

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

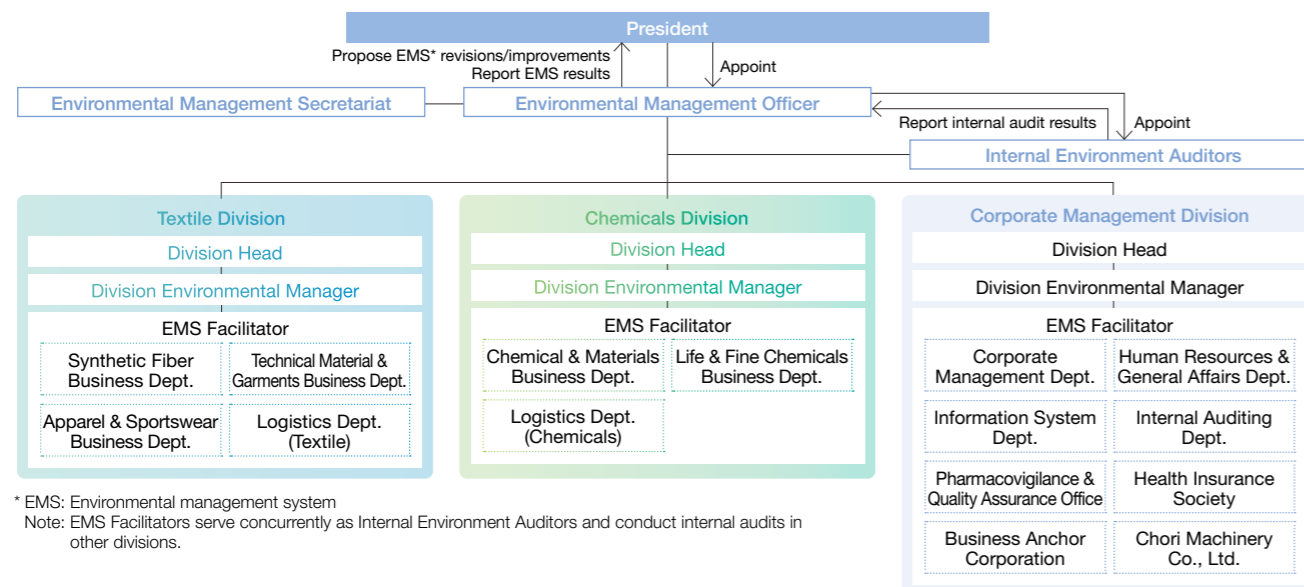
With a view to generating substantive value and helping to realize a more enriched society, Chori strives to provide accurate information and exceptional products tailored to the needs of its customers. As the environment continues to garner global attention, we believe the role we play in contributing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



* EMS: Environmental management system
Note: EMS Facilitators serve concurrently as Internal Environment Auditors and conduct internal audits in other divisions.

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.

CHOI-Katsu 2019 Themes

Think Smart! Work Smart!

- 1 Digital & Data
- 2 Cleanliness & Compliance
- 3 Global
- 4 Health

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*.

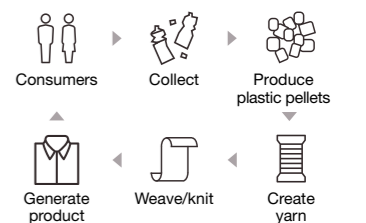
ECO BLUE™

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

Domestic Recycling System of ECO BLUE™



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.

Management Foundation Tailored to Sustainable Growth



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

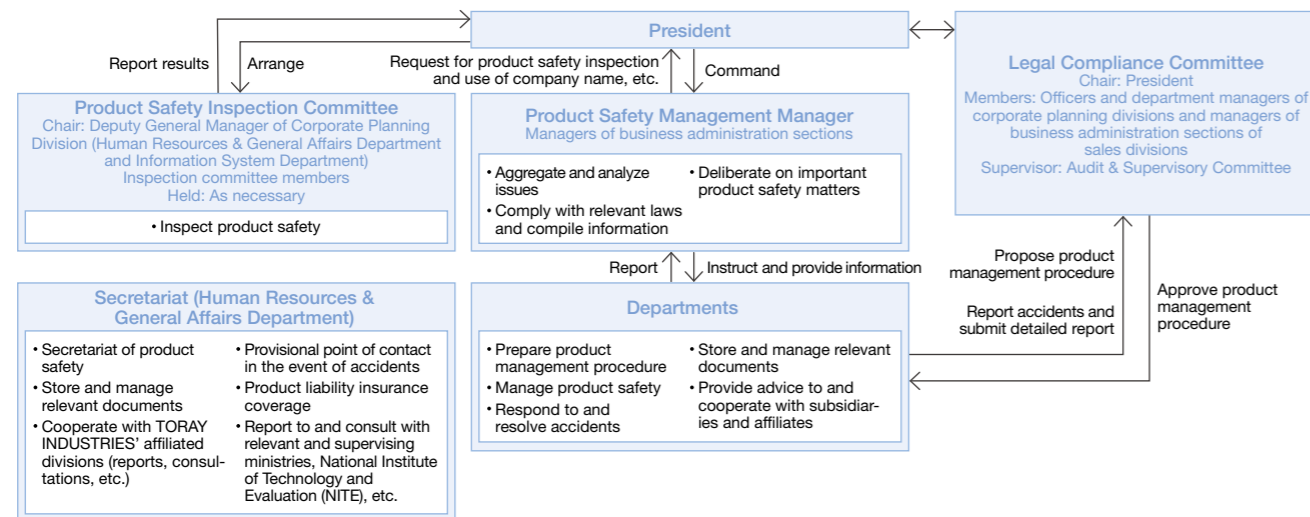
Once applications for list control and catch-all control are filed by Chori's Sales Department, the Corporate Management Department will conduct final approval. In October 2020, we will implement a system that integrates the management of information on export products and transactions, and by means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

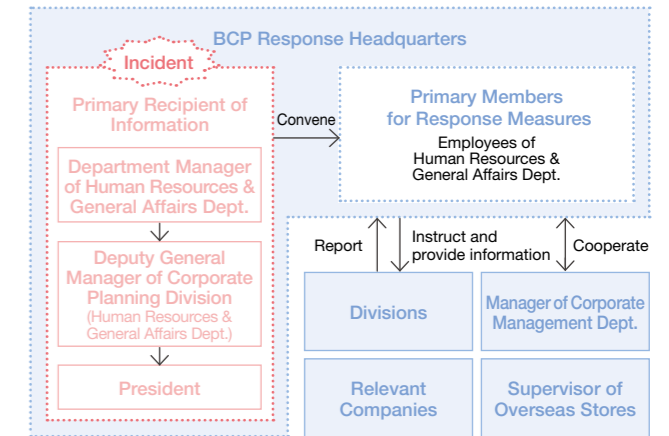
abroad and of the employees of overseas offices, and identifies the location of each employee at a particular point in time.

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

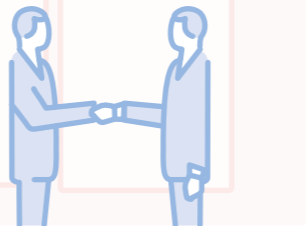
The Chori Group regards people as its most valuable management resource, founded on its vision for human resources, "Utilize people, and be useful to them. Nurture people, and develop with them. Connect people, and join together with them." We will utilize, nurture, and connect people to continue to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

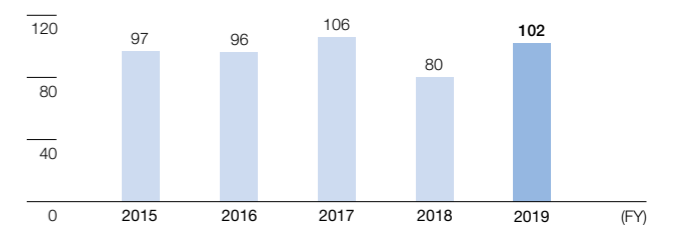
Chori has various childcare systems in place to promote the balance of work and family life. In fiscal 2019, the rate of employees who had taken childcare leave and returned to work was 100%. The number of male employees taking childcare leave has also been on the rise with six of them taking time off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

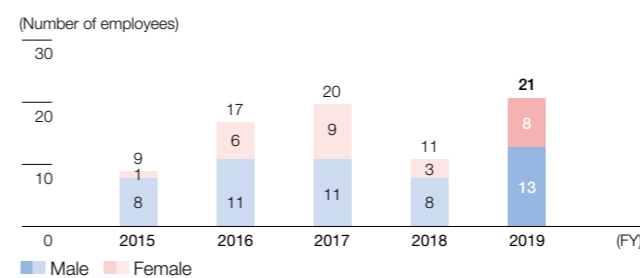
Number of Recipients of Self-Development Subsidy



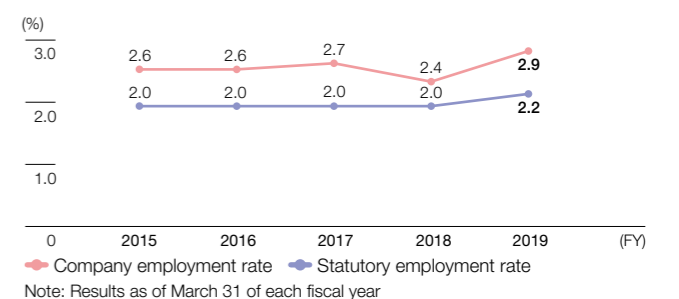
Recruiting Diverse Human Resources

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.



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.



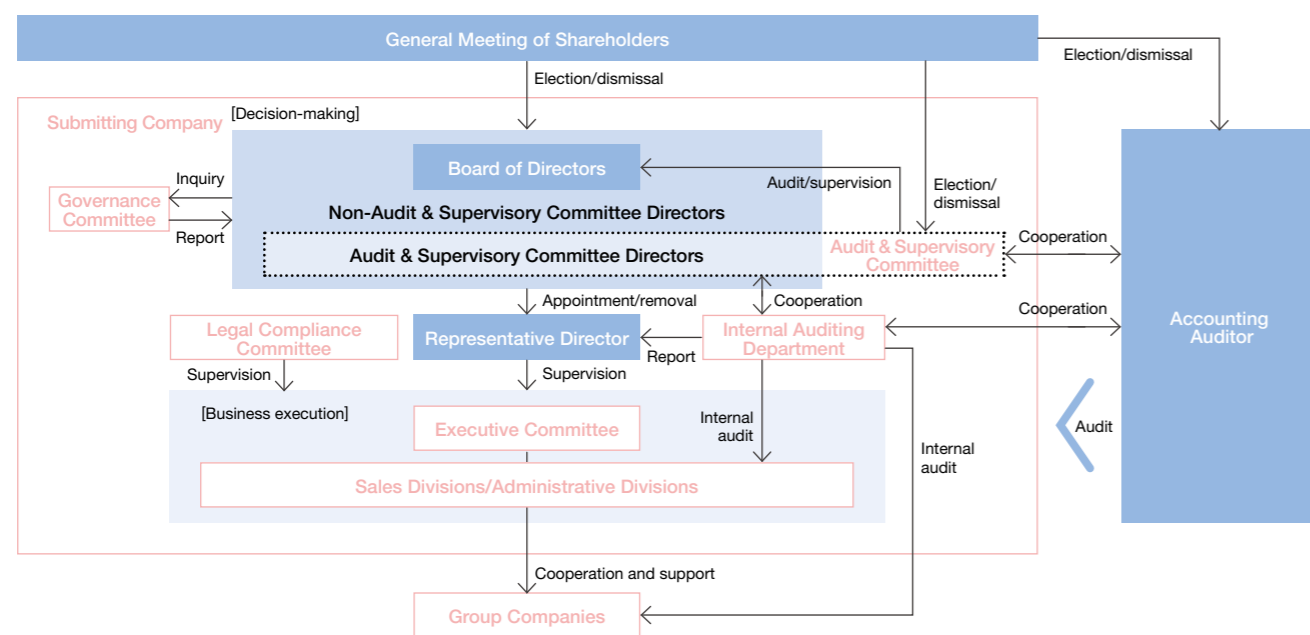
We will continue to engage in a variety of initiatives to promote the health of our human resources, our most valuable management resource.

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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	https://www.chori.co.jp/csr/pdf/governance-report.pdf (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

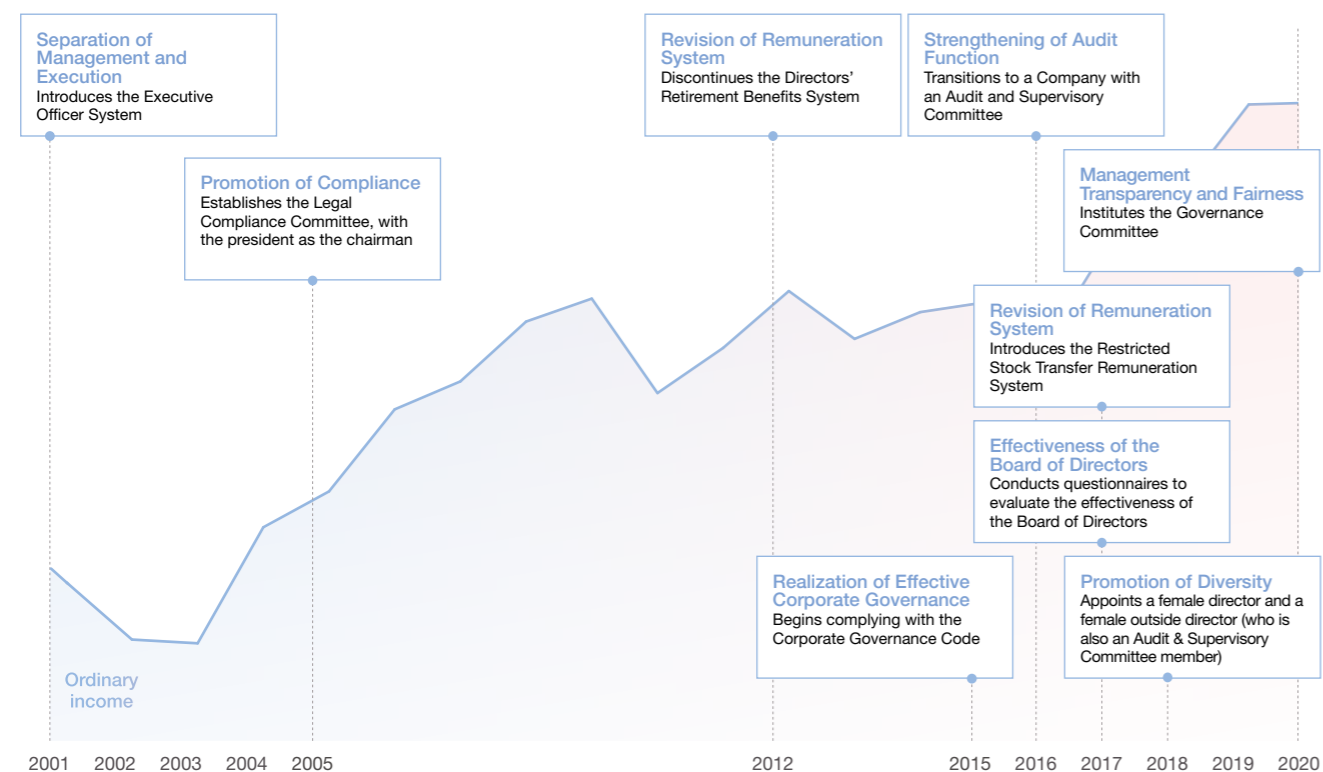
(Since the Annual General Meeting of Shareholders held on June 16, 2020)

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.

Respondents	All 10 directors (including those who are Audit & Supervisory Committee members) in fiscal 2019 (registered questionnaire)
Method of Evaluation and Analysis	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.
Questionnaire Content	The questions are based on the following four main items: <ul style="list-style-type: none"> • Agenda of the Board of Directors' meetings • Composition of the Board of Directors • Operation of the Board of Directors • Systems supporting the Board of Directors
Overview of Evaluation Results	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)*

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)*

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.