

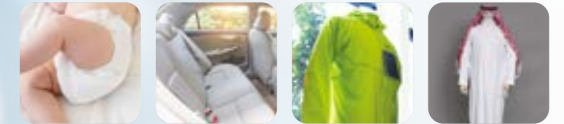
Overview of Chori

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.



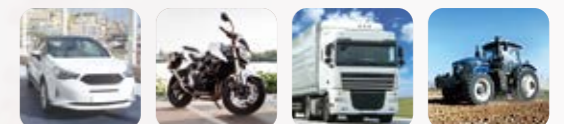
Chemicals Business

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

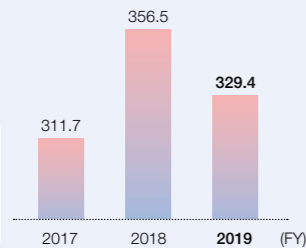
Since its establishment near the end of the Edo Period, Chori has continued to evolve in tune with the times while addressing the needs of society. This section highlights the figures defining the current state of Chori, a company with a long and rich history.

Fiscal 2019 Business Results (Consolidated)

Net Sales

¥ **329.4** billion

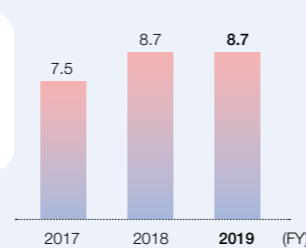
DOWN
7.6% YoY



Ordinary Income

¥ **8.7** billion

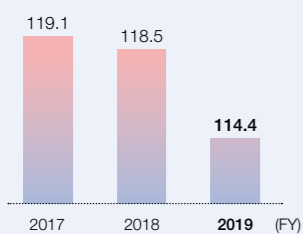
UP
0.3% YoY



Total Assets

¥ **114.4** billion

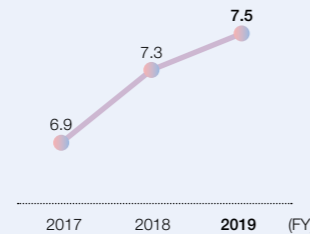
DOWN
3.5% YoY



ROA (Ordinary Income Basis)

7.5%

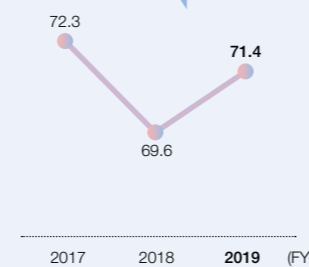
UP
0.2 point YoY



Ratio of Net Sales through Trade

71.4%

UP
1.8 point YoY



Chori's Growth Foundation



Year of Establishment

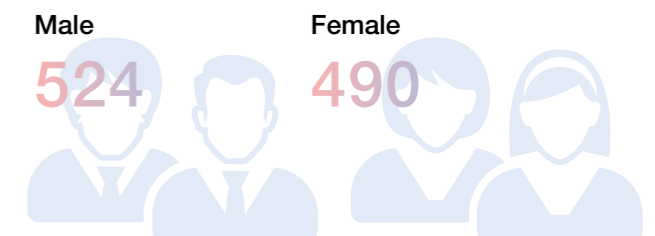
1861

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

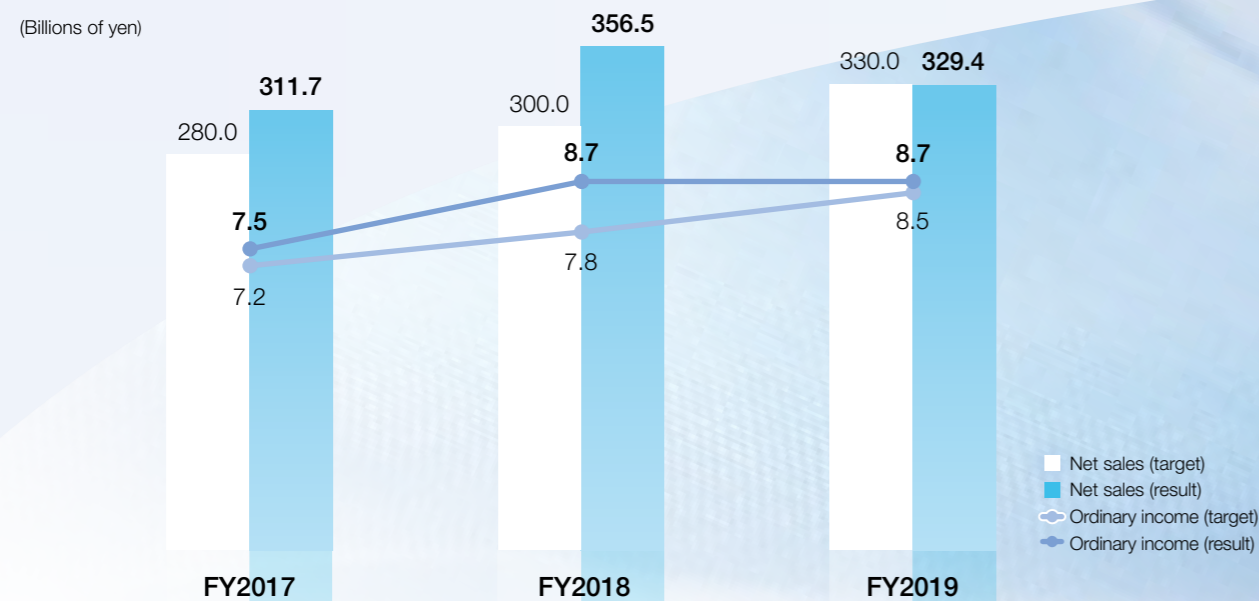
Four Consecutive Years of Record-High Ordinary Income
 In fiscal 2019, Chori's ordinary income totaled ¥8.7 billion, a record high for the fourth year in a row. By framing the drastic changes occurring in our business environment as opportunities for further growth and addressing them in a timely manner, 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*TM 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)

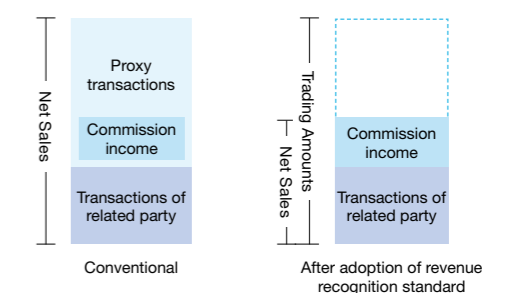
Becoming a corporate group that continues to evolve and change on a global scale, underpinned by our exceptional capabilities and expertise.

| 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

| | | |
|--|---|---|
| | Fibers, Textiles, and Garments Business | Environmental and recycling, health, hygiene, and materials fields |
| | Chemicals Business | Environmental, 5G-related, electronics and battery materials, healthcare, and agricultural fields |
| | Machinery Business | 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

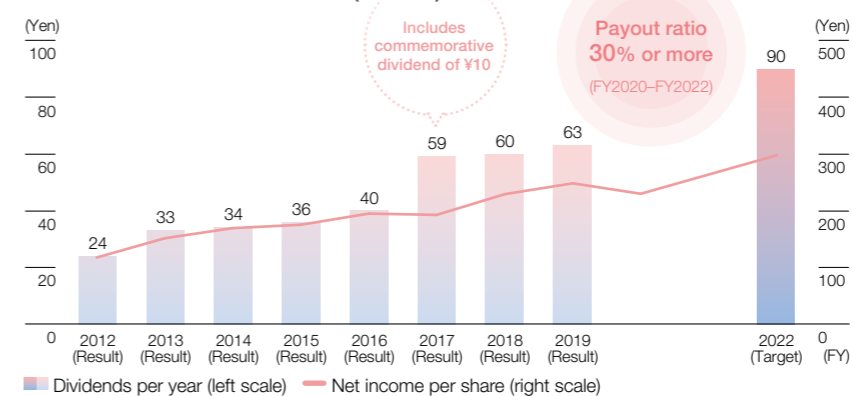
- Invested in PT. MATSUOKA INDUSTRIES INDONESIA
- Increased capital in SUZHOU FEILO ELECTRONIC COMPONENTS CO., LTD.
- Increased capital in QINGDAO RED BUTTERFLY PRECISION MATERIALS CO., LTD.
- Leased machinery for joint project with Utsumi Recycle Systems Inc. for the sale of recycled pellets
- Partially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

- Fibers, Textiles, and Garments Business
- Chemicals Business

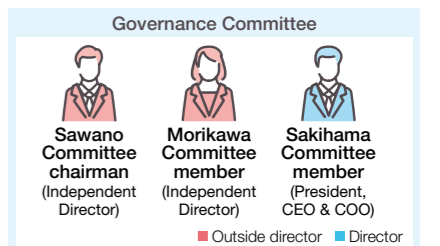
Corporate Governance

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.

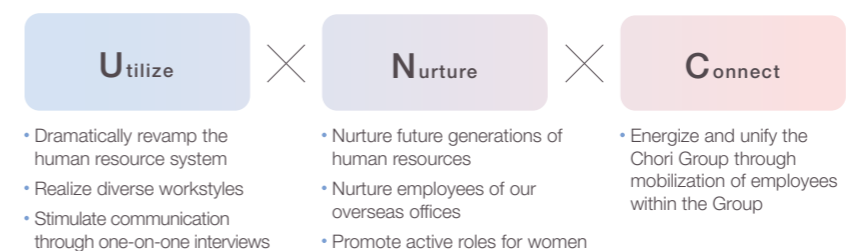
- Reinforcement of corporate ethics
- Elimination of legal violations
- Global risk management
- Strengthening of supervisory functions at consolidated subsidiaries

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

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