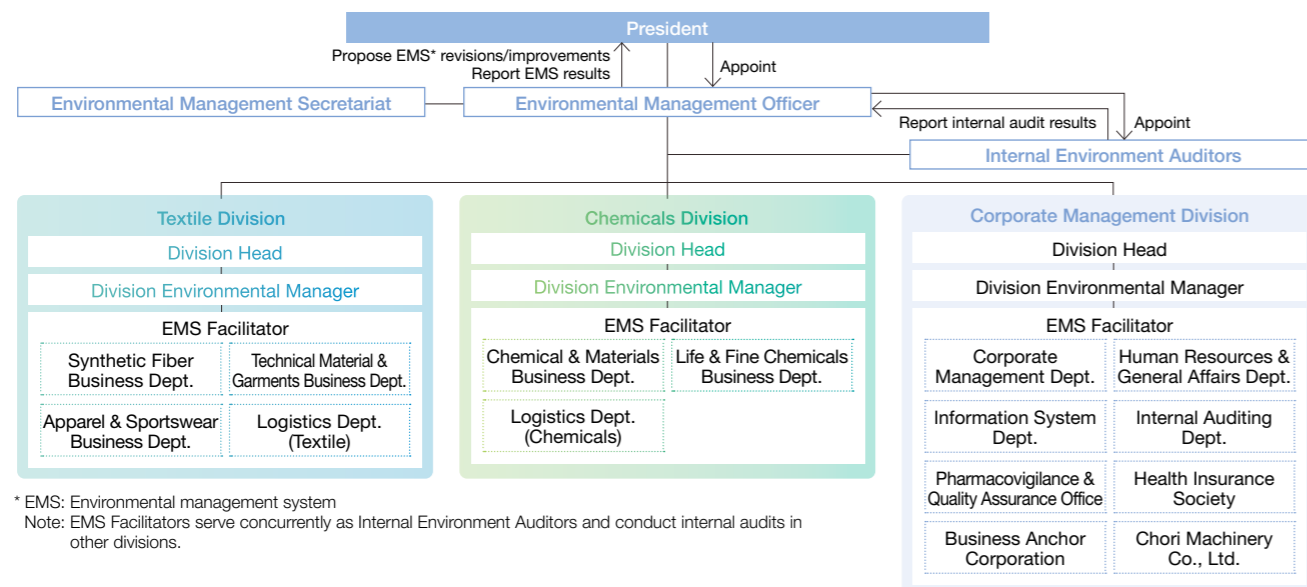
With a view to generating substantive value and helping to realize a more enriched society, Chori strives to provide accurate information and exceptional products tailored to the needs of its customers. As the environment continues to garner global attention, we believe the role we play in contributing to environmental conservation is essential to establishing a solid management foundation.

#### Basic Policies

1. Consideration for the global environment
2. Compliance with environmental laws and regulations
3. Establishment and continuous improvement of environmental management system

### Environmental Management Structure (As of June 16, 2020)

We have established the following structure in pursuit of our environmental initiatives.



### Environment-Friendly Business Activities

Since its acquisition of the ISO 14001 international standard for environmental management systems in 2000, Chori has continued to conduct and engage in environmental conservation activities. We adopted the 2015 standard in December 2017, acquired ISO 14001 certification for our Hokuriku Branch and Okayama Liaison Office in December 2019, and continue to engage in Groupwide efforts with Chori Machinery Co., Ltd., Business Anchor Corporation, and other subsidiaries in our aim to help preserve the environment.



### CHOI-Katsu Initiatives

We instill the importance of respecting the environment when conducting our business activities in our employees through the combination of ISO 14001 and Chori Innovation Activities ("CHOI-Katsu"), Chori's original Companywide initiative. Through the selection of themes for CHOI-Katsu 2019 (as shown in the diagram on the right), we engage in various initiatives such as the advancement of digitalization to reduce overtime work, which will lead to lower energy use.

In fiscal 2020, we began utilizing digital tablets in place of documents at executive meetings to reduce the use of paper. Such digitalization efforts have led to reductions in environmental burden and improved work efficiency.



### Chori's Environment-Friendly Products

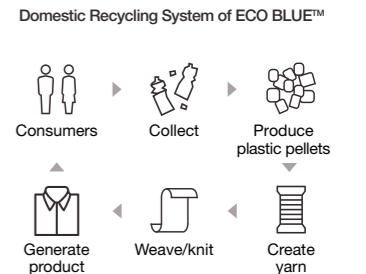
At Chori, we handle a wide range of environment-friendly products. Twice a year, we hold the CHORI Exhibition to showcase our diverse line of products, including our originally developed materials and environment-friendly materials that are paired with various other materials. While the number of products on display was significantly low compared with previous years due to the impact of COVID-19, we held our 2021 spring/summer product expo in June 2020, where we featured such products as *MILLENNIUM ORGANIC™* and *ISRAEL GIZA COTTON*.

#### ECO BLUE™

To help resolve the issue of plastic pollution, which has been gaining greater attention in recent years, and realizing the importance of plastic bottles, Chori has been expanding its lineup of recycled materials derived from these resources. While *ECO BLUE™* recycled polyester has been a part of our product lineup for some time, in 2019 we established traceability for this brand, which will be essential to ensuring the stable supply and managing the quality of these ultra-white, high-quality pellets. *ECO BLUE™* is also certified with the Global Recycled Standard as it generates less carbon dioxide during production compared with virgin polyester.



Plastic bottles are recycled into new, completely different products



#### Natural Dye

Conventional plant dyes are said to be sensitive to sweat and lighting, and to easily fade when washed. *Natural Dye*, on the other hand, is a dyeing method that utilizes natural coloring derived from plants, vegetables, and coffee, and offers improved results. Currently, it can create roughly 3,000 types of coloring and can be used on synthetic fiber. Also, due to its extremely low amount of residue dye remaining in wastewater, *Natural Dye* helps prevent water and soil contamination. In addition to Japan, this environment-friendly natural dyeing technology is sold in Europe and other environment-friendly countries.



### New Products

#### MILLENNIUM ORGANIC™

*MILLENNIUM ORGANIC™* is a rare, long-fiber cotton cultivated in the Fergana Valley located 600 meters above sea level in Uzbekistan. Developed in climates known for extreme temperature variations and snowmelt in mountainous regions, *MILLENNIUM ORGANIC™* is a 100% organic, non-genetically modified cotton derived from ultra-white raw cotton.

While Europe and certain countries in Asia have strengthened regulations on harmful substances in recent years, *MILLENNIUM ORGANIC™* has received the OEKO-TEX® STANDARD 100 Class 1 certification, the world's highest safety standard for textile products, and is a highly trusted product for babies and toddlers.



#### ISRAEL GIZA COTTON

While it is said that the longer the fiber, the more premium the cotton, Giza cotton is a high-quality ultra-long cotton that is deficient in quantity. Chori handles and has acquired BCI\* certification for *ISRAEL GIZA COTTON*, which stems from seeds grown in Israel. As Israel is mostly a dry region, we have been utilizing high-tech and environment-friendly agricultural technology for our cultivation of *ISRAEL GIZA COTTON* in order to minimize our daily water consumption through AI. Moving forward, we will expand our lineup of environment-friendly materials and help realize a sustainable society.



\* Better Cotton Initiative: An international certification standard that promotes the sustainable growth of cotton production and cotton industries worldwide.



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## Business Partners

Our suppliers are essential partners for our business activities and play a critical role in our contributions to society. With this in mind, we put forth every effort to ensure compliance in our CSR procurement, export management, and other activities.

## CSR Procurement

In accordance with the Toray Group's "Operating Rules Regarding CSR Procurement" (revised in 2017), in principle Chori conducts a CSR procurement questionnaire once every two years. The primary goal of the questionnaire is to verify the existence of a CSR promotion system as well as legal compliance, environmental conservation, risk management, and human rights measures.

**Results of Fiscal 2019 Questionnaire**

- Target: 188 companies (comprising approx. 70% of amount of purchases, excluding TORAY INDUSTRIES, INC. and affiliated companies)
- Respondents: 166 companies (approx. 88.3%)
- Confirmed the use of conflict minerals with primary suppliers

## Ensuring Strict Compliance

Recognizing the importance of complying with the laws and social norms when engaging in business activities with our suppliers, we undertake the following measures to ensure rigorous compliance throughout our operations.

### Security Trade Control

With the objective of maintaining peace and security around the world, Chori has formulated its "Internal Regulations on Compliance with Export-Related Regulations" and "Regulations on Fair Reporting and Management of Imports and Exports." We undertake strict export controls to prevent countries in possession of weapons of mass destruction and conventional weapons from getting access to the highly sophisticated equipment and technology of developed countries.

### Export Control Process and Training

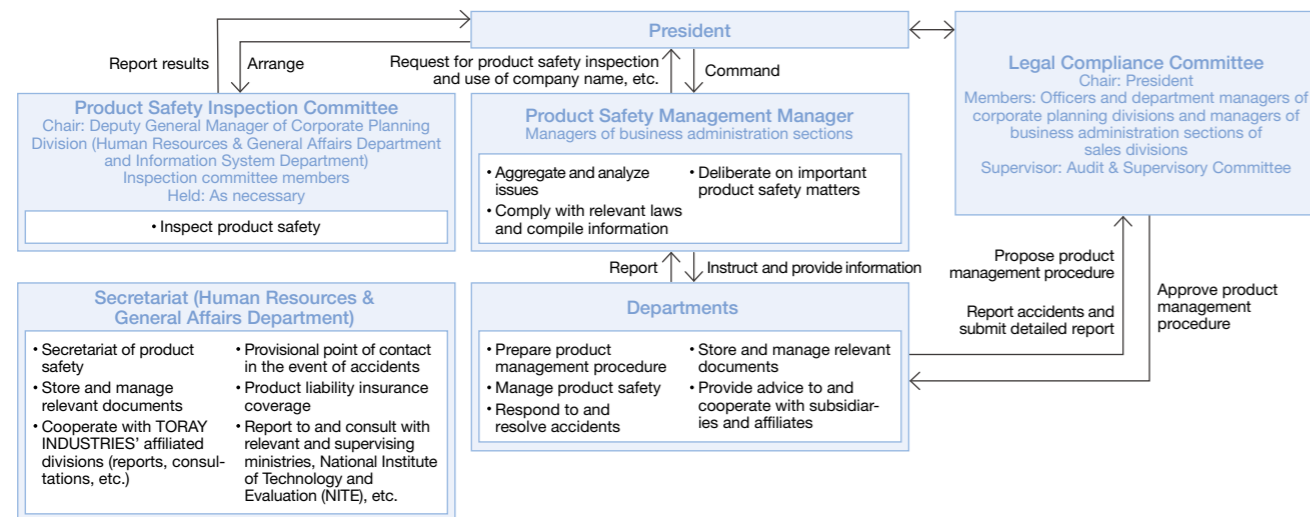
Once applications for list control and catch-all control are filed by Chori's Sales Department, the Corporate Management Department will conduct final approval. In October 2020, we will implement a system that integrates the management of information on export products and transactions, and by means of this digital management, we will ensure rigorous security trade control and strengthen compliance.

In addition, Chori encourages its employees to obtain the STC Associate certificate and holds internal workshops and training sessions to enhance their understanding of export control. In fiscal 2019, 35 employees acquired the STC Associate certificate.



## Product Safety Initiatives

In accordance with product safety management regulations, Chori establishes a Product Safety Inspection Committee whenever a product is launched, sold, or used externally for the first time.



## Occupational Safety Management

At Chori, we understand the significance of minimizing risks in the workplace environment and ensuring the safety of our employees. In view of this, we have devised a business continuity plan (BCP) and instituted a safety management system for our employees overseas.

## Ensuring the Safety of Our Employees Overseas

In the event of a natural disaster or a terrorist attack, whether in Japan or overseas, we must be fully prepared to immediately identify the whereabouts of our directors and employees, confirm their safety, and respond appropriately in a timely manner. Chori has in place a proprietary system dubbed Overseas Business Trip Inquiry (OBTI), which manages the overseas business trips of domestic employees as well as the business trips of employees dispatched

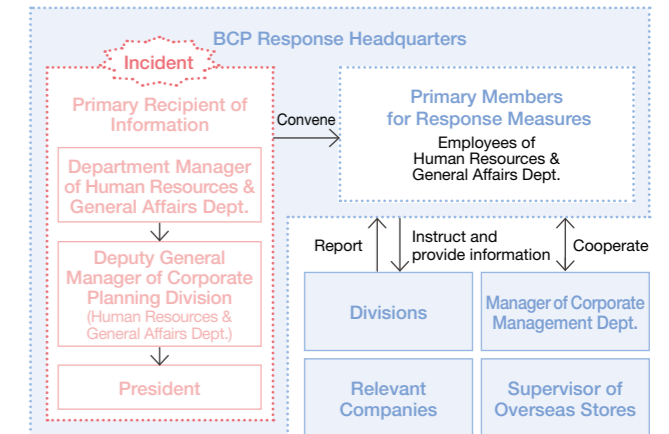
abroad and of the employees of overseas offices, and identifies the location of each employee at a particular point in time.

In the event of an accident or illness while abroad, our overseas healthcare support program provides medical assistance by phone in Japanese to employees dispatched overseas and their families as well as to employees on business trips outside of Japan. The program helps to minimize employee concerns regarding overseas healthcare due to its differences from Japan.

## Business Continuity Plan (BCP)

Chori's business continuity plan (BCP) has been designed to place the utmost priority on the safety of its directors and employees and to enable swift recovery of business operations after serious disasters. We have implemented a safety confirmation system, which verifies the safety of all directors and employees and their families in a timely manner, and we examine the system regularly. A BCP training is also held once a year.

Chori's BCP manual calls for a swift recovery of business operations by the sales divisions. For the corporate divisions, we have established a core operations manual to maintain systems, finances, and other basic business functions. Moreover, we have established a response headquarters and operational procedures in preparation for major disasters and pandemics such as novel influenza.



## Response to COVID-19

To prevent the spread of COVID-19, Chori has been implementing various measures that correspond to the requests made by the Japanese government, with the safety of its employees as its top priority. These measures include the prohibition of business trips overseas, the provision of alcohol-based hand sanitizers, and the supply of masks to each employee. We also held our Chori Exhibition, a major trade convention for textile products held annually, at a later date and in a much smaller scale compared with previous years.

In terms of workstyle reform, we encourage our employees to come to work at staggered work hours under our flex-time system and to work from home (including on a provisional basis), in addition to employing an online conferencing system at our overseas bases and our Tokyo and Osaka head offices.

Japan is currently suffering from a shortage of antibacterial materials, which are an essential component of mask production. Leveraging its long-cultivated business relationships with nonwoven fabric manufacturers in China, Chori has acquired antibacterial materials from China as a new line of business and supplied them to mask manufacturers in Japan. Chori also donated the masks and protective garments (listed on the right) that were stockpiled in the aftermath of the Great East Japan Earthquake to protect against radioactive contamination.

### Donated Items

- 2,000 sets of masks from the Hokuriku Branch (Kanazawa City) to healthcare facilities in Fukui Prefecture
- 500 sets of N95 masks to healthcare facilities in Osaka Prefecture
- Donation of the following items to healthcare facilities in Chiba Prefecture
  - 660 sets of Tyvek protective garments
  - 290 sets of raincoats
  - 720 sets of N95 masks
  - 380 sets of disposable hazmat hoods
  - 100 sets of goggles





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# Human Resources

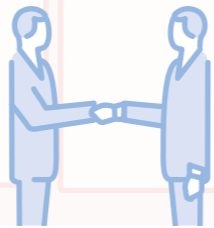
The Chori Group regards people as its most valuable management resource, founded on its vision for human resources, "Utilize people, and be useful to them. Nurture people, and develop with them. Connect people, and join together with them." We will utilize, nurture, and connect people to continue to grow as an organization and cultivate our next generation.

## Human Resource Development

As globalization continues to spread on a rapid scale, employees will be expected to utilize their full capabilities. We cultivate our employees to be able to respond quickly to changes, to think and act at their own will with a sense of curiosity and a broad perspective, and to become an integral part of carrying the Group forward into the future.

### Personnel We Seek

1. Always act responsibly as a member of Chori and keep the company charter close to their heart
2. Have a spirit of independence
3. Constantly work hard and come up with creative ideas as results-focused professionals
4. Expect the best and prepare for the worst
5. Respect the values and cultures of people from around the world



### New Employee Training

At the *Natural Dye* plant coloring event, which is held in support of recovery from the Great East Japan Earthquake, our new employees take part as representatives of Chori with the aim of cultivating their awareness of being a Company employee.

Upon joining the Company, new employees receive orientation to acquire the basic knowledge and proper etiquette to become a responsible working adult as well as attend 30 lecture sessions and take certification exams twice a year.

### Career Development Support

At Chori, we hold level-specific training for directors and employees, invite instructors from outside of the Company, and conduct lectures led by our employees. To speed up the pace of globalization, we dispatch trainees overseas and conduct our in-house training program, provide English-language training, and offer a Chinese-language study abroad and dispatch program. In fiscal 2020, we plan to dispatch employees from various departments to conduct external training programs, in addition to holding selective training sessions.

### Development of Overseas Staff

For the purpose of developing the employees of its overseas offices, Chori provides training to acquire basic knowledge of its Corporate Philosophy, information security, credit management, overseas business management, and financial reporting through lectures provided by employees of corporate planning divisions. We are also striving to enhance the interactions between our employees at our head offices and overseas.



Director, Executive Officer

**Satoko Nakayama**

### Nurturing Our Human Resources by Embracing the Willingness to Grow on One's Own

While the "Personnel We Seek" philosophy set forth under the Human Resources Policy represents the basis of Chori's human resource development, the Company exceptionally values those who "keep the company charter close to their heart." I truly hope that as members of Chori who will continue to carry on its tradition of nearly 160 years, our employees will keep the company charter close to their heart while continuing to fulfill their duties to both society and the Company.

I am always the first to speak at our training sessions for young employees. The intention behind this is to enhance the motivation for and the outcomes of the training by having the management team directly express their expectations of the employees early on. During the session, we monitor the demeanor of each employee while requesting support from the human resource department when necessary. In our harassment training, we explain the circumstances openly to employees in order for them to build a relationship of trust with the Company.

Both society and Chori are undergoing drastic changes at the moment and I hope every one of our employees will adapt to these changes and continue to develop for their own benefit. Career development is about understanding the fundamentals and acting on one's own accord. The reason why we discontinued our in-house English-language training is because we embrace the willingness to grow on one's own. Going forward, we will continue to recruit and develop employees who possess that willingness and help them elevate their potential.

## Promoting Diversity

### Creating a Comfortable Workplace Environment

We regard people as our most valuable management resource and for that reason, it is essential that we provide employees with workplace environments that allow them to work in a healthy and active manner. We conduct the following initiatives with this in mind, particularly with the aim of providing employees with a healthy work-life balance. Moreover, we have been working to improve our employees' operational efficiency through our Companywide CHORI Innovation Activities ("CHOI-Katsu"), established in fiscal 2013 with the aim of achieving department- and division-specific goals.

#### Eliminate Long Work Hours

- In principle, designate one day of the week as a no-overtime day
- All staff must leave their workplace by 9 p.m. every day
- Restrict the number of overtime hours
- Automate work processes with robotic process automation (RPA)
- Improve the efficiency of meetings

#### Encourage Employees to Take Annual Paid Leave

- Mandatory use of annual paid leave (five days)
- Encourage employees to take seasonal holidays
- Maintain records of paid leave taken in department-specific systems
- Eliminate restrictions on the number of half-day leaves that can be taken due to childcare, nursing care, or hospital visits

#### Promote Flexible Workstyles

- Improve flextime system (no core hours)
- Introduce work-at-home system (temporarily) and teleconferencing system
- Encourage male employees to take childcare leave
- Conduct one-on-one meetings between employees and their superiors
- Provide option to relocate to other locations (transfer to other branches domestically and regionally)

### Supporting the Balance of Work Life and Childcare

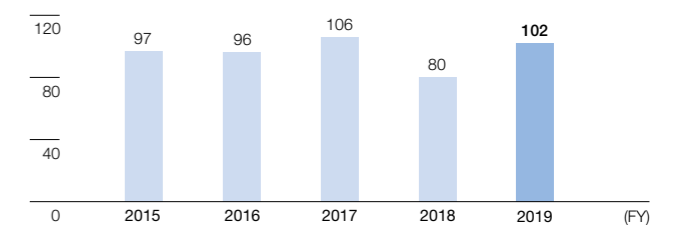
Chori has various childcare systems in place to promote the balance of work and family life. In fiscal 2019, the rate of employees who had taken childcare leave and returned to work was 100%. The number of male employees taking childcare leave has also been on the rise with six of them taking time off in fiscal 2019.

	FY2017	FY2018	FY2019
Number of Employees Taking Childcare Leave	1	5 (1 of whom is male)	17 (6 of whom are male)
Number of Employees Working Shorter Hours Due to Childcare	9	11	11

### Workforce Fluidity and Support for Self-Development

We promote workforce fluidity within the Group by assigning employees to affiliates in Japan and overseas and facilitating the exchange of personnel. We also support our employees' self-development by subsidizing the tuition and fees necessary to acquire Company-designated certification, which was utilized 102 times in fiscal 2019.

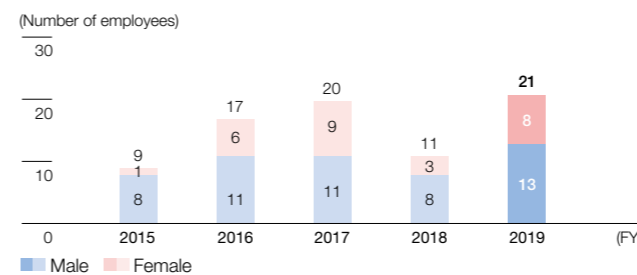
#### Number of Recipients of Self-Development Subsidy



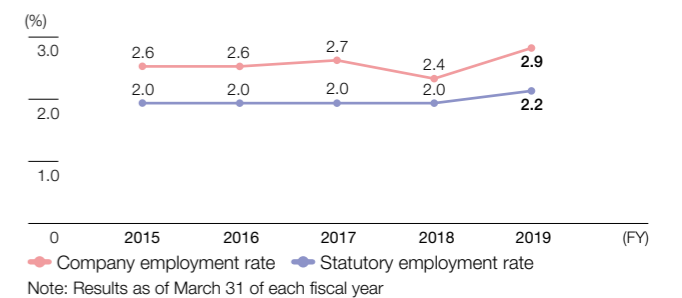
### Recruiting Diverse Human Resources

As a part of its action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, Chori established the goal of raising the percentage of women among new graduates to 20% between fiscal 2016 and fiscal 2020. In fiscal 2019, women accounted for 32.8% of our entire

#### Number of New Graduates



#### Ratio of People with Disabilities



workforce. In addition, we have been making proactive efforts to promote the hiring of people with disabilities.

Chori's initiatives to increase the number of senior employees are also making strides with various programs in place for retirees looking to reenter the workforce and leverage their knowledge and experience, network of contacts, and other strengths.



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## Local Communities and Society

For a company to realize sustainability, it must be fully committed to coexisting with local communities. As a member of these local communities, Chori will continue to engage in various initiatives in its mission to grow together with society.

### Corporate Sponsor of WFP Walk the World 2019

Chori has been a corporate sponsor of WFP Walk the World, a charity walk organized by the United Nations World Food Programme (WFP), since 2016. In May 2019, WFP Walk the World 2019 saw participation from 204 Group employees and their family members and raised ¥163,840 for charity. These funds will be donated toward the provision of school lunches for approximately 5,400 children.



### Special Sponsor of 7th Japan Dance Convention

In June 2019, the Japan Sports Agency held its 7th Japan Dance Convention. The Japan Dance Convention is an educational dance contest in which high school club teams compete under the theme of “watch and learn.” Chori is a strong advocate of the contest and its aims and has been a special sponsor since its inaugural event in 2013. As we move ahead, we will continue to help develop a healthy future for our next generation and a society that embraces communication, enjoyment, and happiness.



### Support for Disaster-Afflicted Areas of the Great East Japan Earthquake

Chori has held its *Natural Dye* plant coloring event every year since 2013 in support of areas affected by the Great East Japan Earthquake. The event was held in September 2019 in Sendai City, Miyagi Prefecture, where children and their families from local communities were able to rejoice in coloring their hands with dye made from fruits and vegetables through the assistance of Chori’s newly recruited graduates.



### Mangrove Planting Activity in Thailand

In May 2019, THAI CHORI CO., LTD. held a mangrove planting activity in Thailand. Mangroves play the vital role of functioning as a natural seawall against tsunamis and tidal waves as well as a cradle for the cultivation of marine life. However, because mangroves grow along coastal waters, they are vulnerable to pressure from exploitation and are therefore diminishing at exponential speeds. Chori will continue to engage in this mangrove planting activity as a part of its efforts to improve the global environment and increase environmental awareness.

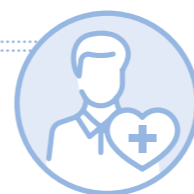
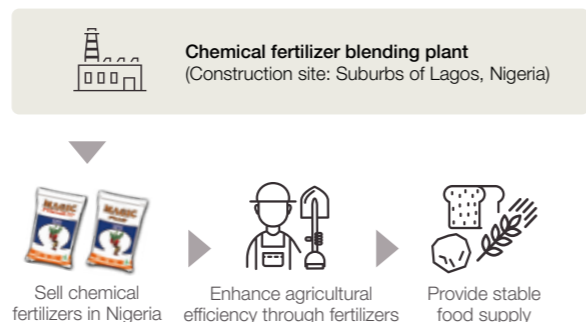


### Supplying Food to Africa through Production of Chemical Fertilizers

Since fiscal 2019, Chori has participated in a chemical fertilizer production project in Nigeria. Nigeria boasts the largest population in all of Africa with roughly 190 million people and relies on agriculture as one of its major industries. With the expectation that increased demand for crops fueled by population growth will continue in Africa, the need for chemical fertilizers to enhance agricultural efficiency is projected to grow. The establishment of a chemical fertilizer blending plant, which was partially financed by Chori, has enabled the production of effective fertilizers in Nigeria that improve soil quality and expand the range of crops. Through the sale of chemical fertilizers, we will contribute to stable food supply and higher agricultural efficiency in Africa.



Partially finance construction and supply raw materials for chemical fertilizers



## Promotion of Health and Productivity Management

Recognizing the importance of the health of our employees and their families to achieving sound corporate management, we formulated our Health Declaration in 2018 to promote efforts toward health and productivity management.

### Health Declaration

#### 1. Enhancement of Awareness of the Health of Employees

Chori believes that the health of its employees and their families is significant to the success of its business and that the vitality of its employees translates into the vitality of the Company. Based on this belief, we strive on an ongoing basis to enhance awareness of the health of our employees.

#### 2. Approach to Health and Productivity Management

Chori actively supports and promotes initiatives that help maintain and improve the health of its employees and their families with the goal of realizing health and productivity management.

#### 3. Responsibility to Society and the Future

Chori will do what is necessary to ensure the health of its employees and achieve sound corporate management. In so doing, we will make a difference to society and realize sustainable growth.

February 14, 2018

## Health and Productivity Management Promotion Structure

We established our Health Promotion Committee in April 2018 and have since been promoting efforts to realize health and productivity management. Chaired by Director Nakayama, the committee consists of industrial physicians and nurses from Chori’s internal health clinics as well as the employees of the Human Resources & General Affairs Department and members of the Health Insurance Society. Through the initiatives of the Health Promotion Committee, Chori aims to maintain and improve the health of its employees and their families and fulfill its Health Declaration. In addition, a debriefing session on White Paper for

Chori’s Health Management is held once a year to assess the current state of health management and to discuss any issues.



### Ensuring the Health of Employees

We conduct oral and dental checkups and flu vaccinations on a yearly basis. In addition, employees aged 30 and 35 years and over are eligible to receive a comprehensive medical checkup once a year at the expense of the Company, while dependents aged 35 years and over of the insured party are entitled to receive up to ¥32,000 in subsidies for medical checkups.

We also conduct stress checks to prevent the possibility of our employees suffering from mental illnesses. Employees who work over 40 hours of overtime in a month are required to

consult with an industrial physician in the following month. In these ways, we work to ensure the health of our employees through the support of medical experts.

### Rate of Employees and Family Members Who Undergo Regular Health Checkups

	FY2017	FY2018	FY2019
Employees	100.0%	100.0%	100.0%
Family Members	59.3%	70.3%	72.0%

### Establishment of Internal Health Clinic

At its Tokyo and Osaka head offices, Chori has established internal health clinics where employees can receive medical treatment twice a week and seek advice on their health checkup results. Additionally, employees are able to receive personal guidance on specific insurance-related matters from a nurse or public health nurse on duty.



### Activities to Promote the Health of Employees

Chori conducts an array of activities to promote healthy lifestyles for its employees, such as support to quit smoking and yoga classes during lunchtime. In January 2020, we held “CHOI-Aruki,” in which 16 teams totaling 177 employees participated. In this walking event, a smartphone app tallies the number of steps taken by each participant and calculates the average for each team or department. Members of the top three teams are awarded a complimentary meal to enjoy together with the colleagues in their department.



We will continue to engage in a variety of initiatives to promote the health of our human resources, our most valuable management resource.

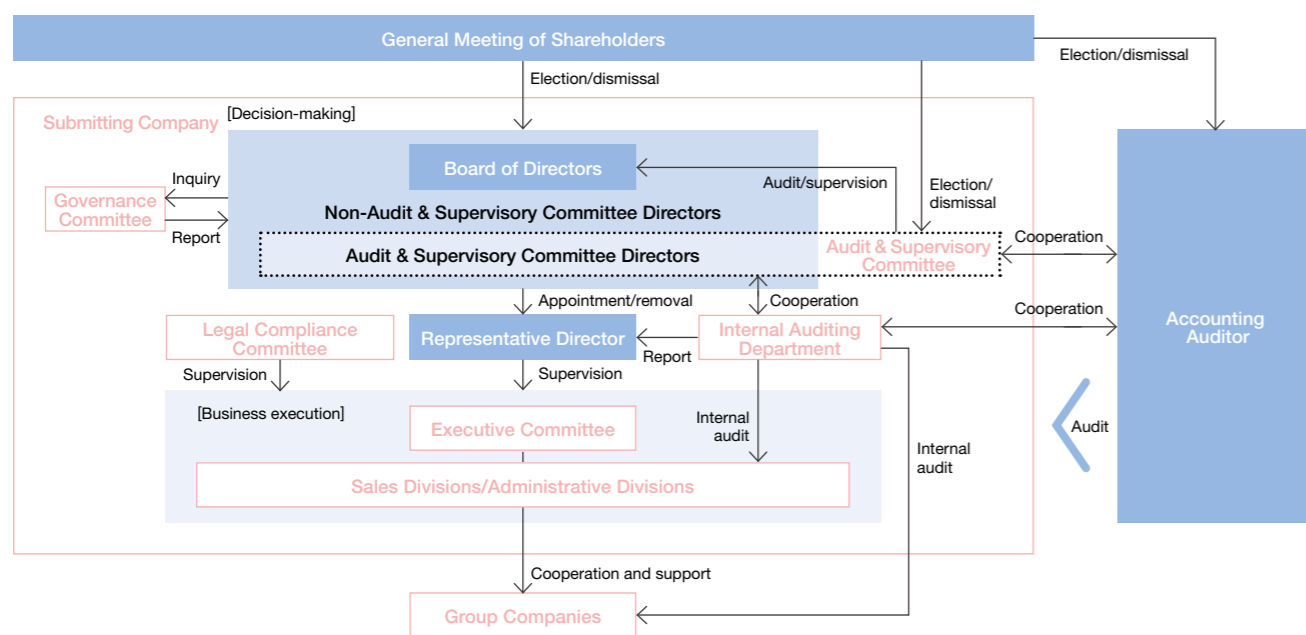


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# Corporate Governance

## Basic Policy

Chori has established systems to ensure appropriate operations with the aim of achieving sound management and sustainable growth. The Company strives to strengthen corporate governance by complying with laws and social norms, conducting operations efficiently and effectively, and ensuring the credibility of its financial reports, while positioning the Board of Directors as a body for conducting strategic decision-making and business oversight. Moreover, as a Company with an Audit and Supervisory Committee system, Chori has established its Audit & Supervisory Committee in which the majority of the members are outside directors. Chori also aims to further strengthen the management transparency and oversight function of the Board of Directors through the exercise of voting rights at the Board of Directors' meetings by the directors who are Audit & Supervisory Committee members



## Overview of Corporate Governance Structure and Reasons for Its Adoption

Chori has adopted the Company with an Audit and Supervisory Committee system with the aim of strengthening the management transparency and oversight function of the Board of Directors. The Company pursued further reinforcement of its corporate governance structure by establishing its new Governance Committee in March 2020 to protect the interests of minority shareholders, and by strengthening the independence and objectivity of the functions and accountability of the Board of Directors pertaining to directors' nomination, remuneration, etc.

At the Board of Directors' meetings, the directors (including those who are Audit & Supervisory Committee members) engage in lively and sufficient discussions and deliberations from a free and independent perspective in regard to the supervisory status of decision-making and business execution. The Board also consists of two outside directors who are Audit & Supervisory Committee members that audit the legitimacy and appropriateness of the status of business execution from an external perspective in an objective and rational manner. The Company therefore believes that it is sufficiently fulfilling its management supervisory function. Moreover, to ensure the prioritization of results, the Company has set the term of office of directors (excluding those who are Audit & Supervisory Committee members) and executive officers to one year, and has established a management structure that can respond to changes in business conditions in a timely manner.

Organizational Structure	Company with an Audit and Supervisory Committee
Number of Directors	7
Term of Office of Directors According to the Articles of Incorporation	1 year
Number of Directors Who Are Audit & Supervisory Committee Members	3 (of whom, 2 are outside directors)
Term of Office of Directors Who Are Audit & Supervisory Committee Members According to the Articles of Incorporation	2 years
Number of Independent Officers	2
Executive Officer System	Yes
Performance-Linked Remuneration System	Yes
Accounting Auditor	Deloitte Touche Tohmatsu LLC
Corporate Governance Report	<a href="https://www.chori.co.jp/csr/pdf/governance-report.pdf">https://www.chori.co.jp/csr/pdf/governance-report.pdf</a> (in Japanese only)

## Composition and Overview of the Board of Directors, Executive Committee, and Other Principal Committees

Name	Description	Number of Meetings Held in Fiscal 2019
Board of Directors	The Board of Directors consists of directors, including those who are Audit & Supervisory Committee members, and is responsible for conducting strategic decision-making and business oversight.	15
Executive Committee	The Executive Committee consists of executive officers and those who were approved by the Board of Directors and was established as an organization for conducting discussions and exchanging important information and opinions on matters related to business execution.	25
Audit & Supervisory Committee	The Audit & Supervisory Committee convenes regularly once a month to discuss matters related to management conditions and audit results upon the exchange of information with outside directors. In addition to attendance at important meetings of the Board of Directors, directors who are Audit & Supervisory Committee members conduct individual meetings with those in charge of the Sales Department and corporate planning divisions to make decisions on important management-related matters (including on their process) and sufficiently audit and monitor the appropriateness of the execution of duties by each director (excluding those who are Audit & Supervisory Committee members) and executive officer. The attendance rate for the Audit & Supervisory Committee in fiscal 2019 was 100%.	14
Governance Committee	The Governance Committee aims to enhance the Company's corporate governance structure in order to strengthen the independence and objectivity of the functions and accountability of the Board of Directors regarding director nomination, remuneration, etc., and to protect the interests of minority shareholders.	— (Established in March 2020)
Legal Compliance Committee	The Legal Compliance Committee consists of directors (excluding those who are Audit & Supervisory Committee members) and executive officers. The committee deliberates on important compliance-related issues and reports the results to the Board of Directors and the Executive Committee as necessary.	6
Business Investment Committee	Under the supervision of the president and representative director, the Business Investment Committee discusses and deliberates the appropriateness of risk—return assessments and plans and the feasibility of important investments and financing.	4
M&A Promotion Committee	The M&A Promotion Committee consists of the general manager of the Corporate Planning Division who also serves as a director, general managers of business divisions, and other members. The committee deliberates and decides on important matters pertaining to business direction and growth strategies toward the promotion of consolidated management, such as M&A and the Group's medium- to long-term management plan.	5

## Committee Members

Position	Name	Board of Directors	Executive Committee	Audit & Supervisory Committee	Governance Committee	Legal Compliance Committee	Business Investment Committee	M&A Promotion Committee
President, CEO & COO / President and Executive Officer	Kazuo Sakihama	◎	◎		○	◎	◎	
Director / Managing Executive Officer	Shigemasa Yabu	○	○			○	○	◎
Director / Senior Executive Officer	Hiroshi Yoshida	○	○				○	○
Director / Executive Officer	Yoshihiro Teratani	○	○				○	○
Director / Executive Officer	Kazuhiro Tohge	○	○					
Director / Executive Officer	Satoko Nakayama	○	○			○		
Director (Part-Time)	Mitsuo Ohya	○						
Director / Full-Time Audit & Supervisory Committee Member	Jun Furuya	○	△	◎		△		
Outside Director / Audit & Supervisory Committee Member	Masaaki Sawano	○		○	◎	△		
Outside Director / Audit & Supervisory Committee Member	Noriko Morikawa	○		○	○	△		

\* ◎: Committee chair ○: Committee member △: Non-member attendee



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### Reason for Nomination of Outside Directors

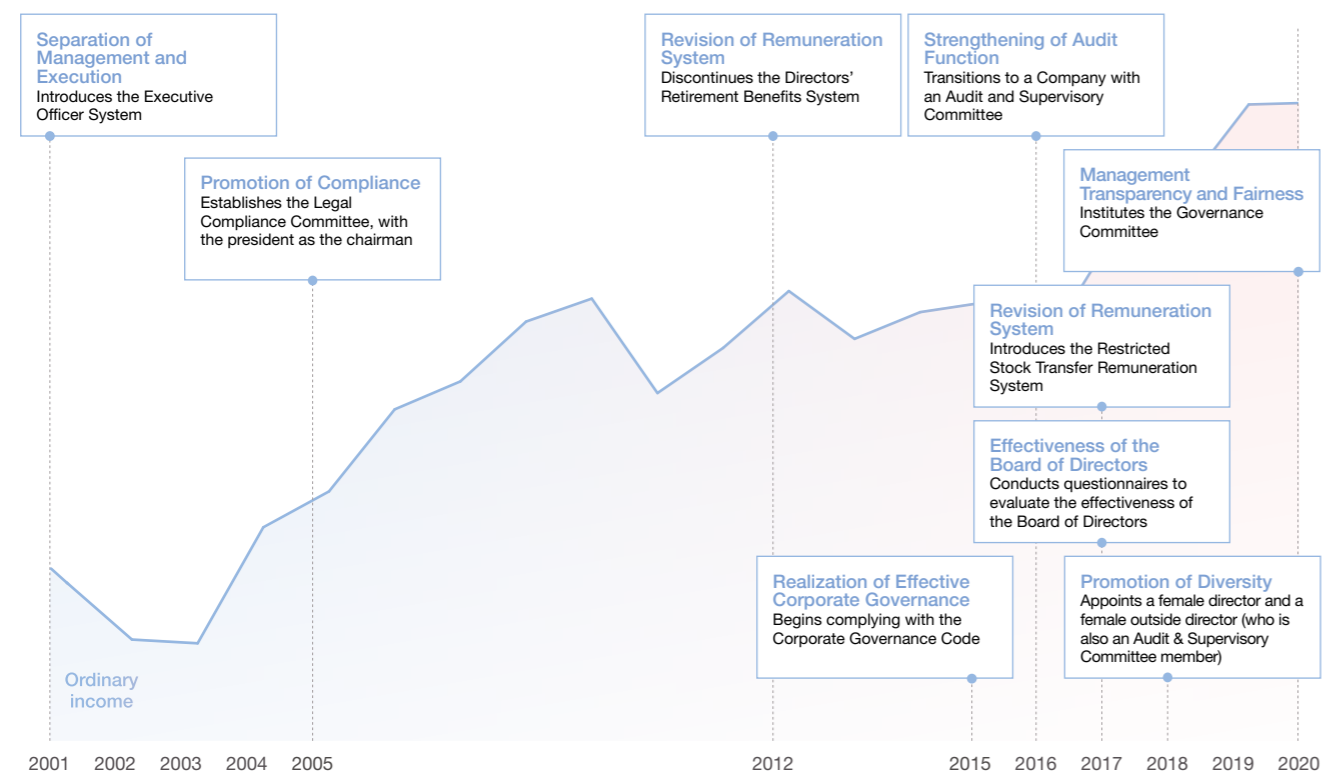
(Since the Annual General Meeting of Shareholders held on June 16, 2020)

The Company's outside directors were nominated for the reasons outlined below and their dedication to strengthening the audit and supervisory function through the proactive exchange of opinions and advice at the Board of Directors' and other important meetings.

Name	Independent Officer	Reason for Nomination
Director (Part-Time) Mitsuo Ohya		Since joining TORAY INDUSTRIES, INC., he has worked mainly in sales operations related to its Fibers & Textiles Division. In addition to his wealth of experience and extensive expertise in the Fibers & Textiles Division, he was appointed as a director due to his abundant track record and insight in all areas of management acquired through his positions as president and representative member of the Board of Toray International, Inc., and senior vice president (member of the Board & member of the Executive Committee), executive vice president, and representative member of the Board of TORAY INDUSTRIES, INC.
Director (Audit & Supervisory Committee Member)	Masaaki Sawano	He has been appointed as an outside director as he is expected to provide accurate advice regarding the management of the Company and on the grounds that he is deeply familiar with corporate legal work as a lawyer and has sufficient insight to supervise corporate management. In addition, it has been deemed that he has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.
	Noriko Morikawa	She has been appointed as an outside director as she is expected to provide accurate advice regarding the management of the Company and on the grounds that she is well versed in finance and accounting and has broad insight based on her abundant achievements as a corporate manager and experience working overseas. In addition, it has been deemed that she has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.

### History of Chori's Governance

Chori recognizes that the enhancement of its corporate governance is a matter of priority for management and has taken and will continue to take the following measures. We have expanded our profit margin through the introduction of a performance-linked remuneration system and the efforts of directors to instill the same level of awareness for profits in all shareholders in order to strengthen the Company's performance over the medium to long term.



### Evaluation of the Effectiveness of the Board of Directors

With the objective of enhancing the effectiveness of the Board of Directors, Chori conducted an evaluation of the effectiveness of the Board of Directors for fiscal 2019. The evaluation procedure entailed conducting a questionnaire with all directors and collecting their 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.

<b>Respondents</b>	All 10 directors (including those who are Audit & Supervisory Committee members) in fiscal 2019 (registered questionnaire)
<b>Method of Evaluation and Analysis</b>	The secretariat of the Board of Directors (Corporate Management Department) gathers the questionnaire results, which are evaluated and analyzed by the Governance Committee and the Board of Directors upon the ensuring of confidentiality.
<b>Questionnaire Content</b>	The questions are based on the following four main items: <ul style="list-style-type: none"> <li>• Agenda of the Board of Directors' meetings</li> <li>• Composition of the Board of Directors</li> <li>• Operation of the Board of Directors</li> <li>• Systems supporting the Board of Directors</li> </ul>
<b>Overview of Evaluation Results</b>	The evaluation results of effectiveness confirmed that the composition of the Board of Directors, including outside directors, is appropriate, and that the Board of Directors' meetings are held in a free and open environment that facilitates constructive discussions and the exchange of opinions. As a result, the Board of Directors is operating appropriately on the whole and its effectiveness has been ensured. Meanwhile, the main points raised were conducting more in-depth discussions on the succession plans for representative directors, the appointment and dismissal of management executives, and executive remuneration. It was confirmed that the Governance Committee will conduct further discussions and deliberations on these matters.

Based on these results and our continuous efforts toward their improvement, we will work to further enhance the effectiveness of the Board of Directors.

### Director Remuneration

Director remuneration consists of three types: monthly basic remuneration, yearly bonuses, and restricted stock compensation. The remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is decided by the Board of Directors upon discussions held by the Governance Committee and consideration of opinions of the Audit & Supervisory Committee. Meanwhile, the remuneration for directors who are Audit & Supervisory Committee members is determined through discussions held by the Audit & Supervisory Committee.

Remuneration Type	Details	Fixed / Performance-Linked	Maximum Amount of Remuneration	Resolution of the General Meeting of Shareholders
Monthly Remuneration	Monthly basic remuneration	Fixed	The remuneration for directors (excluding those who are Audit & Supervisory Committee members) is deemed to be no more than ¥300 million annually. (However, this does not include the portion of employee salary for directors who concurrently serve as employees.)	69th General Meeting of Shareholders held on June 15, 2016
Performance-Linked Bonuses	Yearly bonuses	Performance-linked		
Stock-Based Remuneration	Restricted stock compensation	Performance-linked	Restricted stock compensation is deemed to be no more than ¥100 million annually. (However, this does not include the portion of employee salary for directors who concurrently serve as employees.)	70th General Meeting of Shareholders held on June 15, 2017

The total amount of remuneration, the total amount of remuneration by type, and the number of directors eligible, according to each director position are as follows:

Classification	Total Amount of Remuneration (Millions of Yen)	Total Amount of Remuneration by Type (Millions of Yen)				Number of Directors Eligible
		Basic Remuneration	Restricted Stock Compensation	Bonuses	Retirement Benefits	
Directors*	217	133	19	65	—	6
Directors Who Are Audit & Supervisory Committee Members (excl. Outside Directors)	18	18	—	—	—	1
Outside Directors (Audit & Supervisory Committee Members)	14	14	—	—	—	2

\* Excludes one director who did not receive any remuneration.



## Management Foundation Tailored to Sustainable Growth

### Cross-Shareholdings

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 decide on acquisitions after determining the department in charge of the acquisition and considering the business conditions of the investees and the profitability of the investment. The Board of Directors verifies the significance of the cross-shareholdings each year and considers the sale or reduction of shares that are deemed to be of no significance.

Those shares that are held are verified each year for their economic rationality from the perspectives of the significance of each acquisition and holding, profitability of the investment, transaction scale, and relevant profits, and are either held or replaced upon resolution of the Board of Directors and other bodies.

### Internal Audit

In regard to internal audits, the Company has established the Internal Auditing Department (consisting of four members) directly under the president and representative director. The Internal Auditing Department conducts audits on the appropriateness and efficiency of the Company's

### Ensuring Thorough Compliance

Rules concerning compliance systems such as the Guidelines for Corporate Behavior shall be established to set compliance with laws and regulations and social ethics as a code of conduct of our business. In order to make all directors, executive officers, and employees of the Group fully aware of the initiatives for compliance, corporate divisions shall collaborate to hold compliance training and other training programs. The Legal Compliance Committee, with the president and representative director as the chairman, shall be established to discuss

### Policies Regarding Constructive Dialogues with Shareholders

The Company promotes constructive dialogues with shareholders based on the following five policies.

- (1) The executive officer in charge of information handling oversees matters related to IR and public relations, cooperates with the Corporate Planning Division and relevant departments, and communicates information to shareholders and investors.
- (2) The relevant internal departments proactively cooperate toward the achievement of constructive dialogues with shareholders through the preparation of disclosure materials and the sharing of important information, while conducting their business activities.
- (3) Methods of dialogue other than individual meetings
  - **General meeting of shareholders**  
The Company regards the general meeting of shareholders as an opportunity to fulfill its responsibility of providing explanations to shareholders, and accordingly works to carefully address their questions and understand the intent of their opinions. In the event of important announcements regarding management information, such as the medium-term management plan, the Company reports on its current status and collects the opinions of shareholders through such measures as the holding of briefings on the management plan upon the conclusion of the general meeting of shareholders.

The Company appropriately exercises the voting rights of cross-shareholdings from the perspective of whether or not the Company and the investee company can expect increases in their corporate value over the medium to long term, while respecting the management policies of investee companies.

#### Holding of Shares for Purposes Other Than Pure Investment (Cross-Shareholding)

	FY2017	FY2018	FY2019
Shares Held	35	32	30
Total Amount (Billions of Yen)	4.7	4.0	3.4

Note: The shareholdings of CHORI CO., LTD. for which the largest monetary amount is recognized on the balance sheets in relation to investment in equity securities (the monetary amount of equity securities recognized) have been stated.

business activities from a fair and independent point of view. The Internal Auditing Department also evaluates the status of implementation and operation of internal controls concerning financial reporting in accordance with the Financial Instruments and Exchange Act.

important matters regarding compliance of the Group and report the results to the Board of Directors and the Executive Committee as necessary. In the event of a significant legal violation or compliance violation on the part of a management executive, in accordance with the laws and regulations and the Articles of Incorporation, the Governance Committee shall deliberate on the dismissal of the management executive in question and the Board of Directors shall adequately discuss and consider his or her dismissal based on those results.

- **Individual investors**  
The Company promotes dialogues with its individual shareholders by holding company briefings exclusively for such investors, which are attended by the president and representative director of the Company.
  - **Institutional investors**  
The Company holds financial briefings through the attendance of the president and representative director and management executives upon the conclusion of its six-month and full-year financial results announcements. At these financial briefings, the Company reports on the details of its financial performance, addresses the various questions, and collects the opinions of its shareholders. In addition, the departments in charge of IR and public relations conduct individual visits and briefings for institutional investors.
- (4) Feedback  
The Company promotes the sharing and use of information obtained from dialogues through the reporting of opinions of shareholders to the respective committees and their disclosure to the directors, management executives, and relevant departments as necessary.
  - (5) The Company takes appropriate measures to ensure thorough information management through compliance with the Insider Trading Prevention Regulations.

## Directors, Audit & Supervisory Committee Members, and Executive Officers (As of July 1, 2020)

\*Number of shares held\* indicates the number of CHORI CO., LTD. shares held.



President, CEO & COO,  
President and Executive Officer

**Kazuo Sakihama**

■ Number of shares held: 19,883  
CEO & COO



Director, Managing Executive Officer

**Shigemasa Yabu**

■ Number of shares held: 13,226  
General Manager of Corporate Planning Division and Executive Chief Representative for China of the Company



Director, Senior Executive Officer

**Hiroshi Yoshida**

■ Number of shares held: 5,891  
General Manager of Textile Division, Senior Manager of Synthetic Fiber Business Department, General Manager of Logistics Department (Textile) of the Company and General Manager of Hokuriku Branch



Director, Executive Officer

**Yoshihiro Teratani**

■ Number of shares held: 6,461  
General Manager of Chemicals Division, Senior Manager of Life & Fine Chemicals Business Department, and General Manager of Logistics Department (Chemicals) of the Company



Director, Executive Officer

**Kazuhiro Tohge**

■ Number of shares held: 3,434  
Special Appointee of the President (in relation to the Textile Division)



Director, Executive Officer

**Satoko Nakayama**

■ Number of shares held: 7,712  
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



Director (Part-Time)

**Mitsuo Ohya**

■ Number of shares held: 0  
Significant concurrent positions  
• Executive Vice President and Representative Member of the Board of TORAY INDUSTRIES, INC.



Director (Full-Time Audit & Supervisory Committee Member)

**Jun Furuya**

■ Number of shares held: 4,730



Outside Director  
(Audit & Supervisory Committee Member)\*

Independent Director

**Masaaki Sawano**

■ Number of shares held: 0  
Significant concurrent positions  
• Member of the Selection Committee for Summary Court Judges of the Supreme Court  
• Member of Advisory Council on Fundamental Issues in Corporate Management and Chairman of 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 Director  
(Audit & Supervisory Committee Member)\*

Independent Director

**Noriko Morikawa**

■ Number of shares held: 0  
Significant concurrent positions  
• Outside Director of Showa Denko K.K.  
• Outside Director of Mitsubishi Heavy Industries, Ltd.



Executive Officer

**Tatsuyuki Sakoda**

■ Number of shares held: 2,796  
President & CEO of Miyako Kagaku Co., Ltd.

\* Outside director as stipulated in Article 2, Item 15 of the Companies Act.



## Fact Data

11-Year  
Financial Summary

CHORI CO., LTD. and Group Companies

Medium-term management plan  
Yakushin 2010Medium-term management plan  
Yakushin 2013Medium-term management plan  
Yakushin 2016Medium-term management plan  
Chori Innovation Plan 2019

(Millions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
<b>Operating Results:</b>											
Net sales	191,149	222,074	217,825	221,847	244,286	248,396	291,578	270,908	311,705	356,537	329,360
Gross profit	18,267	18,818	20,020	19,770	21,530	22,157	24,799	25,149	26,400	28,585	28,310
Selling, general and administrative expenses	13,576	13,641	14,103	14,665	16,037	16,604	19,429	18,701	19,174	20,538	20,091
Operating income	4,690	5,177	5,916	5,105	5,492	5,552	5,369	6,448	7,226	8,047	8,219
Ordinary income	4,728	5,343	6,118	5,466	5,831	5,966	5,518	6,967	7,499	8,660	8,685
Net income attributable to owners of the parent	2,918	5,372	3,497	2,944	3,715	4,153	4,297	4,780	4,730	5,630	6,101
<b>Financial Position (As of March 31):</b>											
Total assets	57,103	64,390	67,465	71,851	78,221	84,289	98,736	97,983	119,055	118,499	114,400
Net assets	21,590	25,826	28,698	31,385	36,417	41,473	42,882	46,343	51,153	53,897	57,279
Net interest-bearing debt*1	(10,782)	(8,635)	(6,650)	(7,491)	(8,820)	(10,703)	(8,029)	(6,824)	(11,134)	(10,887)	(11,962)
<b>Cash Flows:</b>											
Cash flows from operating activities (A)	3,612	(1,098)	(263)	5,792	1,716	3,320	4,992	625	6,653	3,196	2,857
Cash flows from investing activities (B)	(530)	(295)	(1,153)	(2,980)	(208)	(813)	(4,442)	58	821	(1,421)	8
Free cash flows (A+B)	3,081	(1,393)	(1,417)	2,812	1,508	2,507	550	683	7,474	1,774	2,866
Cash flows from financing activities	(1,113)	(623)	(318)	(1,641)	(506)	(840)	(1,510)	(1,363)	(2,352)	(4,350)	(1,899)
<b>Per Share Data*2 (Yen):</b>											
Net income per share	124.59	224.11	145.91	117.57	151.54	169.40	175.31	195.00	192.74	229.28	248.46
Net assets per share	847.41	1,025.35	1,131.43	1,275.84	1,481.00	1,688.74	1,746.27	1,887.37	2,079.84	2,191.45	2,328.79
Dividends per share*3	20.00	20.00	29.00	24.00	33.00	34.00	36.00	40.00	59.00	60.00	63.00
<b>Key Indicators (%):</b>											
Ordinary income to net sales	2.5	2.4	2.8	2.5	2.4	2.4	1.9	2.6	2.4	2.4	2.6
Return on assets (ROA)*4	8.5	8.8	9.3	7.8	7.8	7.3	6.0	7.1	6.9	7.3	7.5
Return on equity (ROE)*5	14.6	22.8	12.9	9.8	11.0	10.7	10.2	10.7	9.7	10.7	11.0
Equity ratio	37.5	39.8	42.4	43.5	46.4	49.1	43.4	47.2	42.9	45.4	50.0
Consolidated dividends payout ratio	16.1	8.9	19.9	20.4	21.8	20.1	20.5	20.5	30.6	26.2	25.4
Price earnings ratio	9.0	4.4	7.0	9.1	7.4	10.9	8.3	9.9	10.9	6.8	6.2
Price book-value ratio	1.3	1.0	0.9	0.8	0.8	1.1	0.8	1.0	1.0	0.7	0.7
<b>Other Data:</b>											
Stock price at end of March (yen)*2	1,120	990	1,020	1,066	1,124	1,851	1,457	1,939	2,097	1,556	1,537
Number of employees (consolidated)	1,137	1,113	1,084	1,286	1,292	1,091	924	939	991	1,023	1,014
Number of consolidated subsidiaries	24	24	23	26	27	25	27	27	29	29	29

\*1 Net interest-bearing debt = Interest-bearing debt - (Cash and deposit + Deposit paid in subsidiaries and affiliates)

\*2 The Company carried out a 1-for-10 reverse stock split of common shares on October 1, 2012. Net income per share and net assets per share were provisionally calculated at the beginning of fiscal 2009 based on this reverse stock split. Dividends per share and stock price at year-end for fiscal years prior to the reverse stock split have been retroactively adjusted to reflect its impact.

\*3 Dividends per share in fiscal 2017 include a commemorative dividend of ¥10 for the Company's 70th anniversary.

\*4 Return on assets (ROA) = Ordinary income / Total assets (Avg. of beginning and end of fiscal year) x 100

\*5 Return on equity (ROE) = Net income attributable to owners of the parent / Total equity (Avg. of beginning and end of fiscal year) x 100



Fact Data

# Chori's Global Network (As of July 1, 2020)

After the end of World War II, Chori recommenced the full-scale development of its overseas business in 1949, when private foreign trade resumed. Today, Chori boasts a global network consisting of subsidiaries and offices located in various regions of the world. As we move forward, we will step up the pace of our globalization efforts while addressing the needs of our customers.

### Europe and Russia

Subsidiary Chori Europe GmbH (Neu Isenburg)  
 Representative Office Moscow

### Middle East

Subsidiary Chori Middle East FZE (Dubai)  
 Representative Office Jeddah

### Asia

<p><b>Subsidiaries</b></p> <ul style="list-style-type: none"> <li>CHORI (CHINA) CO., LTD. (Shanghai)</li> <li>CHORI (SHANGHAI) CO., LTD. (Shanghai)</li> <li>CHORI (TIANJIN) CO., LTD. (Tianjin)</li> <li>CHORI (DALIAN) TRADING CO., LTD. (Dalian)</li> <li>CHORI (DALIAN) COMMERCIAL IMPORT EXPORT CO., LTD. (Dalian)</li> <li>CHORI CO., (HONG KONG) LTD. (Hong Kong)</li> <li>TAIWAN CHORI MERCHANDISE COOPERATION LTD. (Taipei)</li> <li>CHORI KOREA CO., LTD. (Seoul)</li> </ul>	<ul style="list-style-type: none"> <li>THAI CHORI CO., LTD. (Bangkok)</li> <li>Chori Trading (Thailand) Co., Ltd. (Bangkok)</li> <li>PT. CHORI INDONESIA (Jakarta)</li> <li>CHORI SINGAPORE PTE LTD (Singapore)</li> <li>CHORI TRADING (MALAYSIA) SDN. BHD. (Kuala Lumpur)</li> <li>CHORI VIETNAM CO., LTD. (Ho Chi Minh City)</li> <li>CHORI TRADING INDIA PRIVATE LIMITED (Mumbai)</li> </ul>
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Representative Offices Beijing, Qingdao, Nantong, Wuhan, Ruian, Guiyang, Shenzhen; Ho Chi Minh City; Manila; Dhaka; Cambodia

### U.S.A.

Subsidiary CHORI AMERICA, INC. (Jersey City)  
 Representative Office Charlotte

### Central and South America

Subsidiary CHORI COMERCIAL DE MEXICO, S.A. DE C.V. (Mexico City)  
 Representative Offices Santiago, Lima

◆ Subsidiary ● Representative Office  
 (Japan: 4 locations Overseas: 35 locations)

## Major Overseas Subsidiaries and Affiliates

- SUZHOU FEILO ELECTRONIC COMPONENTS CO., LTD. (China)  
Production and sales of electronic materials
- QINGDAO RED BUTTERFLY PRECISION MATERIALS CO., LTD. (China)  
Production and sales of inorganic chemicals
- Beijing Chostar Equipment Engineering Technology Co., Ltd. (China)  
Import and export of equipment and materials for chemical plants
- CHORI Analysis & Technology Service (Suzhou) CO., LTD. (China)  
Analysis and research and development of chemicals
- MEGACHEM LIMITED (Singapore)  
Trading company specializing in chemicals
- DALIAN ANCHOR BUSINESS SERVICE CO., LTD. (China)  
Outsourcing of administrative work
- PT. MATSUOKA INDUSTRIES INDONESIA (Indonesia)  
Sewing of textile products

## Major Domestic Subsidiaries and Affiliates

- ASADA U CO., LTD.  
Sales of interior and packaging materials
- CHORI MODA CO., LTD.  
Planning of fashion apparel
- Tokyo Shirayurikai Co., Ltd.  
Manufacture and sales of ladies' apparel
- Miyako Kagaku Co., Ltd.  
Trading company specializing in chemicals
- CHORI GLEX CO., LTD. (formerly PTI Japan Limited)  
Trading company specializing in chemicals
- KOZAKURA SHOKAI CO., LTD.  
Trading company specializing in chemicals
- Chori Machinery Co., Ltd.  
Trading company specializing in transportation equipment
- Business Anchor Corporation  
Outsourcing of administrative work

## Domestic Offices



**Tokyo Head Office**  
 Tower C, Shinagawa Intercity,  
 2-15-3, Konan, Minato-ku, Tokyo  
 108-6216, Japan  
 Tel: +81-3-5781-6200



**Osaka Head Office**  
 Nittochi Sakaisuji Bldg.,  
 1-7-3, Awajimachi, Chuo-ku, Osaka  
 540-8603, Japan  
 Tel: +81-6-6228-5000

**Hokuriku Branch**  
 15F Visage Office Zone,  
 16-1, Showamachi,  
 Kanazawa  
 920-8676, Japan  
 Tel: +81-76-232-3521

**Okayama Liaison Office**  
 10F Okayama  
 Fukokuseimei-Ekimaie Bldg.,  
 1-6, Ekimotomachi,  
 Kita-ku, Okayama  
 700-0024, Japan  
 Tel: +81-86-224-6188



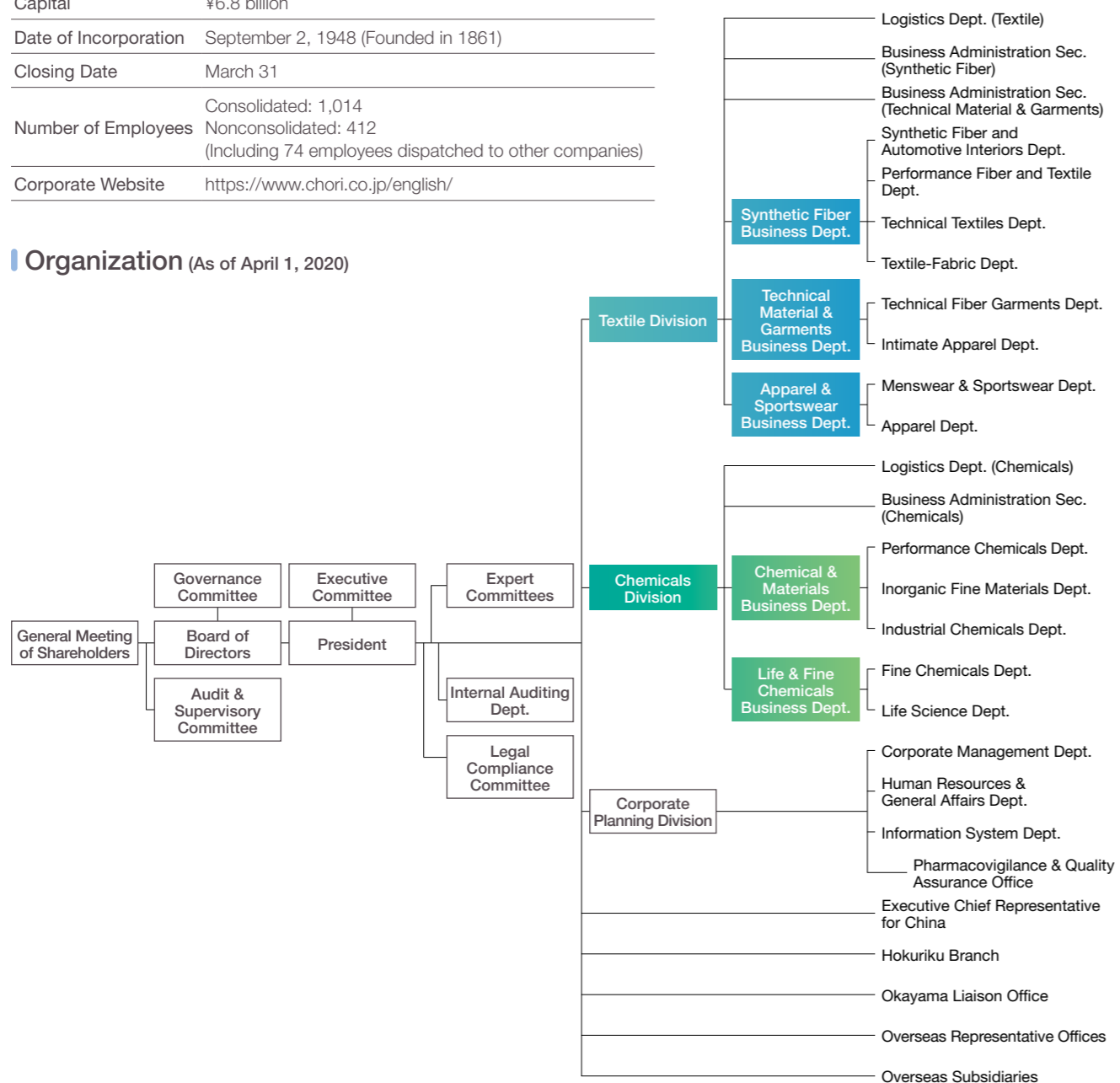
Fact Data

# Corporate Information (As of March 31, 2020)

## Company Overview

Company Name	CHORI CO., LTD.
Headquarters	<p>Tokyo Head Office 2-15-3, Konan, Minato-ku, Tokyo 108-6216, Japan Tel: +81-3-5781-6200</p> <p>Osaka Head Office (Main Headquarters) 1-7-3, Awajimachi, Chuo-ku, Osaka 540-8603, Japan Tel: +81-6-6228-5000</p>
Capital	¥6.8 billion
Date of Incorporation	September 2, 1948 (Founded in 1861)
Closing Date	March 31
Number of Employees	<p>Consolidated: 1,014 Nonconsolidated: 412 (Including 74 employees dispatched to other companies)</p>
Corporate Website	<a href="https://www.chori.co.jp/english/">https://www.chori.co.jp/english/</a>

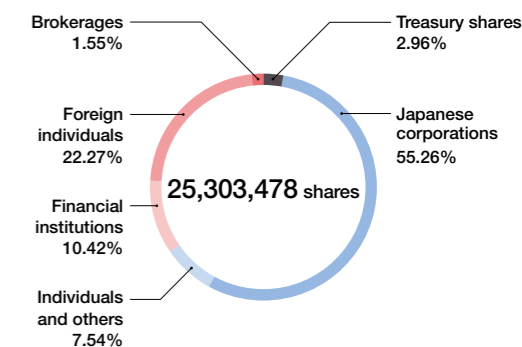
## Organization (As of April 1, 2020)



## Investor Information

Securities Code	8014 (First Section of the Tokyo Stock Exchange)
Total Number of Shares Authorized to Be Issued	55,000,000
Total Number of Shares Outstanding	25,303,478
Number of Shareholders	4,620
Trading Unit	100
Shareholder Register Agent for Common Stock	Mizuho Trust & Banking Co., Ltd.
Accounting Auditor	Deloitte Touche Tohmatsu LLC

## Breakdown of Shareholders by Investor Type

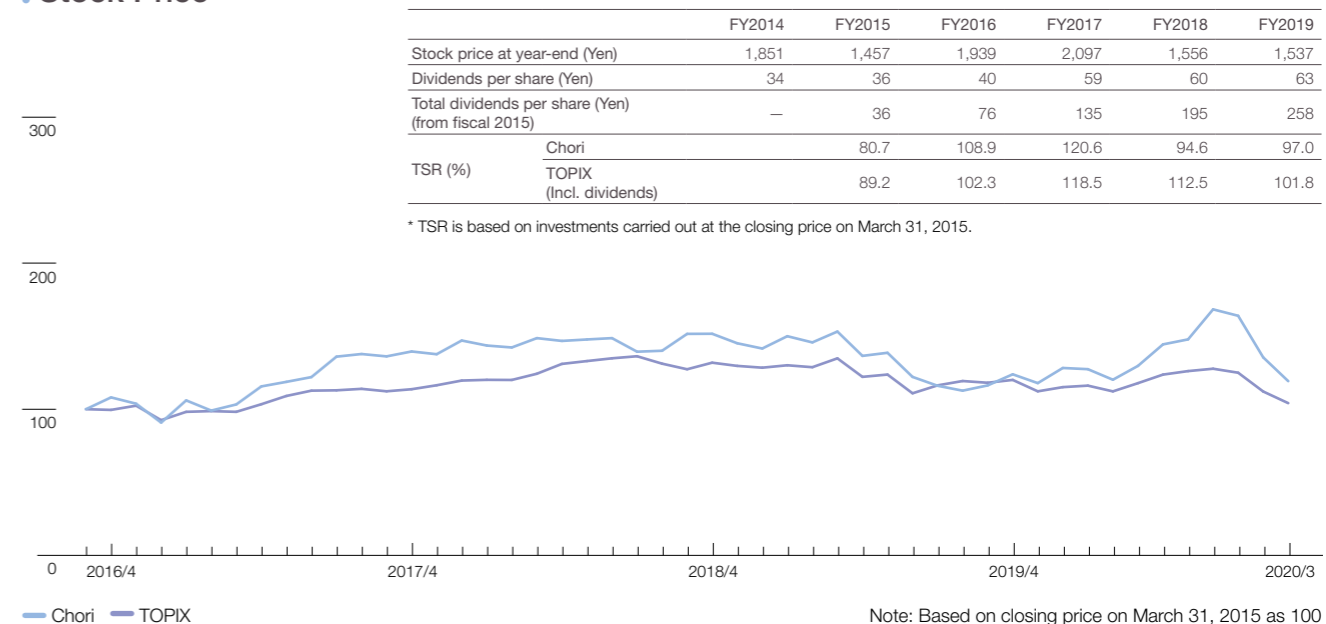


## Major Shareholders

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. In addition to the above, the Company owns 747,620 shares (2.96%) of treasury stock.  
 2. The ratio of shareholding excludes the 747,620 shares of treasury stock.  
 3. All shares held by the Master Trust Bank of Japan, Ltd. (Trust Account) and Japan Trustee Services Bank, Ltd. (Trust Account) are related to trust services.

## Stock Price



Note: Based on closing price on March 31, 2015 as 100