



CHORI CO., LTD. Tsumugu Report 2021

Tsumugu Report 2021

Fiscal 2020 (the year ended March 31, 2021)

Making your dreams come true

CHORI CO., LTD.

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

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

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



Printed in Japan
Issued in November 2021

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

— Commemorating Our 160th Anniversary —

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 over the years. The report’s name “Tsumugu Report” reflects our corporate stance that has remained intact since our founding. Commemorating its 160th anniversary in 2021, Chori will continue to remain a company that weaves dreams into reality by cherishing its relationships with all stakeholders.

Contents

Overview of Chori

- 3 A History Dating Back 160 Years to Our Founding
- 5 Our Expanding Footprint Overseas
- 7 Chori’s Strengths
- 9 President’s Message
- 13 Medium-Term Management Plan—Chori Innovation Plan 2022
- 17 Financial Strategy

Special Feature: Chori’s Sustainability-Focused Business

- 19 Natural Dye

Overview and Strategies by Business Segment

- 23 Overview
- 25 Fibers, Textiles, and Garments Business
- 29 Chemicals Business
- 33 Machinery Business

Management Foundation Tailored to Sustainable Growth

- 37 Chori’s Sustainability Initiatives
- 37 Environment
- 39 Business Partners
- 40 Occupational Safety Management
- 41 Human Resources
- 43 Local Communities and Society
- 44 Promotion of Health and Productivity Management
- 45 Corporate Governance
- 52 Messages from Outside Directors
- 53 Directors, Audit & Supervisory Committee Members, and Executive Officers

Fact Data

- 55 11-Year Financial Summary
- 57 Chori’s Global Network
- 59 Corporate Information

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 it is also available for viewing on our corporate 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 2020 (April 1, 2020 to March 31, 2021); however, certain sections of the report contain information on fiscal 2021 and thereafter.

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.

Overview of Chori

A History Dating Back 160 Years to Our Founding



1861

Founded in the Nishijin District of Kyoto, Japan

In 1826, Chori began handling rayon yarn upon its founding as a raw silk wholesaler. Due to the lack of market knowledge at the time, we visited weavers on a number of occasions to enhance awareness of rayon yarn and continued to improve its level of quality while orchestrating efforts to expand the market. In 1937, we became a major producer in the rayon yarn industry with an approximate 30% share of the domestic market, which led to the establishment of our business foundation as a specialized trading company in textiles. Moreover, 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.

1948 – 1970s

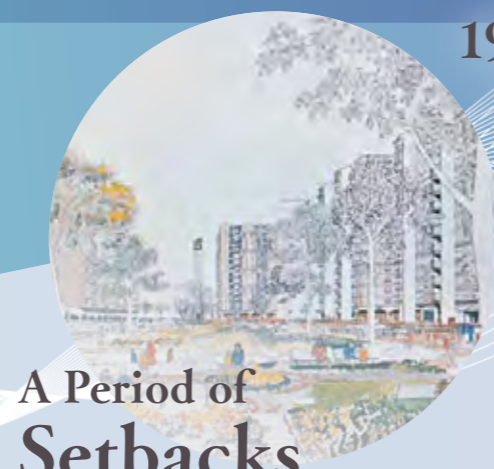
A Period of Growth

Handling of Synthetic Resin, Chemical Products, and Various Types of Machinery

In 1956, Chori engaged in the business of chemical products and machinery 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.

- 1948 CHORI CO., LTD. established
- 1952 Moves head office to Osaka
- 1953 Commences exclusive sales of woolly nylon through the establishment of a joint venture for the manufacture of woolly nylon with Toyo Rayon Co., Ltd. (currently TORAY INDUSTRIES, INC.)
- 1956 Launches Chemicals Business

- 1957 Establishes Chori New York Co., Ltd. (currently CHORI AMERICA, INC.), Chori's first overseas subsidiary
- 1959 Stock listed on Osaka Securities Exchange
- 1961 Stock listed on Tokyo Stock Exchange
Designated as one of the first friendly trading companies by China
- 1972 Develops a large-scale condominium



1970 – 2000s

A Period of Setbacks

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.

- 1975 Begins company restructuring with drastic streamlining and downsizing of management
- 1976 Establishes Fukui Chori Committee and Kanazawa Chori Committee (currently Hokuriku Chori Committee) with twisted yarn manufacturers and other business partners in the Hokuriku region
- 1985 Handling of angora sweaters exceeds 300,000 units, resulting in high market share
- 1993 Establishes CHORI (SHANGHAI) CO., LTD. as first subsidiary in China
- 1996 Secures order for railway project in Kazakhstan

- 1997 Establishes joint venture Chongqing Dazhu Red Butterfly Strontium Industry Co., Ltd.
- 2002 Spins off the Synthetic Resin Business Division into a separate company
Pla-Net Holdings, Inc. (currently Sojitz Pla-Net Corporation) acquires all shares of Chori Pla-Techno Co., Ltd.
- 2003 Launches "Reborn Management Plan" medium-term management plan and undergoes sweeping structural reforms
Holds Textiles Exhibition (currently CHORI Exhibition)



2000 – 2020s

A Period of Breakthrough Results

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. Meanwhile, we also began participating in a lithium compound production project in Chile and a chemical fertilizer production project in Nigeria, and we continue to actively engage in such social contribution activities to this day.

- 2004 Becomes a consolidated subsidiary of TORAY INDUSTRIES, INC.
- 2005 Establishes CHORI (CHINA) CO., LTD., the first Japanese trading company subsidiary with the rights to sell and trade in China
- 2006 Expands Chemicals Business through the supply of raw materials for epoxy resin
- 2012 Engages in capital participation in manufacture of electrode foil for aluminum electrolytic capacitors
Engages in capital participation in MEGACHEM LIMITED, a trading company specializing in chemicals in Singapore
- 2013 Makes PTI Japan Limited (currently CHORI GLEX CO., LTD.), a trading company specializing in chemicals, a consolidated subsidiary
- 2014 Relocates Tokyo head office to Shinagawa
- 2015 Makes Miyako Kagaku Co., Ltd., a trading company specializing in chemicals, a consolidated subsidiary

- 2016 Holds first annual Hokuriku Yarn Fair
- 2017 Participates in lithium compound production project in Chile
Splits off Machinery Business and establishes Chori Machinery Co., Ltd.
Makes ASADA U CO., LTD., a sales company of automotive interior and packaging materials, a consolidated subsidiary
- 2018 Makes KOZAKURA SHOKAI CO., LTD., a trading company specializing in chemicals, a consolidated subsidiary
Establishes a joint venture with MATSUOKA CORPORATION, FAST RETAILING CO., LTD., and TORAY INDUSTRIES, INC. in Indonesia
Participates in First China-Japan Forum on Third-Party Market Cooperation
- 2019 Establishes joint project with Utsumi Recycle Systems Inc. for the sale of recycled pellets
Participates in chemical fertilizer production project in Nigeria

Transitioning to Our New Stage

In 2021, Chori celebrated the 160th anniversary of its founding. Established as a raw silk wholesaler in 1861, prior to Japan's transition to the Meiji Era, Chori has continued to evolve with the times and accommodate the needs of society while actively pursuing the expansion of its business.

Under Chori Innovation Plan 2022, our medium-term management plan unveiled in fiscal 2020, we are working to lay a solid foundation for our new stage of consistently delivering ordinary income of ¥10.0 billion or more. Since its founding, Chori has continued to grow its business by framing the drastic changes that have occurred in its business environment as opportunities and fully embracing them. Moving ahead, we will remain firmly committed to enhancing our corporate value with the goal of realizing sustainable growth.

- 2021 Makes Sumitex International Company Limited, a specialized trading company in textiles, a consolidated subsidiary

2020s –



Overview of Chori

Our Expanding Footprint Overseas

Following the resumption of private foreign trade in 1949, Chori began selling textiles to markets in Southeast Asia and South America. Our exports to Southeast Asia, Africa, North America, and Central and South America also resumed thereafter, while our global network expanded with the establishment of overseas bases in the United States, Germany, Canada, Australia, Hong Kong, South Korea, the Philippines, and other locations.

Our Long-Standing Business Ties with Greater China* Established through Our 14 Business Locations

Chori has a long history of business relations in China, as demonstrated by its designation as one of the first friendly trading companies by the Chinese government in 1961. China is regarded not only as one of our regions of production but also as a strategic base for offshore trade and, in view of this, we are moving full steam ahead with the strengthening and growth of our business in this region.

* Includes China, Taiwan, and Hong Kong

Expansion of Overseas Trade with Central and South America through the Establishment of CHORI COMERCIAL DE MEXICO, S.A. DE C.V.

In the 1960s, representative offices were established in El Salvador, Lima, and Sao Paulo to serve as core bases for overseas trade with Central and South America. With the establishment of CHORI COMERCIAL DE MEXICO, S.A. DE C.V. in 2017, our business in Central and South America has expanded ever since through the supply of materials of a major automaker to the region and other initiatives.

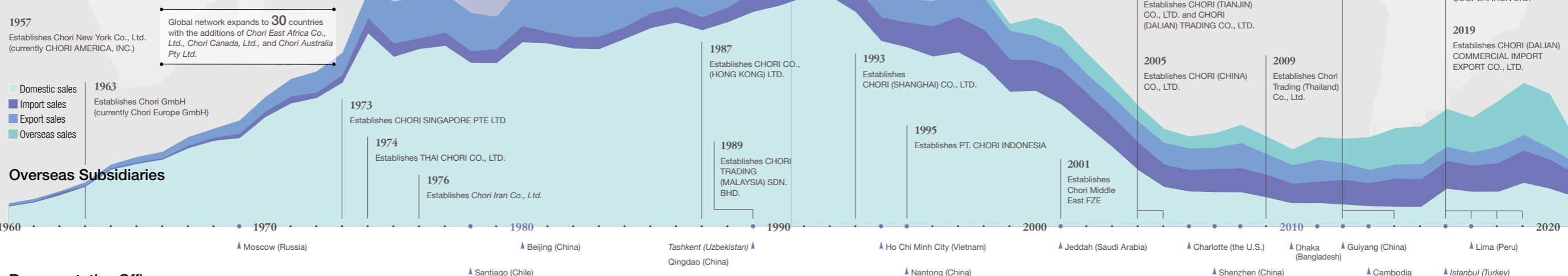
Establishment of Chori New York Co., Ltd. (Currently CHORI AMERICA, INC.)

Chori began sourcing materials from Southeast Asia and other regions across the globe by taking full advantage of the high economic growth period that transpired after World War II as well as of its distinctive global network. In particular, Chori New York Co., Ltd. expanded as a hub for the import and export of Japanese-made textiles with markets in North America.

Major Overseas Bases and Net Sales in Japan and Overseas*

Overseas bases shown in italics have either discontinued operations or are currently inactive.

* Based on the results of securities reports



Chori's Strengths

Cultivated Since Its Foundation



Strength **1** Strength **2** Strength **3**

Unique Global Network



Our Unique Product Procurement Network and Know-How in Overseas Trade

In 1949, private overseas trade resumed upon the conclusion of World War II, and Chori proceeded in full force to resuscitate its overseas business. At Chori, we have built a global network that currently consists of 969 employees on a consolidated basis and 35 locations overseas, encompassing China and other parts of Asia as well as the Middle East, Africa, and South America. Through the growth of our global network over the years, we have enhanced our line of expertise and competitive advantages in various markets. In addition, our sales outside of Japan have expanded on the strength of our long-cultivated know-how in overseas trade, with overseas transactions accounting for roughly 70% of our total net sales.

Human Resources



Timely Responses to Customer Needs Provided by Our Team of Experts

At Chori, our employees are assigned to either the Fibers, Textiles, and Garments Business, the Chemicals Business, or the Machinery Business over the long term and, for that reason, they are well versed in their respective fields. Their expert knowledge encompasses a wide range of domains, including product quality, manufacturing know-how, and the technological capabilities of our suppliers. The ability to utilize this expertise to identify the needs of the market and propose solutions to customers represents one of Chori's competitive strengths. Moreover, we address the various needs of our customers through not only the efforts of our operations in Japan but also through uniting together as an organization and sharing information with our subsidiaries and offices overseas.

History



Our Proven Track Record and Distinctive Business Ties Accumulated over 160 Years

Over the course of its long history, Chori has developed solid relationships with prominent suppliers across the globe. Our connection with China has been particularly strong, with our designation as one of the first friendly trading companies in 1961, prior to the normalization of Japan-China diplomatic relations, serving as a prime example. In 2005, we also established a trading company subsidiary with the rights to sell and trade in China. On the strength of its long-nurtured and solid business ties with China, Chori has built a formidable supply chain in the country. China serves as a hub for the production, procurement, and domestic sales activities of our Fibers, Textiles, and Garments Business as well as for exports to third-party markets in the Chemicals and Machinery businesses, which we will fully exploit in a bid to continue the expansion of our business in this country.



Kazuo Sakihama

President, CEO & COO,
President and Executive Officer

President's Message

**We will continue to evolve with an eye
on the next generation by consistently delivering
ordinary income of ¥10.0 billion or more.**

Commemoration of Our 160th Anniversary

Founded as a raw silk wholesaler in 1861, Chori celebrated the 160th anniversary of its founding in 2021. This year also marks the 73rd year since CHORI CO., LTD. was established in 1948. While riding the wave of economic growth in Japan after World War II and continuously expanding the scale of its business, Chori suffered hardships during a period of around 28 years that started in the latter half of the 1970s. As a result of enormous losses incurred in the leisure and real estate businesses, Chori underwent a rigorous selection and concentration process in order to breathe new life into its business. What materialized out of these efforts and what continues to live on and serve as the pillars of our operations today are the Fibers, Textiles, and Garments, Chemicals, and Machinery business segments. We have been able to create a solid business foundation through the refinement of these three business segments over the years. Meanwhile, the global outbreak of COVID-19 in fiscal 2020 has reaffirmed the importance of this foundation. The global impact and unprecedented nature of the COVID-19 pandemic has served as a true test of strength for Chori's procurement and sales capabilities and the long-cultivated global supply chain on which they are built. More than anything, the employees at Chori, who are well versed in their respective fields, and our organizational capabilities that hinge on the strengths of each individual are the reasons why we have been able to overcome the challenges presented by COVID-19.

For these reasons, I am fully confident that we will continue to evolve as a company as we proceed ahead into the future. I look forward to your continuous support of Chori as it continues to adapt to changes in the times and to evolve in tune with society.

Overview of Fiscal 2020 Results

In fiscal 2020, the initial year of Chori Innovation Plan 2022, its medium-term management plan, Chori's business segments were hit hard by the effects of COVID-19, particularly in the first quarter. While gradually recovering the profitability of core businesses from the second quarter, ultimately both net sales and ordinary income in fiscal 2020 fell from the previous year, as net sales amounted to ¥216.2 billion, ordinary income totaled ¥4.7 billion, and net income attributable to owners of the parent came to ¥1.2 billion. The lower ordinary income is mainly attributable to the recording of provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group in China. I would like to express my sincere apologies for the great deal of concern and inconvenience this has caused to all of our stakeholders. Going forward, we will monitor developments in the Chengxing Group's reconstructive bankruptcy proceedings and make every effort to collect on the chattel mortgage over collective property that has already been obtained and on repayments from reconstruction plans. At the outset of fiscal 2020, our goal, with the impact of COVID-19 in mind, was to achieve net sales of ¥200.0 billion and ordinary income of ¥7.0 billion. While we did not reach these targets, ordinary income would have amounted to ¥9.7 billion if not for the recording of provision of allowance for doubtful accounts, which would have exceeded its fiscal 2019 results. Recognizing this fact, I believe fiscal 2020 was a year in which we were able to lay a solid foundation for our new stage, at which we will consistently deliver ordinary income of ¥10.0 billion or more, as set forth in Chori Innovation Plan 2022.

Overview of Chori

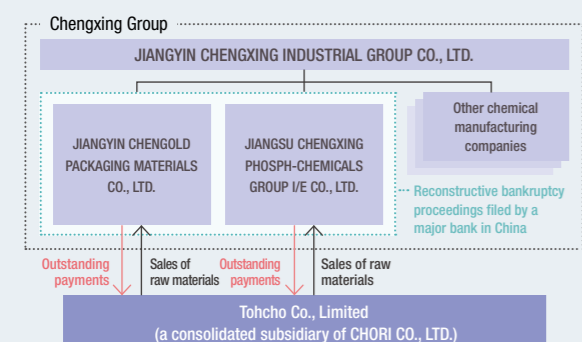
I truly appreciate the hard work of our Group employees in this regard. Amid circumstances in which employees were not able to come to the office or take business trips, the fact that we managed to continue to fulfill our procurement tasks by maintaining our supply chain and, in particular, the fact that we were able to procure and deliver the materials necessary for masks, protective garments, and hygienic materials in a timely manner through the collective efforts of our organization deserve strong recognition.

As it moves forward, Chori will rigorously enforce risk management and other defensive measures and firmly grasp business opportunities in order to position itself to respond quickly to the drastic changes taking place in its social and economic environments.

Recording of Provision of Allowance for Doubtful Accounts

Tohcho Co., Limited, a consolidated subsidiary of CHORI CO., LTD., was a supplier of chemical raw materials for the Chengxing Group, a chemical manufacturing company in China. However, due to the sluggish performance of the Chengxing Group's main petrochemical business as a result of COVID-19, payments to Tohcho for raw materials began to fall behind from April 2020. The Chori Group quickly proceeded with legal action and filed a lawsuit to collect the outstanding payments and, after assessing the recovery status of accounts receivable and the progress of litigation hold procedures in the first quarter, recorded provision of allowance for doubtful accounts in the amount of ¥2,474 million, equivalent to around 50% of the entire amount of accounts receivable.

In February and March 2021, a major bank in China filed for reconstructive bankruptcy proceedings against two companies operated by the Chengxing Group, for which the court accepted reconstructive bankruptcy proceedings, and the initial creditors' meetings related to these proceedings were held in April 2021. Upon receiving reports from the bankruptcy trustee on the financial status of each company and conducting a comprehensive assessment of the financial position of each company, the estimated value of the chattel mortgage over collective property that has already been obtained, and the developments of the reconstructive bankruptcy proceedings, under accounting procedures provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5,085 million was recorded (an additional amount of ¥2,708 million was recorded in the fourth quarter).



Progress of Chori Innovation Plan 2022

The downstream field in the Fibers, Textiles, and Garments Business, which handles apparel and other finished products,

was hit severely by the effects of COVID-19. However, car seats, hygienic materials, and other non-apparel items made a steady recovery as the Fibers, Textiles, and Garments Business's unification of three divisions into one began to bear fruit. Positioning the Fibers, Textiles, and Garments Business under a single large roof has enabled information on the hazards of COVID-19 to be shared with Group headquarters and affected areas in need of recovery through the efforts of the entire business segment.

Moreover, we bolstered the collective strengths of the business in June 2021 by making Sumitex International Company Limited a consolidated subsidiary. While the strength of this company lies in natural fibers and despite its providing raw materials to all customer categories in the apparel sector as an original equipment manufacturer (OEM), the customer base differs from that of Chori. As such, we can expect the generation of synergies in the form of stronger exit strategies. This new subsidiary also owns a factory in Vietnam, which could be utilized to diversify our production in the near future. I am looking forward to seeing this synergy make great contributions to our medium- to long-term growth.

Meanwhile, the Chemicals Business also felt the drastic effects of COVID-19 as the cost of various products took a downturn in the first quarter. The market was particularly sluggish for the organic chemicals and electronics materials sectors in the first half of fiscal 2020; however, they were on the road to recovery in the second half. In the area of functional materials, such as intermediates for pharmaceutical products and food additives, we will likely see improvements in this market in fiscal 2021. In terms of investments in the Chemicals Business, we are currently at a standstill due to the impact of COVID-19. In view of this, however, Chori will remain firmly engaged in the lithium compound production project in Chile, which it began undertaking prior to the advent of COVID-19, while actively seeking opportunities to invest in growth fields, such as the environment and 5G, moving forward.

In the Machinery Business, the enforcement of lockdowns in the sales markets of Central and South America, Europe, and Africa affected our ability to conduct sales activities in the first half of fiscal 2020. However, owing to the global recovery of the automotive market, we were able to achieve a level of ordinary income that exceeds the target we set out to achieve in fiscal 2022, the final year of Chori Innovation Plan 2022. In fiscal 2021, we have gotten off on the right foot thus far, as we are on pace to surpass our fiscal 2020 results.

Despite the challenges posed by COVID-19 to each of our three businesses in the first half of fiscal 2020, we are optimistic about the future as all three businesses are currently on the road to recovery. We will continue to make steady strides in each business with the goal of achieving ordinary income of



¥11.0 billion (Fibers, Textiles, and Garments Business: ¥5.2 billion; Chemicals Business: ¥5.3 billion; and Machinery Business: ¥0.5 billion), the target we have set out to achieve in fiscal 2022, the final year of our current medium-term management plan.

Our Direction Going Forward in Anticipation of the New Normal

Changes in consumer behavior will most likely persist in the current and post-COVID-19 eras; however, they are believed to be short-lived. Meanwhile, the various measures that will be enforced to address the most vulnerable areas uncovered as a result of COVID-19 and the issues expected to emerge several years from now are sure to speed up the pace of changes in society. Among these issues, I am particularly concerned about the lack of advancement in digitalization within the public and private sectors in Japan that has come to light recently. Chori has been going about its day-to-day business with this issue in mind for several years now, but we are well aware that this lag in digitalization is a matter of great concern. We have declared the consistent delivery of ordinary income of ¥10.0 billion or more as a major goal for our current medium-term management plan. The realization of this goal and the continuous growth of our business will entail the restructuring of our business through the further advancement of digitalization and the eventual arrival of digital transformation. As we look ahead to the next medium-term management plan, we will speed up the pace of our digitalization while developing infrastructure conducive to the achievement of our continuous growth as a company.

Through this advancement of digitalization, I believe we must work to quantify our nonfinancial indicators. At Chori, we handle such products as ECO BLUE™ recycled polyester fiber and plant-based meat (alternative meat derived from plants), and are participating in a lithium compound production project in Chile that relies on a new environment-friendly lithium production process. Moving forward, we must not only continue to engage in such social contribution activities but also

clearly disclose the social benefits thereof in the form of non-financial indicators, such as the reduction of CO₂ emissions.

Meanwhile, I do not expect significant changes going forward from the perspective of Chori's role as a trading company. Although we will continue to adhere to the requests of governments and municipal authorities for the promotion of telework and the implementation of basic measures to prevent the spread of the virus, so long as we are a trading company, direct face-to-face contact will remain a critical aspect of our business. Our interactions with new customers and our support for newly graduated employees that can only be provided on-site will continue to be an important part of our business. While valuing the importance of such on-site activities, we will flexibly adapt to the needs of the times by providing the option of staggered working hours and telework, incorporating online solutions, and implementing other measures to offer a diverse array of workstyles.

To All of Our Stakeholders

I would like to sincerely apologize once again for the great deal of concern and inconvenience that the actions of the Chengxing Group in fiscal 2020 have caused to all of our stakeholders. Regardless of this incident, the management foundation and profitability that Chori has built over the years are making steady progress as we proceed toward realizing the targets set out in Chori Innovation Plan 2022. I am convinced we will be able to demonstrate the proof of our continuous growth over the years in fiscal 2021, the second year of our current medium-term management plan. I sincerely hope that we continue to receive support and encouragement from all of our stakeholders in the years ahead.

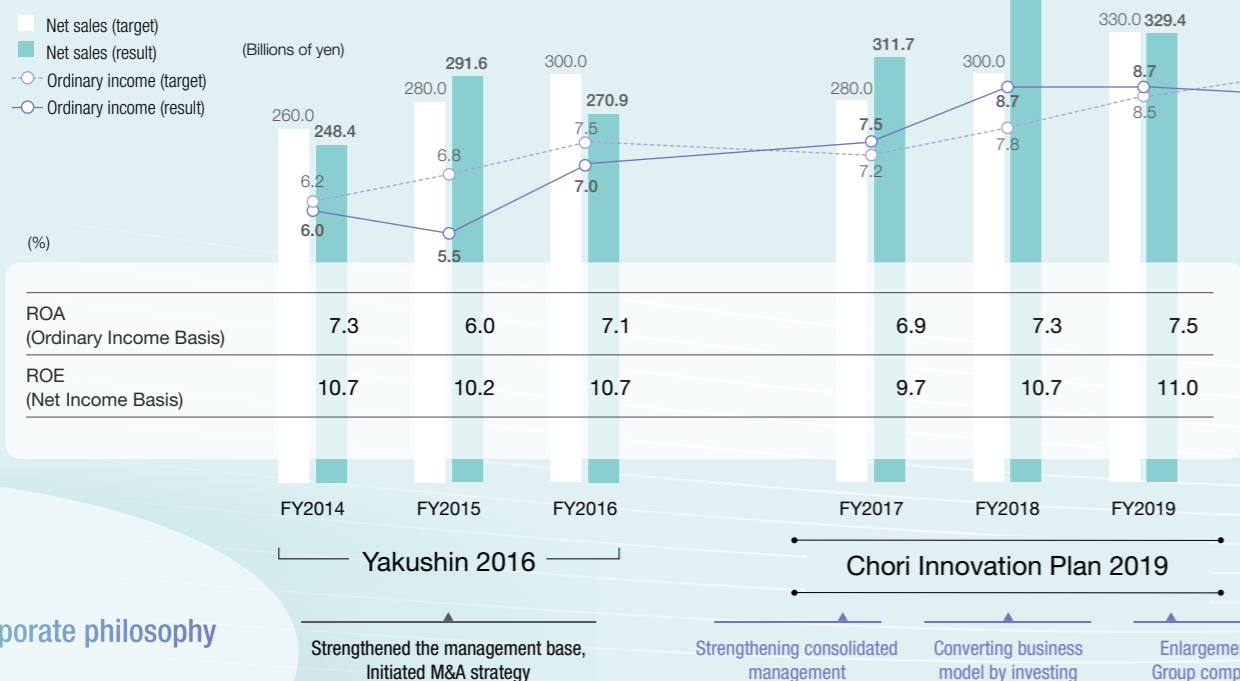
Kazuo Sakihama

President, CEO & COO,
President and Executive Officer

Overview of Chori

Medium-Term Management Plan Chori Innovation Plan 2022

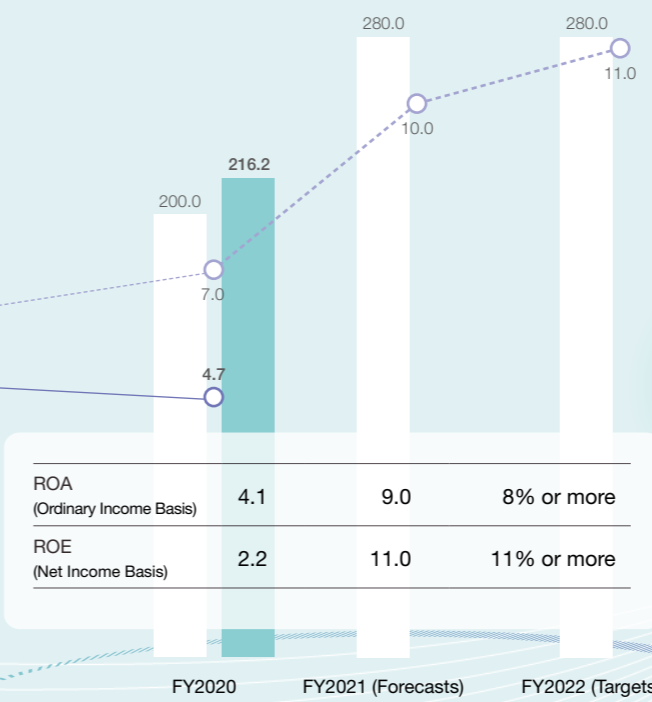
Under Chori Innovation Plan 2022, our current medium-term management plan covering the period from fiscal 2020 to fiscal 2022, Chori will rigorously enforce risk management and other defensive measures in order to position itself to respond quickly to the drastic changes taking place in its social and economic environments. We will forge 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,” with the aim of realizing sustainable growth. By doing so, 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 continue to enhance its corporate value.



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

AFTER COVID-19
To a new normal

Take steps to address COVID-19
Respond instantly to a dramatically changing business environment
Fortify defensive measures



Chori Innovation Plan 2022

Lay a solid foundation for a new stage
Consistently deliver ordinary income of ¥10.0 billion or more

- Enhancing corporate governance
- Continuing to implement CHORI Innovation Activities (Companywide activities)

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 adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018).

Corporate philosophy

Under Yakushin 2016, our previous medium-term management plan covering the period from fiscal 2014 to fiscal 2016, we fell short of our targets due to the decline in overseas trade precipitated by the impact of the appreciating Japanese yen in fiscal 2016. Nonetheless, our results fared well overall thanks to the execution of large-scale M&A, such as the consolidation of Miyako Kagaku Co., Ltd. into the Group.

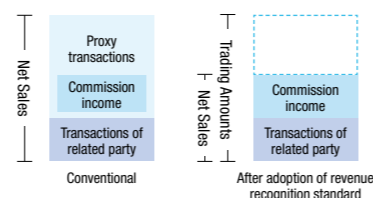
Under Chori Innovation Plan 2019, our previous medium-term management plan covering the period from fiscal 2017 to fiscal 2019, we solidified the foundation for reinforcing our consolidated management structure by making ASADA U CO., LTD. and KOZAKURA SHOKAI CO., LTD. consolidated subsidiaries. This culminated in the achievement of our highest-ever results for ordinary income and net income attributable to owners of the parent in fiscal 2018 and of our management plan targets one year ahead of schedule.

Under Chori Innovation Plan 2022, which commenced in fiscal 2020, the impact of COVID-19 and the adoption of the Accounting Standard for Revenue Recognition led to a 34.3% year-on-year decline in net sales in the first year of the plan. Moreover, as a result

of recording provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group in China, ordinary income came to ¥4.7 billion, a 46.4% decrease from the previous fiscal year, while both ROA (ordinary income basis) and ROE (net income attributable to owners of the parent basis) fell temporarily. However, if not for this one-time loss, ordinary income would have amounted to ¥9.7 billion. We will continue to promote initiatives such as the consolidation of Sumitex International Company Limited into the Group with a view to realizing ordinary income of ¥11.0 billion in fiscal 2022, the final year of this medium-term management plan.

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.



Awareness of External Business Environment (Fiscal 2020)

Chori will rigorously enforce risk management and other defensive measures and firmly grasp business opportunities in order to position itself to respond quickly to the drastic changes taking place in its social and economic environments.

	Positive Impacts	Negative Impacts
Fibers, Textiles, and Garments Business	<ul style="list-style-type: none"> Increased demand for car seats due to recovery in automobile production Steady demand for hygienic materials Increased demand for sports apparel due to increased health awareness 	<ul style="list-style-type: none"> Demand for apparel declined due to stay-at-home orders
Chemicals Business	<ul style="list-style-type: none"> Strong demand for pharmaceutical intermediates, etc. Increased demand for automobile-related materials due to recovery in automobile production 	<ul style="list-style-type: none"> Demand for cosmetics and food additives declined due to reduced store opening hours and people's refraining from going outdoors
Machinery Business	<ul style="list-style-type: none"> Recovery of vehicle markets in Europe, South and Central America, and Africa 	<ul style="list-style-type: none"> Stringent conditions for vessels, soaring container shipping rates, etc.

Overview of Chori

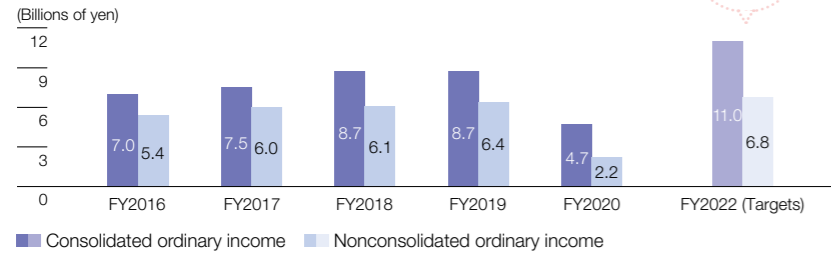
The Basic Strategies of Chori Innovation Plan 2022

Chori will press ahead 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.

1 Reinforcement of Consolidated Management Structure

From the perspective of reinforcing the consolidated management structure, Chori will increase the consolidated-to-nonconsolidated ordinary income ratio, enhance the capabilities of core subsidiaries, and promote Group management.

Strengthening of Consolidated-to-Nonconsolidated Ordinary Income Ratio



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

2 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.

Focusing on Investment in Growth 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

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

TOPIC

Acquisition of Sumitex International Company Limited

In June 2021, the Chori Group acquired all shares of Sumitex International Company Limited from Sumitomo Corporation and made it a wholly owned consolidated subsidiary. Sumitex International, which originated as a business that handled raw materials for fibers (cotton), is a trading company specializing in natural fibers that provides such raw materials to all customer categories in the apparel sector as an original equipment manufacturer (OEM). We are expecting to create synergies with this globally expanding company that boasts a production network consisting of Japan and various other countries in Asia.

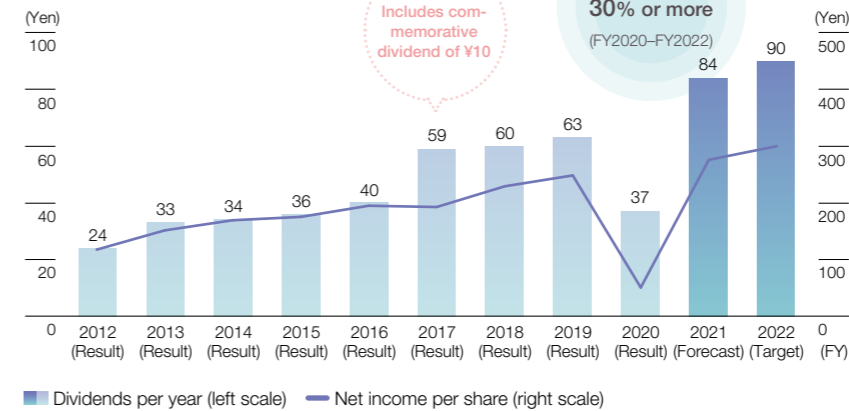
Overview of Sumitex International Company Limited

Name and Title of Representative	President, CEO & COO / President and Executive Officer Masahiro Takamaru
Location	3-26, Kanda Nishiki-cho, Chiyoda-ku, Tokyo
Capital	¥830 million
Date of Establishment	March 1987 (founded in 1898)
Details of Business	Manufacturing and distribution of textile-related products (clothing, fabric materials, etc.)
Employees	232 (as of April 1, 2021)
Overseas Bases	China (Shanghai, Qingdao), Hong Kong, and Vietnam (Ho Chi Minh City)
Website (in Japanese only)	http://www.stx.co.jp/

3 Corporate Governance

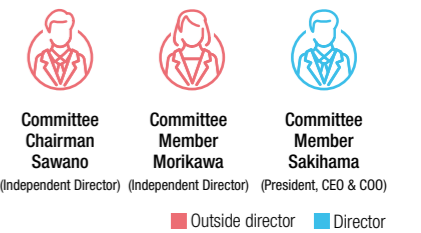
At Chori, we have a Governance Committee in place, which mainly consists of outside directors and serves as an advisory body to the Board of Directors. Through the enhancement and strengthening of corporate governance, we will pursue further increases in corporate value, while delivering performance-based dividends of 30% or more. Meanwhile, 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)

Governance Committee



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

4 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

5 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 44 for details)

Nurture of Human Resources for Next Generation

Utilize

×

Nurture

×

Connect

- Realize diverse workstyles
- Stimulate communication through one-on-one interviews
- Nurture future generations of human resources
- Nurture employees of our overseas offices
- Promote active roles for women
- Energize and unify the Chori Group through mobilization of employees within the Group

Overview of Chori

Financial Strategy



We will continue on our path toward our new stage on the strength of our solid equity.

Shigemasa Yabu

Director, Senior Managing Executive Officer

Overview and Assessment of Fiscal 2020 Results

At the end of May 2020, Chori announced its targets for Chori Innovation Plan 2022, which reflect the impact of COVID-19, after the announcement was postponed from its initially scheduled date at the end of April 2020 due to the pandemic. Despite the effects of COVID-19, our fiscal 2020 results came very close to reaching their respective targets thanks to the strenuous efforts of our business segments. While net sales ended up falling below that in fiscal 2019, it bounced back in the third quarter. Meanwhile, due to the recording of provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the

Chengxing Group in China, ROA (ordinary income basis) and ROE (net income attributable to owners of the parent basis) both declined temporarily; however, earnings in our main business started to rise in the second quarter on the back of cost-cutting measures.

Accordingly, our efforts to lay a solid foundation for our new stage of consistently delivering ordinary income of ¥10.0 billion or more—a major theme of the current medium-term management plan—made favorable progress, as we are within reach of our ordinary income target of ¥10.0 billion.

Changes in Consolidated Business Results (on a Quarterly Basis)

	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Full-year total	1Q	2Q	3Q	4Q	Full-year total
Net Sales	83.2	81.2	85.1	79.9	329.4	49.0	53.2	55.2	58.9	216.2
After Adoption of Accounting Standard for Revenue Recognition*	62.1	63.1	61.7	61.6	248.5	49.0	53.2	55.2	58.9	216.2
Operating Income (Loss)	2.3	2.3	2.1	1.5	8.2	(0.9)	2.5	2.4	(0.3)	3.7
Ordinary Income (Loss)	2.4	2.5	2.3	1.5	8.7	(0.7)	2.5	2.5	0.3	4.7
Excluding the Provision of Allowance for Doubtful Accounts						1.8	2.5	2.5	2.9	9.7
Net Income (Loss) Attributable to Owners of the Parent	1.6	1.6	1.5	1.4	6.1	(1.2)	1.4	1.6	(0.6)	1.2

Note: In the first quarter of fiscal 2020, Chori adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018).

Policy on Growth Investments

At Chori, our basic policy on business investments is to ensure extensive marketing and risk management, in addition to adequate returns. Investments are determined on the basis of their impact on our financial position while minimizing the risks involved. This policy stems from our unfortunate experience of incurring a massive amount of losses in our noncore businesses prior to the year 2000. Our investments are generally made within the perimeters of our core businesses of Fibers, Textiles, and Garments, Chemicals, and Machinery, while emphasizing the importance of marketing. Furthermore, the Business Investment Committee, chaired by the president and representative director, and

the M&A Promotion Committee, headed by the general manager of the Corporate Planning Division, discuss and deliberate on the appropriateness of risk-return assessments and plans and the feasibility of important investments and M&As.

In terms of our focus on investing in growth fields and areas as a part of our “creation of next-generation business models,” a basic strategy of Chori Innovation Plan 2022, we are currently in the process of determining such opportunities as a result of COVID-19. Our development of new businesses has also been put on hold due to the effects of COVID-19 because of our inability to have face-to-face

dialogues. However, when the time comes for everyone to be able to move freely from one place to another, we will certainly take advantage of every opportunity to invest in growth fields, such as 5G, environmental, and hygiene, as well as in the ASEAN region, Africa,

and other growth areas. While doing so, we will continue to firmly engage and expand our efforts in ongoing projects such as the lithium compound production project in Chile and ECO BLUE™ recycled polyester fiber.

Chori's Financial Position

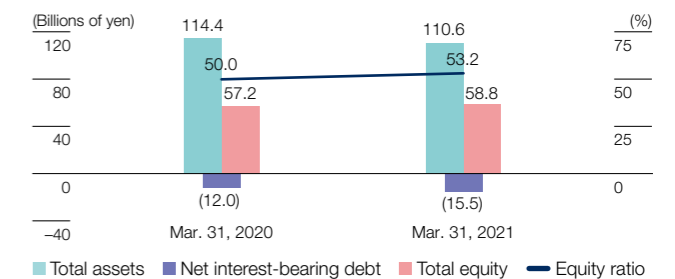
In terms of our financial base, we continue to maintain a high equity ratio, achieving 53.2% in fiscal 2020, even after recording provision of allowance for doubtful accounts. During the period of our Reborn Management Plan, from fiscal 2003 to fiscal 2004, our equity ratio was a mere 1% and our interest-bearing debt was ¥120.0 billion. In other words, Chori was at its lowest point when it began to rebuild the organization. However, we have built Chori into a company that continues to maintain an equity ratio of 50% or more to this very day. Therefore, unlike in years past, our level of capital has not become a major concern, even in light of COVID-19. Moreover, investments will be carried out within the framework of maintaining our financial soundness.

Looking back on the years of hardship Chori has suffered, simply raising the level of ROE will not be enough. I believe we must solidify our equity, thereby sustaining our business, and enhance our corporate value, and this is one way of giving back to our stakeholders.

Given that Chori is a trading company, we are able to flexibly manage cash flows in accordance with changes in net sales and transaction makeup. However, due to the fact that free cash flow

hinges on the accumulation of profits, our basic policy is to maintain it at a positive level.

Financial Soundness



Profitability / Capital Efficiency

	Mar. 31, 2020	Mar. 31, 2021	Difference
ROA (Ordinary Income Basis)	7.5%	4.1%	-3.3%
ROA (Net Income Basis)	5.2%	1.1%	-4.1%
ROE (Net Income Basis)	11.0%	2.2%	-8.8%

Shareholder Returns

Our basic policy on shareholder returns is to flexibly return profits to shareholders while securing a sufficient level of capital for investments in growth strategies, in addition to providing performance-based dividends commensurate with the standards for net income attributable to owners of the parent from the perspective of ensuring stable operations and finances. In addition, our dividend payout ratio was increased from 25% or more to 30% or more in fiscal 2020.

Despite the recording of provision of allowance for doubtful

accounts, a year-end dividend of ¥23 per share (for an annual dividend of ¥37 per share) was paid as announced on February 8, 2021 for fiscal 2020, upon a comprehensive evaluation of our recent performance trends and sound financial details. While our dividend payments decreased in fiscal 2020, we will steadily promote various measures under our current medium-term management plan and, in turn, provide an annual dividend of ¥84 per share, which we are targeting for fiscal 2021 (please refer to page 16 for more details).

In Anticipation of the New Normal

Chori has designated ordinary income as one of its key performance indicators (KPIs) to serve as a true measure of the profitability of its core businesses. We also place emphasis on ROA (ordinary income basis) as we make it a general rule not to retain assets that are deemed unnecessary to our business. These are key metrics that will continue to remain intact in the post-COVID-19 era.

At the same time, we will fortify defensive measures and strengthen risk management by closely monitoring any potential human rights issues that may occur along our supply chain and which impact our reputation, as well as our compliance, credit control, and legal risk.

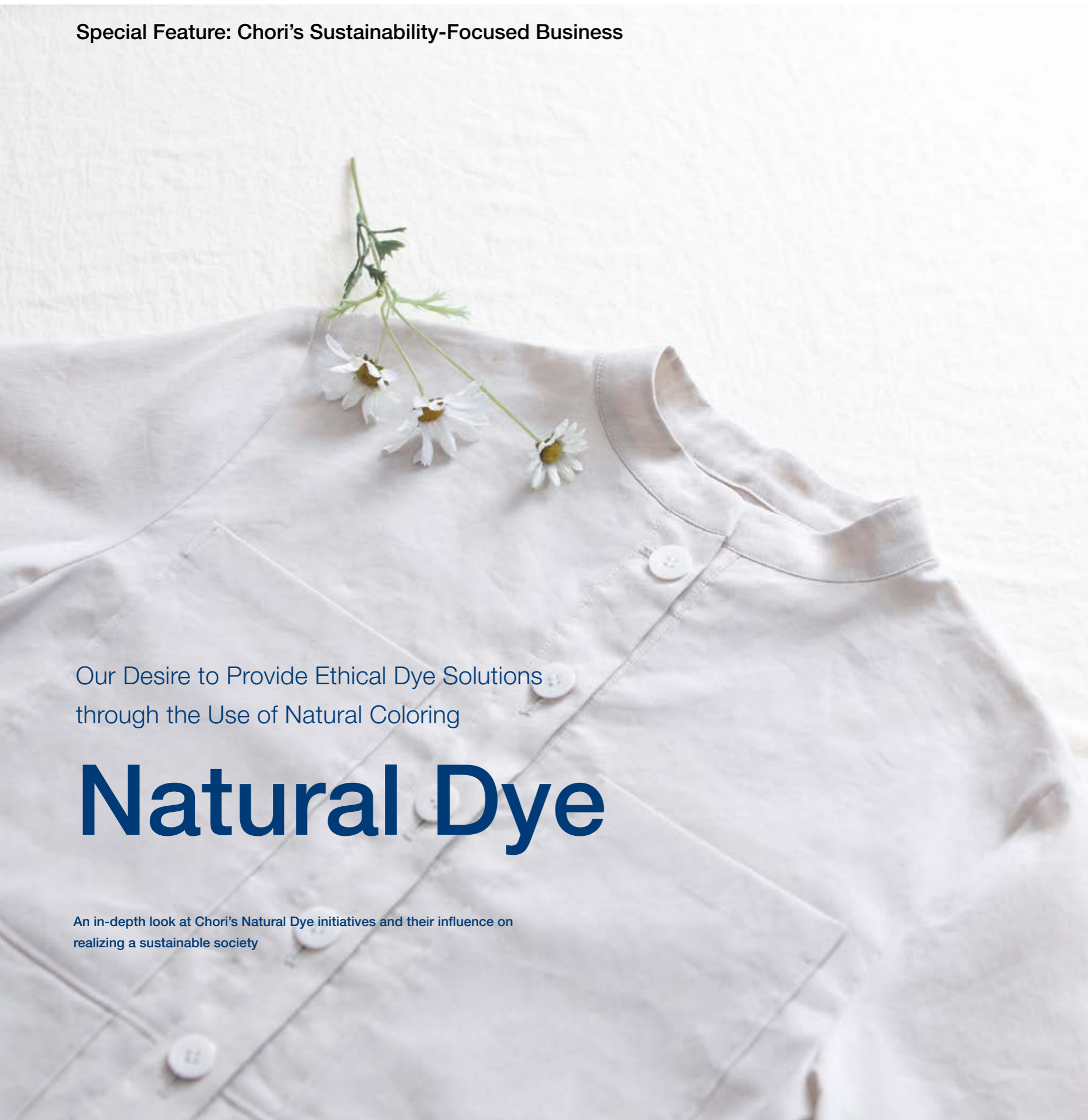
Looking back on fiscal 2020, I believe we have positioned ourselves to be fully able to consistently deliver ordinary income of ¥10.0 billion or more, a goal we are continuously striving set out to

achieve. Moreover, we improved our financial stability and maintained a certain level of equity in fiscal 2020 as we drew on the lessons learned over our long history. We have established a framework for embracing new challenges on the back of our stable equity, and I therefore hope you look forward to the continuous growth of Chori in the years ahead.

Chori Innovation Plan 2022 Targets

	FY2020 Results	FY2021 Forecasts	FY2022 Targets
Net Sales	216.2	280.0	280.0
Ordinary Income	4.7	10.0	11.0
Net Income Attributable to Owners of the Parent	1.2	6.8	7.3
ROA (Ordinary Income Basis)	4.1%	9.0%	8% or more
ROE (Net Income Basis)	2.2%	11.0%	11% or more

Special Feature: Chori's Sustainability-Focused Business



Our Desire to Provide Ethical Dye Solutions through the Use of Natural Coloring

Natural Dye

An in-depth look at Chori's Natural Dye initiatives and their influence on realizing a sustainable society



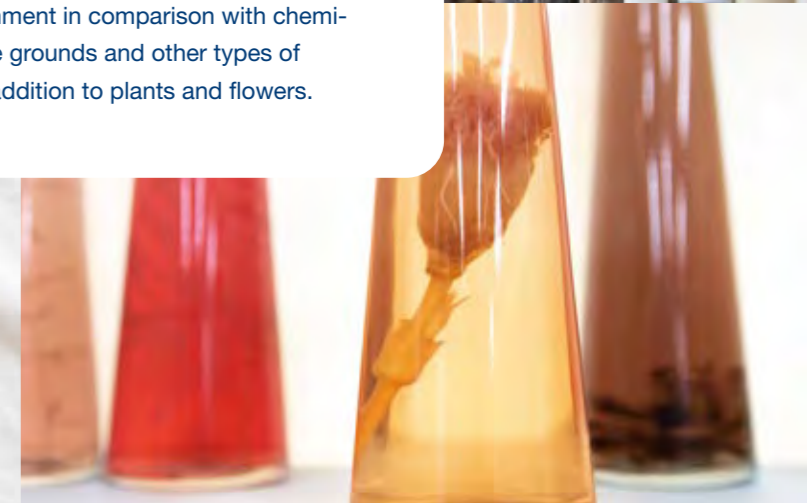
Tatsuya Maekawa
Manager, Apparel Department
Technical Material & Garments Business Department



Natural Dye

In contrast with ordinary dyes, which utilize chemical dyes, plant dyes, as the name implies, are natural colorants derived from plants and other resources. While plant dyes have existed for years, there have been concerns over their sensitivity to sweat and sunlight as well as discoloring and fading when washed. Natural Dye is a line of environment-friendly apparel that overcomes such concerns. For over 15 years, Chori has been teaming up with CIHON TEC CO., LTD., a company specializing in plant dyes, to promote the development of its Natural Dye business.

In recent years, Natural Dye has gained exposure as an environment-friendly line of apparel that not only poses a limited impact on the environment in comparison with chemical dyes but also uses coffee grounds and other types of food residue as coloring, in addition to plants and flowers.





01

Origin and Distinctive Features of Natural Dye

When Natural Dye originated over 15 years ago, the term “sustainability” itself was not widely used. However, this plant-dye project was launched as Chori foresaw the need for environmental considerations in the years that followed.

Plant dyes are more sensitive to sunlight and more prone to fading and discoloration than chemical dyes, which is why there were issues regarding their mass production in the past. With Natural Dye, however, we were able to achieve a certain level of fastness despite its use of natural coloring derived from plants and other resources. While it was difficult to dye fibers with natural coloring at first, we used a special proprietary developed paste, which firmly absorbed the natural coloring. By applying this uniquely developed dyeing method, natural coloring can be used to dye not only natural fibers but also synthetic fibers.

02

Our Respect for People and the Environment

Chemical dyeing processes are often associated with concerns over environmental contamination due to the artificial substances contained in its wastewater. Conversely, with Natural Dye an extremely low amount of residue dye remains in the wastewater as the constituents of plants that generate the coloring are firmly absorbed onto the fiber. Accordingly, there is very little concern over the issue of water or soil contamination. Moreover, because plants come with a range of medicinal benefits, it is believed that Natural Dye products come with the same benefits due to the use of such plants as coloring. For instance, products utilizing roses as coloring are said to be effective for relaxation, better sleep, and improving skin texture.

Natural Dye is also gaining prominence from a local-production-for-local-consumption point of view, as it enables the use of vegetable waste and other foods that contribute to food loss as coloring. The local-production-for-local-consumption aspect stems from Natural Dye's recycling-based process of utilizing the waste produced on local soil, such as the lees of a region's well-known Japanese sake or lees of locally produced wines, as coloring and converting it into clothing.

Meanwhile, concerns have arisen over the accumulated waste of flowers that were intended to be used as decorations in the various events canceled due to COVID-19. However, at Chori we have always contributed to the reduction of

such waste through the use of wilted flowers as coloring for Natural Dye. Because Natural Dye does not entail the purchase of any additional products or the use of plantations, it also contributes to the reduction of environmental impact.



While chemical dyes are absorbed evenly onto fabrics due to the minuteness of their particles, the particles of plant-derived natural coloring offer even greater benefits. Natural Dye fabrics diffuse sunlight while exposing the richness of colors even on plain fabrics. In other words, Natural Dye can realize colors that cannot be attained by means of chemical dyes.

The vast array of colors that can be realized is another unique feature of Natural Dye. The research facility of our business partner houses roughly 2,300 varieties of raw materials used for coloring, and each plant consists of roughly 200 types of colors. What may appear to be green at first glance is actually a complex mixture of multiple colors. This is the reason why Natural Dye can realize warm and complex colors and patterns. Additionally, Natural Dye can also be made with ore and a variety of other substances.

03

Natural Dye Earning Widespread Recognition

While Natural Dye has been a part of our business for over 15 years, it seems as though its demand has grown only over the last three or four years. Consideration for the global environment and sustainability have become an important topic in every industry, and the textile industry is no exception.

Chori's Natural Dye line of apparel has been adopted by MARUI GROUP CO., LTD.



as a part of its line of ethical fashion that contributes to the betterment of society and the global environment. The textile industry undergoes a production cycle in which products for the respective season are designed and manufactured over a period of six months, and this holds true for Natural Dye as well.

While demand for Natural Dye continues to rise, the factories we utilize for its production are limited to those based in Japan. This stems from the fact that, ever since the creation of Natural Dye, Chori has

embraced its commitment to always make use of Japanese technology, which is highly respected around the world, and contribute to the growth of industries in Japan. As a result of our limited production capacity and manpower, our lead time to production in response to the recent growth in demand has been increasing. However, stated differently, this is a testament to the solid demand and reputation we have built over the years for Natural Dye.

04

Our Direction Going Forward

In addition to Japan, Natural Dye is gaining widespread recognition in Europe and the United States, regions with a high level of sustainability awareness. Prior to the emergence of the COVID-19 pandemic, Chori showcased Natural Dye around three times at an exhibition held in Italy. Our exhibit included Natural Dye products created through a collaborative effort with a company in Niigata Prefecture, an area of Japan known for the production of sweaters, and products made of fiber used in *washi* (Japanese paper). In these ways, Japan's one-of-a-kind technologies and the uniqueness of Japanese products are stirring up great interest overseas.

At Chori, we handle such natural fibers as MILLENNIUM ORGANIC™, an ultra-white cotton cultivated in Uzbekistan, and MEDITERRANEAN GIZA™, and we are currently undertaking efforts to combine them with our

environment-friendly Natural Dye dyeing technology. Along with the rich colors they generate, these natural fibers are highly attuned to Natural Dye's concept of environment-friendliness. As we move forward, we will look to continue to fuse our Natural Dye technology with products that adhere closely to its concept.

Furthermore, Natural Dye is not a scheme designed to expand sales but rather a business that we are undertaking despite our limited production capacity and human resources. For that reason, our goal is not to expand this business for the sake of profit but to develop it into something that helps improve the global environment and which contributes to the growth of industries in Japan. We hope we can work together with customers who resonate with this philosophy going forward.

In the manner that more and more products nowadays are tailored to the

physical characteristics of each individual, such as with made-to-measure and custom-ordered suits, I believe we are now in an age when quality takes precedence over quantity. Therefore, I believe the concept of Natural Dye will be highly embraced and its differentiated products will likely play a prominent role in the years ahead. For Chori, the fact that it engages in such a meaningful business has extraordinary significance. We hope you look forward with great anticipation to our Natural Dye initiatives over the coming years.

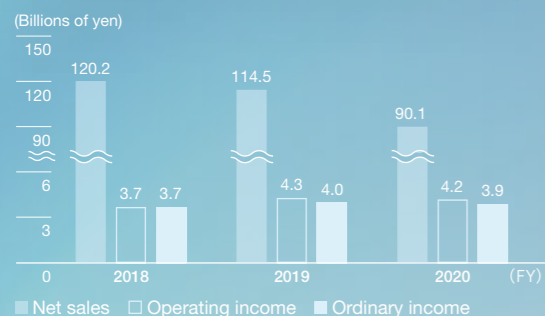


Overview and Strategies by Business Segment

Fibers, Textiles, and Garments Business

In light of the severe operating environment, our overseas business, including hygienic materials, stood strong, while apparel products and other sectors in the Japanese market felt the effects of COVID-19, leading to store closures that translated into a loss of sales opportunities and weaker consumer sentiment. As a result, the Fibers, Textiles, and Garments Business posted net sales of ¥90.1 billion (compared with ¥114.5 billion in fiscal 2019) and ordinary income of ¥3.9 billion (down 3.8% year on year) in fiscal 2020.

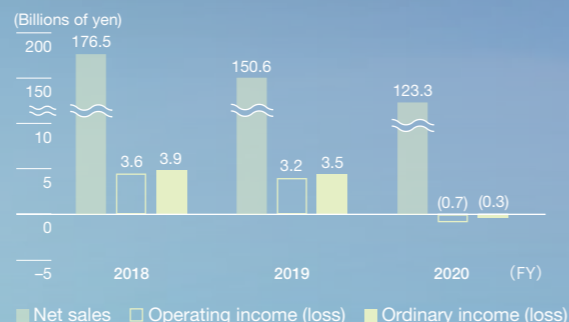
Moreover, the adoption of the Accounting Standard for Revenue Recognition, etc., resulted in a ¥5.8 billion decrease in net sales.



Chemicals Business

Despite signs of recovery in the latter half of fiscal 2020, we could not offset the deterioration of the organic chemicals and electronic materials markets fueled by the effects of COVID-19, resulting in net sales of ¥123.3 billion (compared with ¥150.6 billion in fiscal 2019). In terms of profit, provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group that was recorded under selling, general and administrative expenses led to an ordinary loss of ¥0.3 billion (compared with ordinary income of ¥3.5 billion in fiscal 2019).

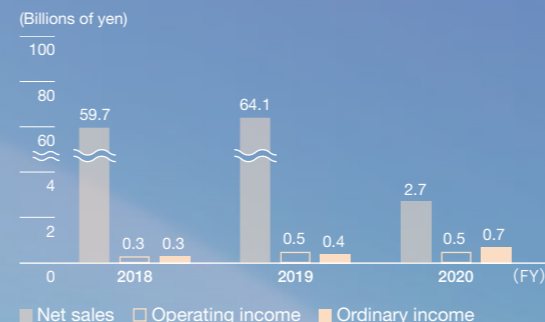
Moreover, due to the adoption of the Accounting Standard for Revenue Recognition, etc., net sales fell ¥2.8 billion.



Machinery Business

Primarily due to the impact of the adoption of the Accounting Standard for Revenue Recognition, etc., in fiscal 2020, the Machinery Business posted net sales of ¥2.7 billion (compared with ¥64.1 billion in fiscal 2019). Owing to profitability improvement measures, ordinary income amounted to ¥0.7 billion (up 69.0% year on year).

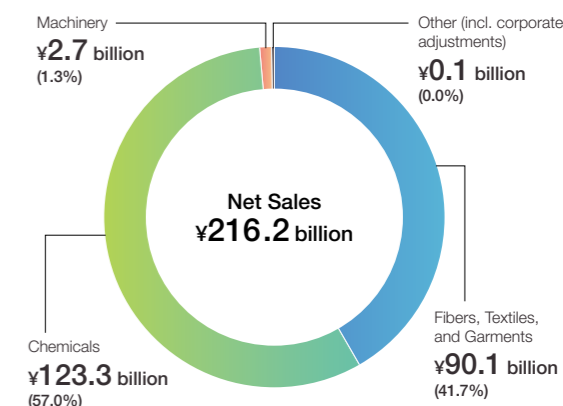
Moreover, net sales decreased ¥33.1 billion due to the adoption of the aforementioned standards.



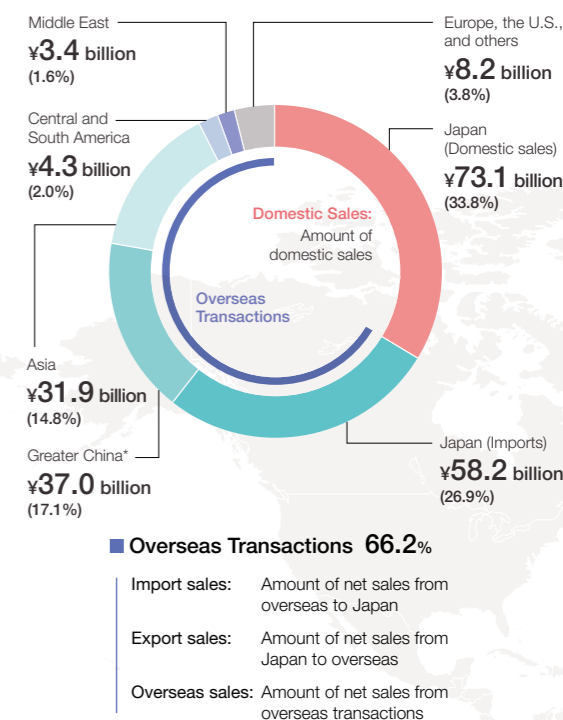
Overview

Group Structure			(As of March 31, 2021)
	Major Subsidiaries	Main Business	
CHORI CO., LTD.	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: 9 companies	Miyako Kagaku Co., Ltd. KOZAKURA SHOKAI CO., LTD. CHORI GLEX CO., LTD.	Sales of chemical products, industrial materials, pharmaceuticals, and food-related ingredients Sales of lubricating oil additives and various other chemicals Import sales of chemical products, construction materials, and industrial products
	Machinery Business: 1 company	Chori Machinery Co., Ltd.	Sales of transportation equipment and other products
	Other: 2 companies	Business Anchor Corporation	Outsourcing of administrative work
	Overseas subsidiaries: 20 companies	CHORI AMERICA, INC. CHORI (CHINA) CO., LTD. THAI CHORI CO., LTD.	Import and export sales, overseas transactions, and domestic sales of various products in the U.S. 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 Thailand

Fiscal 2020 Net Sales by Segment

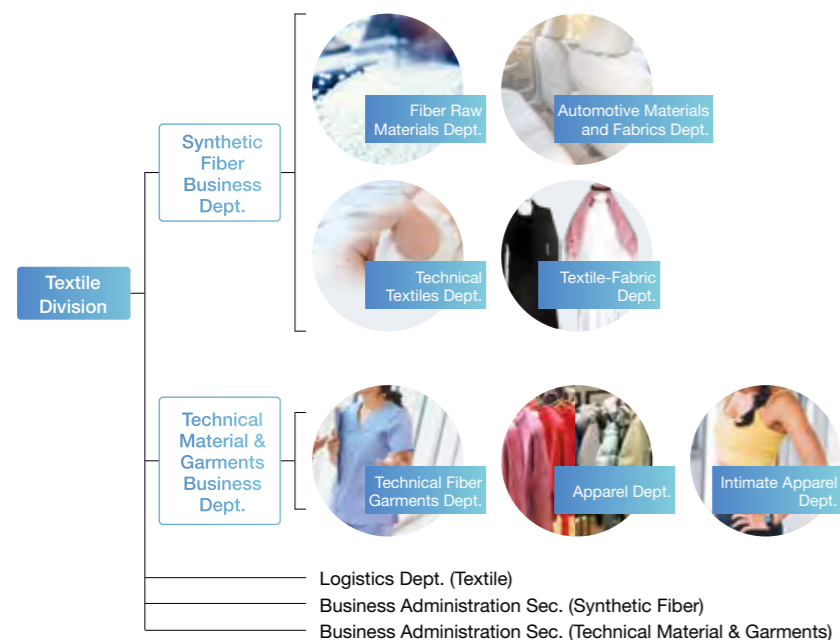


Fiscal 2020 Net Sales by Region



* Includes China, Taiwan, and Hong Kong

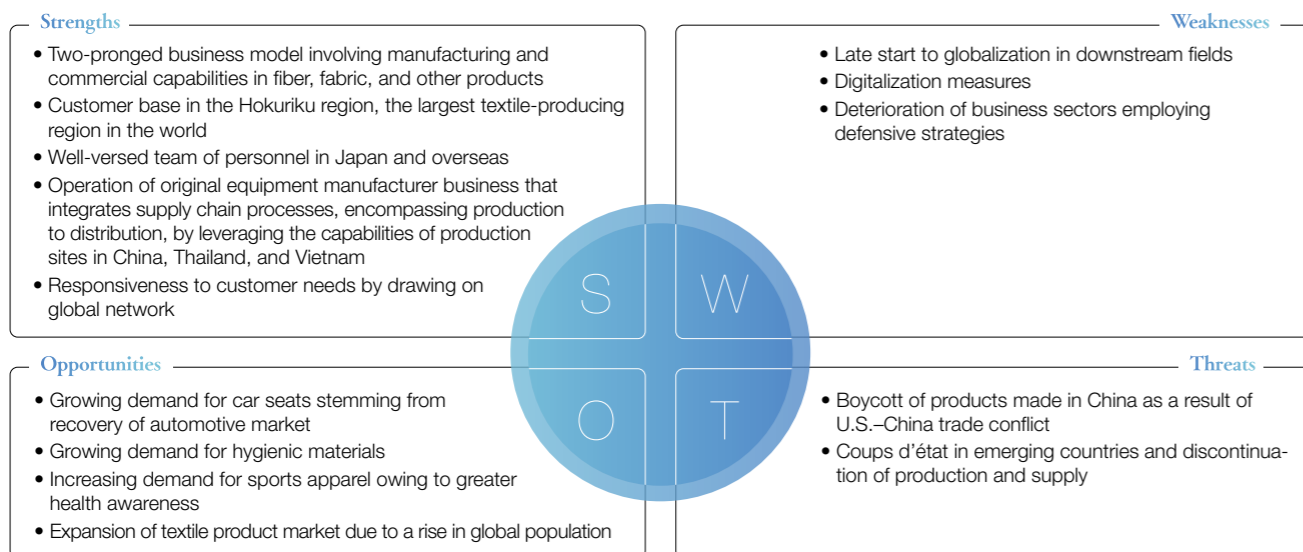
Fibers, Textiles, and Garments Business



By merging the three divisions of the Fibers, Textiles, and Garments Business in fiscal 2020, Chori established its Textile Division. Doing so has eliminated divisional boundaries and united the divisions to operate as a single entity.

The ability to seamlessly conduct operations as a result of establishing this single division has allowed the Fibers, Textiles, and Garments Business to conduct cross-divisional projects, share ideas and know-how, and engage 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.

SWOT Analysis of the Fibers, Textiles, and Garments Business



Road to Achieving Chori Innovation Plan 2022

“ We will continue to grow by adapting to changes in needs through our collective strengths in textiles. ”

Hiroshi Yoshida
 Managing Executive Officer
 General Manager of Textile Division



Overview of Fiscal 2020 Performance in the Fibers, Textiles, and Garments Business

In fiscal 2020, net sales in the Fibers, Textiles, and Garments Business came to ¥90.1 billion, a roughly 20% decline from the previous fiscal year. However, ordinary income amounted to ¥3.9 billion, falling just below its highest result ever despite the effects of COVID-19. While cost reductions certainly contributed to this result for ordinary income, I believe this is the product of integrating the three divisions into a single division. This integration has allowed us to share information on the risks associated with COVID-19 throughout the entire division while addressing the needs for masks and protective garments in a timelier manner. Thanks to these collective strengths, we were able to overcome the sluggish performance of apparel and other downstream fields in the first half of fiscal 2020.

COVID-19 has certainly shifted the lifestyles of consumers; however, demand for basic needs—food, clothing, and shelter—is not likely to undergo significant changes. In fact, we saw an increase in demand for TEXBRID™ highly stretchable yarn, dust wipes, and other products that contribute to a more comfortable and relaxing time at home.

Japan’s apparel market, which is currently at the scale of roughly ¥9 trillion, was previously expected to shrink to ¥7 trillion by 2030.* However, now the market is projected to contract to this level by 2025 due to the impact of COVID-19. With that said, this will not hold back our optimism for the future. That is because the global apparel market will likely grow at an average annual rate of 5% as a result of the growing population.* Accordingly, outing wear, which saw the market shrink temporarily due to COVID-19, is also expected to see an upturn in demand going forward.

* Source: *The Future of Apparel in 2030: When Japanese Companies Become Half the Size*, Minoru Fukuda (Toyo Keizai Inc., 2019)

	FY2019	FY2020	Difference	Ratio
Net Sales	114.5	90.1	-24.4	-21.3%
After Adoption of Accounting Standard for Revenue Recognition*	106.4	90.1	-16.3	-15.3%
Ordinary Income (Segment Profits)	4.0	3.9	-0.2	-3.8%

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

Overview and Strategies by Business Segment

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

Basic Strategies of the Fibers, Textiles, and Garments Business

- ① Bolster collective strength in the business
- ② Enhance global supply chain management
- ③ Strengthen global proposals and marketing capabilities for Chori's original products

In addition to restructuring the business to form a single division, we ① bolstered the collective strength of the Fibers, Textiles, and Garments Business by making Sumitex International Company Limited—a specialized trading company in textiles—a consolidated subsidiary in June 2021. We expect to generate synergies through this consolidation in the form of stronger exit strategies. The company owns various commercial rights that were not at Chori's disposal, such as for loading methods and low-price zones for specialty store retailers of private label apparel (SPAs), and is a major domestic supplier of cotton yarn, one of the two main raw materials of fiber. By combining this with Chori's strengths in synthetic fiber, we will look to enhance our lineup of products and enhance our exit strategies in the form of sales contacts.

From the perspective of ② enhancing global supply chain management, we are expanding our lineup of products for the ASEAN region. While sustaining our business in China, where we have broadened our footprint over the years, we will funnel more efforts and resources into our projects in the ASEAN region, firmly preparing for such geopolitical risks as the trade conflict between the U.S. and China. Because Vietnam and other ASEAN countries are currently the target region of various countries across the globe for the production of textile products in lieu of China, processing and other costs have been on the rise. Chori can, however, minimize these higher costs by taking full advantage of a Group subsidiary's factory in Vietnam. We will continue to devote our attention to the ASEAN region as a platform for our supply chain in lieu of China.

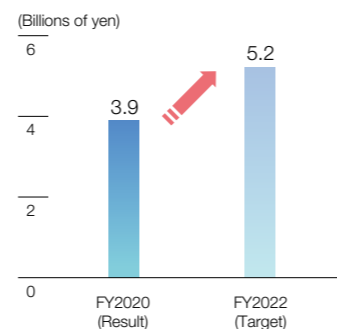
By expanding Chori's original product line, which includes ECO BLUE™ recycled polyester fiber and TEXBRID™ highly stretchable yarn, we have ③ strengthened global proposals and marketing capabilities for such original products. ECO BLUE™ was initially developed under the sole initiative of recycling used plastic bottles ("First"). However, we have expanded the scope of ECO BLUE™ to include the reuse of yarns and fabric waste ("Loop") and the creation of nylon yarn through the use of used fishing nets ("Ocean") and corn waste ("Earth"). Another initiative we have rolled out is a highly durable material that draws on the elasticity capabilities of TEXBRID™ highly stretchable yarn, which will be used in white coats and other types of workwear and uniforms.

Progress toward Fiscal 2022 Targets

In fiscal 2020, ordinary income amounted to the equivalent of 75% of the ¥5.2 billion targeted for fiscal 2022. This fiscal 2022 target is certainly an ambitious figure; however, Chori has put in place an array of project teams to address the needs that have come to light in fiscal 2020 as a result of COVID-19.

"Progressive" and "unceasing" are two of my favorite words. We at Chori will take a "progressive" approach to firmly grasp and address the changes in our external business environment while making an "unceasing" effort to reinvigorate our businesses that were affected by COVID-19, along our path to realizing Chori Innovation Plan 2022.

Ordinary Income of Fibers, Textiles, and Garments Business



Chori's Sustainability-Focused Initiatives

Initiative



ECO BLUE™ Recycled Polyester Fiber

Ensuring Stable Supplies of Ultra-White Fiber

To help resolve the issue of plastic pollution, which has been gaining greater attention in recent years, Chori has been expanding its lineup of recycled materials derived from plastic bottles. While ECO BLUE™ recycled polyester fiber has been a part of our product lineup for some time, in 2019 we established a joint project with Utsumi Recycle Systems Inc., one of the largest manufacturers of recycled pellets for textile materials in Japan. This joint project has allowed Chori to establish traceability for this brand, which is essential to managing the quality and realizing a system that ensures stable supplies of these ultra-white, high-quality pellets.

With this system in place, Chori boasts the capacity to recycle approximately one billion plastic bottles per year. Moreover, ECO BLUE™ is also certified with the Global Recycled Standard as it generates less carbon dioxide during production compared with virgin polyester. Going forward, we will redouble our efforts to maintain traceability for ECO BLUE™ through actions such as providing information that verifies the use of Chori's recycled pellets in apparel products.



Expanding the Scope of ECO BLUE™

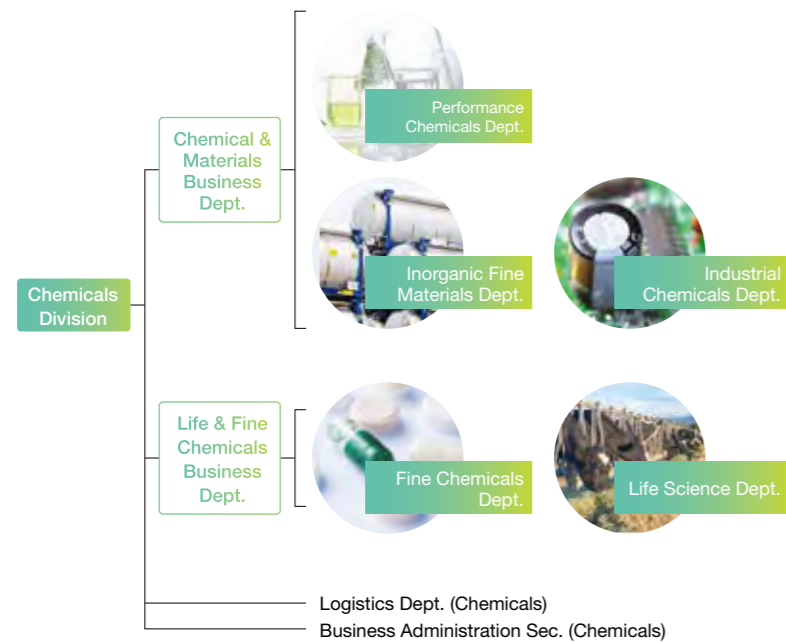
Along with our "First" initiative of creating recycled materials through the use of used plastic bottles, ECO BLUE™ has been expanded to include three other initiatives: "Loop," "Ocean," and "Earth."

Under the "Loop" initiative, yarn waste, greige yarn, and used fibers of apparel and other products are reused and recycled to recreate clothing and acoustic materials utilized in automobiles. We intend to roll out this initiative in the Hokuriku region, where we have built strong ties over the years, and expand it elsewhere thereafter. In the "Ocean" initiative, used fishing nets are used as a raw material to create material-recycled and chemically recycled nylon yarn. These materials are characterized by the fact that they are post-consumer recycled and by the transparency of fishing nets as a raw material. In the "Earth" initiative, highly sophisticated nylon yarn is created through the use of bio-based raw materials such as corn waste.

By expanding its range of initiatives for ECO BLUE™, Chori will continue to recycle valuable resources and thereby contribute to realizing a sustainable society.

Overview and Strategies by Business Segment

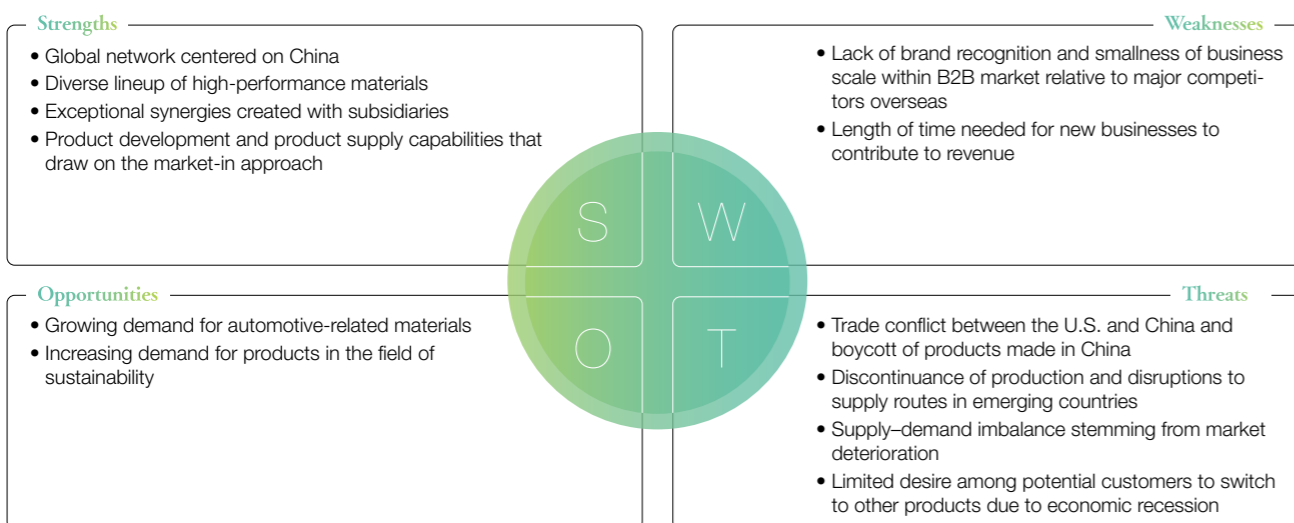
Chemicals Business



Established in 1956, the Chemicals Business has a track record spanning over 60 years. We have continued to take advantage of our global network not only in terms of procurement and sales within China but also through exports and intermediary transactions with the Middle East, Russia, and other regions. Through these efforts, coupled with our ability to meet the needs of our clients for niche products, we have set ourselves apart from our competitors and enhanced our market presence.

With an extensive product portfolio that encompasses the environmental, electronics and battery materials, and 5G-related fields, Chori caters to the wide range of needs of its customers.

SWOT Analysis of the Chemicals Business



Road to Achieving Chori Innovation Plan 2022

“ We will pursue our medium-term targets while continuing to forge ahead with our sustainability-related business. ”

Yoshihiro Teratani
 Managing Executive Officer
 General Manager of Chemicals Division



Overview of Fiscal 2020 Performance in the Chemicals Business

In the first half of fiscal 2020, the initial year of Chori Innovation Plan 2022, the Chemicals Business felt the drastic effects of COVID-19. All of Chori's products were affected by the pandemic to a certain degree; however, demand for automobiles started to regain momentum in around September 2020 while sales of chemicals also gained ground in the latter half of the fiscal year. Meanwhile, sales of pharmaceuticals and agrochemicals remained firm throughout the year, leading to net sales of ¥123.3 billion and an ordinary loss of ¥0.3 billion. The ordinary loss is mainly attributable to the recording of provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group in China. If not for this negative impact, the ordinary loss of ¥0.3 billion would have instead resulted in ordinary income of ¥4.8 billion, an amount that would have surpassed its results from the previous year.

While COVID-19 has hit our business hard in a variety of ways, we have also benefited through the establishment of a remote operating system. Through the use of this system, the audits that were traditionally carried out on-site at our overseas facilities can now be conducted from a remote location. Without the need to visit our overseas facilities, we have also increased production and decreased costs. The global economy has slowly begun regaining traction, so we will steadily look to reap the benefits of the subsequent growth in demand moving forward.

	FY2019	FY2020	Difference	Ratio
Net Sales	150.6	123.3	-27.3	-18.1%
After Adoption of Accounting Standard for Revenue Recognition*	139.5	123.3	-16.2	-11.6%
Ordinary Income (Loss) (Segment Profits (Loss))	3.5	(0.3)	-3.8	-109.2%

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

Overview and Strategies by Business Segment

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

Basic Strategies of the Chemicals Business

- ① Enhance business investments and promote development of new businesses
- ② Accelerate global expansion
- ③ Transfer business headquarters to optimal location
- ④ Strengthen subsidiaries centered on Miyako Kagaku Co., Ltd.
- ⑤ Expand business domain through M&A

Unlike the Fibers, Textiles, and Garments Business, which originated 160 years ago when the Company was founded, the Chemicals Business has only been in operation for over 60 years. As such, we have always been on the lookout for new opportunities to expand this business. Our strategy of ① enhancing business investments and promoting the development of new businesses remains unchanged, as we continue to keep track of developments in the environmental, 5G-related, and other growth fields. Proceeding with new projects currently poses quite a challenge due to the inability to meet customers face to face. Nonetheless, we must continue to take an active stance toward business investments and product development to ensure that we do not miss out on key opportunities. Also, we will remain firmly committed to our ongoing lithium compound production project and other initiatives.

Chori's strong ties with China are clearly evident in chemical products as well. We will look to continue ② accelerating our global expansion by exporting to Japan and other countries the products of chemical manufacturers in China, a country that recovered quickly from the effects of COVID-19. In addition, we are currently planning to establish new businesses and expand our presence not in only China but also in ASEAN countries as well as India, a pharmaceutical powerhouse.

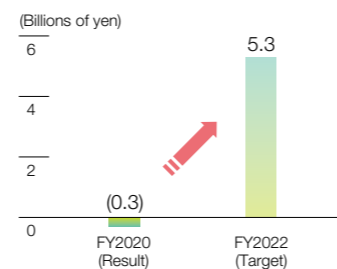
In a bid to create more synergies, we will aim to ④ strengthen our subsidiaries, centered on Miyako Kagaku Co., Ltd., while ⑤ expanding our business domain through M&A. Miyako Kagaku is a trading company that engages in sales of chemical products, industrial materials, pharmaceuticals, and food-related ingredients. With our sights set on achieving the goals laid out in Chori Innovation Plan 2022, we will continue to work in tandem with Miyako Kagaku while adopting a more environmentally responsive approach aimed at achieving a carbon-neutral society, such as by reducing sludge at plants through the use of biocides and rolling out biodegradable resin to the agricultural industry. In regard to M&A, our focus will be on the promotion of initiatives toward realizing a more extensive product lineup in the pharmaceutical field, which mainly relies on the handling of raw materials nowadays.

Progress toward Fiscal 2022 Targets

The path to realizing our ordinary income target of ¥5.3 billion in fiscal 2022 began with the posting of an ordinary loss of ¥0.3 billion in fiscal 2020. However, had it not been for the recording of provision of allowance for doubtful accounts in the amount of ¥5.1 billion, this result would have come to ordinary income of ¥4.8 billion, the equivalent of approximately 90% of the ¥5.3 billion targeted for fiscal 2022. As stated earlier, it is not the most ideal time to proceed with new projects; however, the projects that were already in the pipeline prior to the emergence of COVID-19 will likely come to fruition in fiscal 2021 and fiscal 2022.

Our sustainability-related businesses are also projected to expand in scale. Chori's plant-based meat is currently in the development stage and approaching its final stage. Amid concerns over a shortage in the supply of protein stemming from global population growth, plant-based meats are seen as a solution to such issues. These alternative meat products are also expected to reduce the amount of water and energy used to produce livestock. Moreover, Miyako Kagaku has begun handling cricket powder to function as an alternative source for protein. We also handle alternative paper and alternative plastic products made primarily of limestone procured in Japan. We will continue to infuse more energy into our sustainability-related business, for which we foresee further growth in the years ahead, with the goal of realizing our fiscal 2022 targets.

Ordinary Income (Loss) of Chemicals Business



Chori's Sustainability-Focused Initiatives

Initiative

1

Lithium Compound Production Project in Chile

The evaporation method commonly used to extract lithium components from brine water was associated with concerns over its significant environmental impact. In contrast, Chori has been participating in a project to produce lithium compounds through the use of a new method that enables only lithium components to be extracted from brine water, thereby maintaining the water volume of salt flats. Compared with our conventional approach, this new extraction method contributes to significant reductions in production time, and, because it does not hinge on weather conditions, the production volume can be adjusted in line with market conditions. Through such means, Chori will address the needs of the lithium-ion battery market, which we anticipate will expand even more going forward.



Initiative

2

Biodegradable Resin

At Chori, we have recently been expanding our lineup of biodegradable resin, a raw material used in seed sheets. Seed sheets serve as a means to prevent the evaporation of soil moisture and are used for weed and pest control. As they are made of biodegradable resin, they eventually decompose into water and carbon dioxide. Accordingly, they eliminate the need for disposing waste while reducing the use of plastic and, because the seed sheets do not need to be collected, they help enhance agricultural productivity.

We are also working to enhance our lineup of biodegradable resin derived from plants such as cassava and taro, which we are utilizing as a raw material for garbage and shopping bags due to the soft texture they generate.



Initiative

3

Supplying of Ingredients for Plant-Based Meat

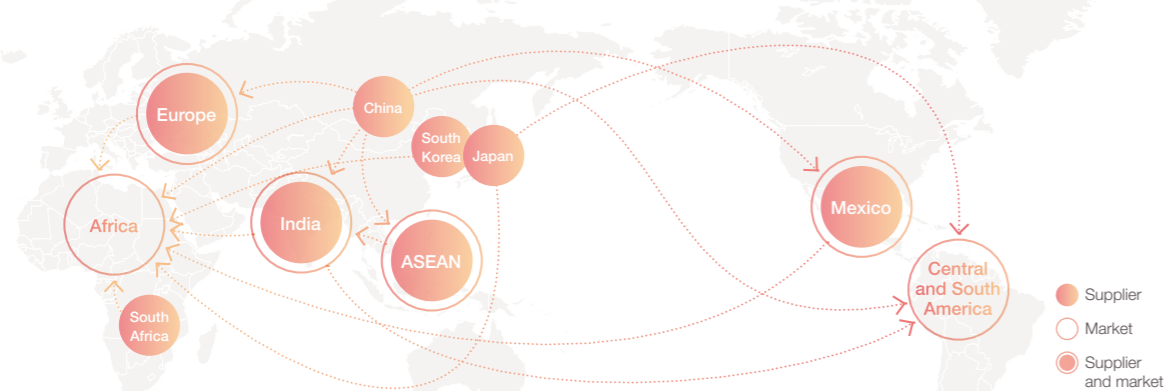
With the global population estimated to reach 10 billion people by 2050, there are growing concerns over the potential breakdown in balance between the supply and demand for beef, pork, and other sources of protein. At Chori, we procure ingredients from overseas derived from soybeans, wheat, and green peas of the highest standard in terms of safety and quality that comply with the Non-GMO Project Standard and provide them to food processing companies in Japan. These plant-based meats offer the texture and appearance of real meat and are flavored to suit the tastes of Japanese people. Through the growth in popularity of our alternative meat, as well as the prevention of deforestation for livestock and the reduced use of water and crops, we will continue to help resolve environmental issues.



Machinery Business

With the aim of providing greater flexibility, in April 2017 Chori spun off Chori Machinery Co., Ltd., a supplier of automobiles, machinery, and related materials.

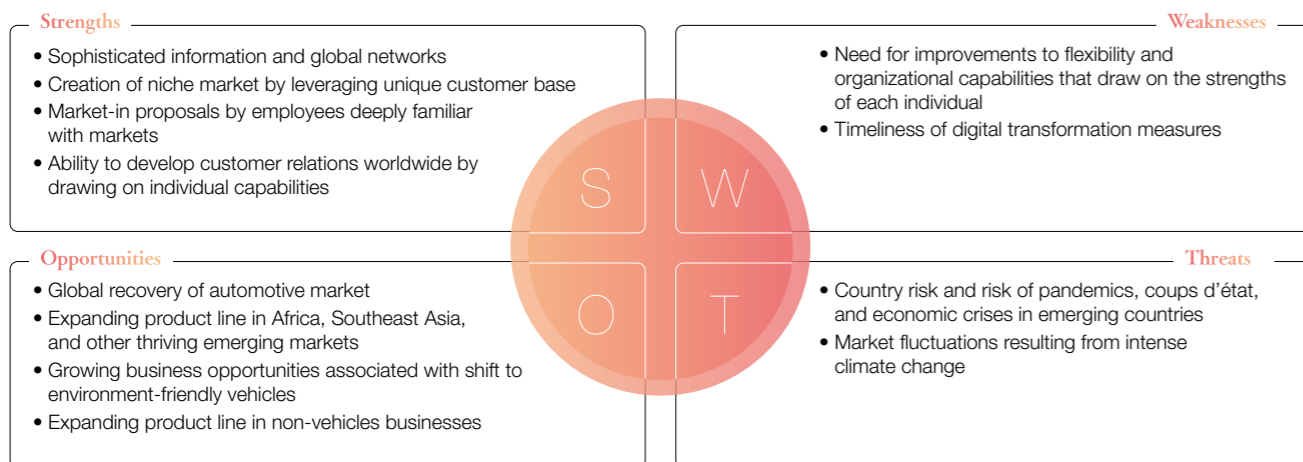
Operating Company		
Chori Machinery Co., Ltd.	Wholly owned consolidated domestic subsidiary	Four-wheeled vehicles, two-wheeled vehicles, and trucks; agricultural machinery; construction materials; and marine equipment



Leveraging the Group's unique global network, which has expanded over the years, Chori Machinery commercializes products acquired from China, India, South Africa, and other countries in markets such as Europe; the ASEAN region; North, Central, and South America; and West Africa. 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 Africa and other emerging markets, in particular. By drawing on its long-cultivated know-how in global trade and unique trade routes, Chori Machinery will continue to expand its business in the years ahead.

SWOT Analysis of the Machinery Business



Road to Achieving Chori Innovation Plan 2022

“ We will continue to expand our business by tapping into new markets and establishing a new revenue model. ”

Jun Hayami
President & Representative Director
Chori Machinery Co., Ltd.



Overview of Fiscal 2020 Performance in the Machinery Business

In the first half of fiscal 2020, we suffered the effects of COVID-19 while concerns were raised temporarily in regard to the collection of accounts receivable at an overseas subsidiary. However, we managed to collect on the accounts receivable without any major consequences, and the automotive market, which Chori Machinery relies on heavily for its major products, was clearly on the road to recovery. In particular, automobiles and other transportation equipment are an essential infrastructure for the lifestyles of the citizens of emerging countries; therefore, these markets are regaining ground quickly around the world. Ultimately, in fiscal 2020, the initial year of Chori Innovation Plan 2022, net sales amounted to ¥2.7 billion and ordinary income totaled ¥0.7 billion in the Machinery Business. This net sales result takes into account a decrease of ¥33.1 billion resulting from the adoption of the Accounting Standard for Revenue Recognition, etc.

Consumer spending, which diminished in fiscal 2020, will more than likely bounce back in fiscal 2021, leading to the regrowth of markets around the world. The rejuvenation of markets will be particularly evident in emerging countries, the core markets of Chori Machinery's products. Meanwhile, the rising cost of logistics precipitated by the global imbalance between supply and demand is a prominent issue that has surfaced in light of COVID-19. This issue has come into play in a variety of facets of our business, so the situation will be monitored carefully moving forward.

	FY2019	FY2020	Difference	Ratio
Net Sales	64.1	2.7	-61.4	-95.7%
After Adoption of Accounting Standard for Revenue Recognition*	2.6	2.7	+0.2	+6.4%
Ordinary Income (Segment Profits)	0.4	0.7	+0.3	+69.0%

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

Overview and Strategies by Business Segment

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

Basic Strategies of the Machinery Business

- ① Develop markets of four regions + India
- ② Expand product lineups through vehicles business and convert to revenue model
- ③ Promote strategic alliances with global corporations in each region

One of the basic strategies laid out in Chori Innovation Plan 2022 for the Machinery Business is ① developing the markets of four regions and India. Over the years, the Machinery Business has continued to expand its presence in a number of emerging countries, alongside its core market of China. In addition to Mexico and Central and South America, the Middle East and Africa, Southeast Asia, and Europe, which comprise our four regions, we will look to tap into and enhance our presence in the Indian market going forward. With the geopolitical risks that exist in other countries, Chori Machinery is looking to ramp up its business in India due to the significance of this market in terms of its population size and economic scale, which is paralleled only by China.

Another basic strategy we are embracing as a part of Chori Innovation Plan 2022 is ② expanding our product lineups through the vehicles business and converting to a revenue model. While the import and export business has traditionally been the lifeblood of trading companies, in order to take one step further and expand their businesses, such companies constantly consider the possibility of engaging in business investments and joint ventures with investees. In fact, one of our projects involves the development of three-wheeled vehicles, which emerged through the synergy created by our business, which made its start in automobiles. We will pursue alliances with other companies in an effort to engage in production and sales activities in Africa and thereby capitalize on the explosive economic growth expected in the region.

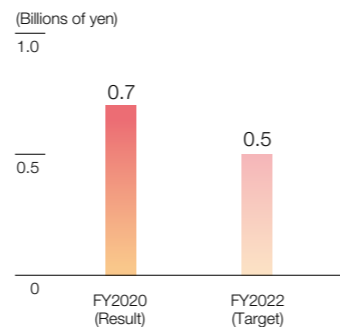
In regard to ③ promoting strategic alliances with global corporations in each region, we have been working in partnership with a company based in Mexico to carry out semi-knocked-down production and sales of automobiles in the country for Chinese automakers. Our expectations are quite high for this business as Mexico will likely follow on the heels of the U.S. and steadily revive its economy in the near future. We will continue to seek ways in which the universal knowledge accumulated through this partnership, including the range of solutions invented over the years, particularly in automobile sales, can be leveraged as intangible assets in other markets.

Progress toward Fiscal 2022 Targets

On the back of the revitalized automotive market mentioned earlier, in fiscal 2020 ordinary income amounted to ¥0.7 billion, exceeding our target of ¥0.5 billion for fiscal 2022. Looking ahead, we will continue to set our sights on raising the level of our profits by tapping into new markets and developing a new revenue model.

Chori Machinery is still in its fifth year of business after it was established through the spin-off of the Machinery Business, which had been a part of the former Chemicals and Machinery Business of CHORI CO., LTD. until 2017. Accordingly, our path has just begun and, because of that, one of the issues we must address is the strengthening of our business foundation, particularly the establishment of a solid human resource foundation and organizational structure. We will continue to expand the Machinery Business in the coming years by proposing solutions through its market-in approach, made possible by our wealth of market knowledge accumulated over the years. In so doing, we will become a corporate entity that makes a difference to society by staying closely attuned to the lifestyles of our customers around the world, addressing their needs at all times wherever they are, thereby enhancing our corporate value.

Ordinary Income of Machinery Business



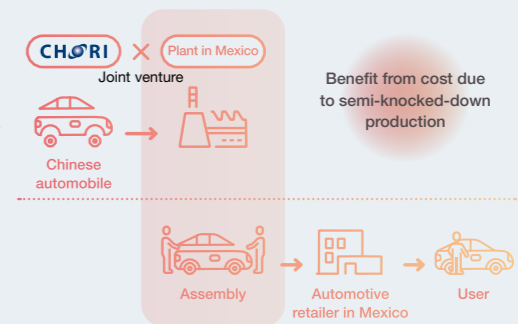
Core Initiatives of the Machinery Business

Initiative 1

Semi-Knocked-Down Production in Mexico

In semi-knocked-down production, automobile parts and components are transported to the country of destination, where they are assembled and the automobile is completed. It differs from completely knocked-down production in that the frame, engine, powertrain, and other main components have already been assembled by the time they are transported overseas.

Semi-knocked-down production offers a variety of economic benefits, such as job creation as well as tax benefits for the country of destination. As a result, more employment opportunities are available for local residents in not only assembly processes but also at sales agents and for after-sales services. In 2017, Mexico's annual automobile production volume nearly reached the 4.0 million-unit mark. Moving forward, Chori Machinery will continue to seek greater business opportunities centered on Mexico's mainstream automotive industry.

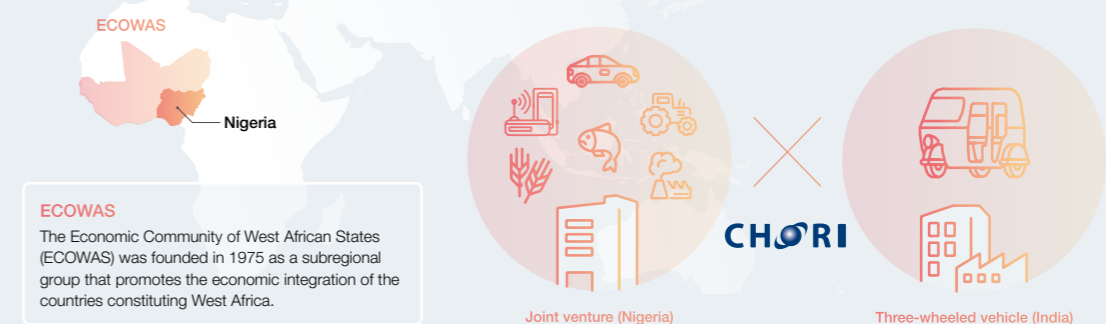


Initiative 2

Economic Community of West African States (ECOWAS)

The Economic Community of West African States (ECOWAS) is a subregional group consisting of 15 nations that promotes the economic integration of the countries constituting West Africa. Of these nations, Nigeria accounts for the majority of the group's GDP.

By joining forces with a local company, Chori Machinery has been engaging in the business of assembling automobiles through semi-knocked-down production in the West African nation. In addition, we are planning a number of projects for a variety of business domains geared to Nigeria, Ghana, and other nations of ECOWAS.



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

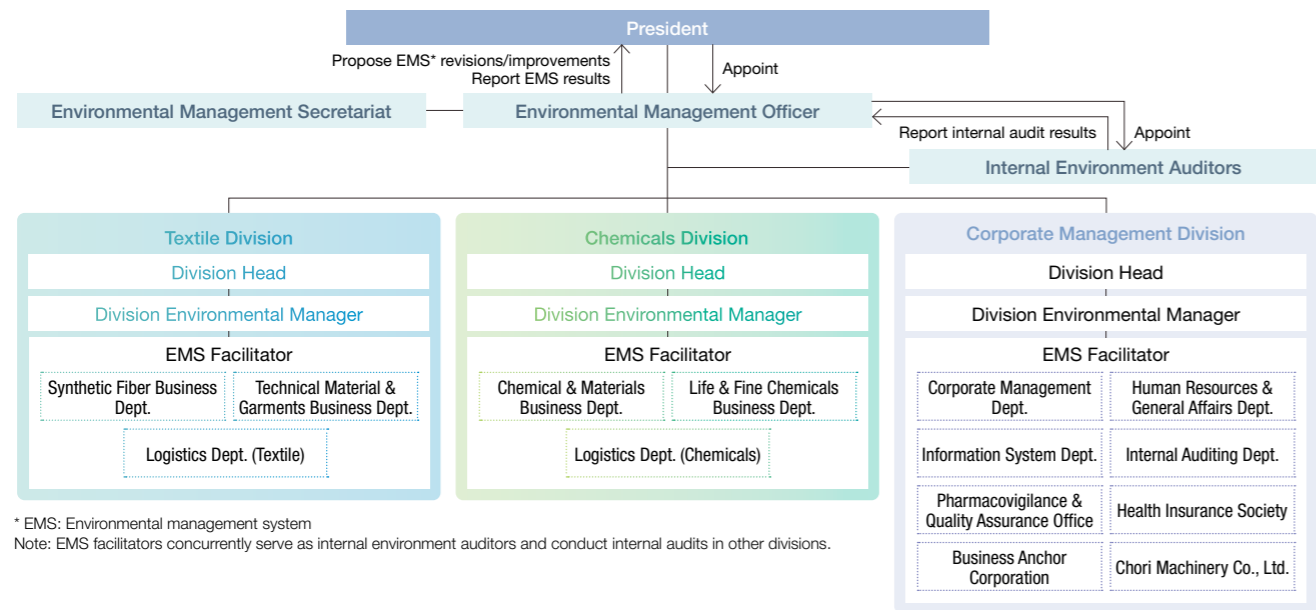
With a view to generating substantive value and helping to realize a more enriched society, Chori strives to provide accurate information and exceptional products tailored to the needs of its customers. As the environment continues to garner global attention, we believe the role we play in contributing 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 April 1, 2021)

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



* EMS: Environmental management system
Note: EMS facilitators concurrently serve as internal environment auditors and conduct internal audits in other divisions.

Environment-Friendly Business Activities

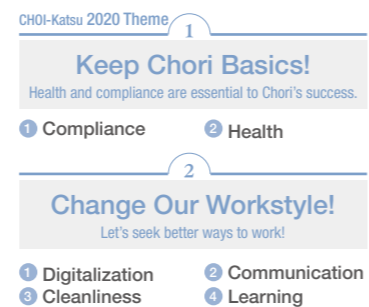
Since its acquisition of the ISO 14001 international standard for environmental management systems in 2000, Chori has continued to conduct and engage in environmental conservation activities. We adopted the 2015 standard in December 2017, acquired ISO 14001 certification for our Hokuriku Branch and Okayama 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 2020 (as shown in the diagram on the right), we engaged in various initiatives such as the advancement of digitalization to reduce overtime work, which will lead to lower energy use.

In fiscal 2020, we reduced labor time by roughly 400 hours through a range of initiatives designed to improve operating efficiency, including the employment of robotic process automation (RPA) on routine simple tasks.



Chori's Environment-Friendly Initiatives

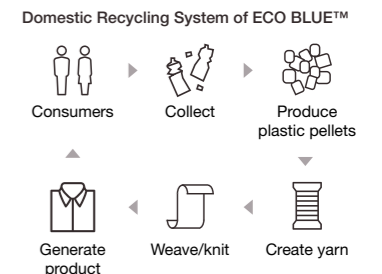
At Chori, we handle a wide range of environment-friendly products. At the CHORI Exhibition, a major trade convention for textile products, we showcase our diverse line of products, including our originally developed materials and environment-friendly materials that are paired with various other materials.

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 handling ECO BLUE™ recycled polyester fiber, which derives from such resources. Since 2019, we have maintained traceability for this brand, which is essential to ensuring a 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 (please refer to page 28 for details).



Plastic bottles are recycled into new, completely different products.



MILLENNIUM ORGANIC™

MILLENNIUM ORGANIC™ is made of 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, nongenetically 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.



MEDITERRANEAN GIZA™

It is said that the longer the fiber, the more premium the cotton. Giza cotton is a high-quality ultralong cotton that is deficient in quantity. Chori engages in the business of MEDITERRANEAN GIZA™, which is made from the seeds of Giza cotton grown in Israel. As Israel is mainly a dry region, we have been working to minimize daily water use through the use of AI technology. This high-tech, environment-friendly agricultural technology has earned us BCI* certification. 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.



Close Up

In Pursuit of the SDGs

Chori's initiatives in pursuit of the Sustainable Development Goals (SDGs) are featured on its official YouTube channel. The channel offers viewers an illustrated look into Chori's involvement in the world of environment-friendly, plant-based meats and its participation in the lithium compound production project in Chile.



<https://www.youtube.com/watch?v=EfGtYiJVLOE>



Management Foundation Tailored to Sustainable Growth

Chori's Sustainability Initiatives



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

Once every two years, in principle, Chori conducts a CSR procurement survey subject to the "Operating Rules Regarding CSR Procurement" of the Toray Group. The survey is intended to confirm matters concerning the CSR promotion system, legal compliance, environmental conservation, and risk management, in addition to verifying any potential occurrences of forced labor, child labor, unfair low-wage labor, and other forms of human rights issues. In addition, Chori strives to eliminate the use of conflict minerals by confirming that its primary suppliers are conflict-free.

Conflict Minerals
 Conflict minerals are mineral resources extracted in conflict zones such as Africa. Specifically, the Dodd-Frank Act in the U.S. requires that the use of conflict minerals (tin, tantalum, tungsten, and gold) be disclosed by all listed companies.
 Global cooperation is critical to ensuring that conflict minerals do not become a means for armed forces to carry out inhumane acts on the innocent civilians of the countries in which we operate.

Ensuring of Strict Compliance

Recognizing the importance of complying with 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

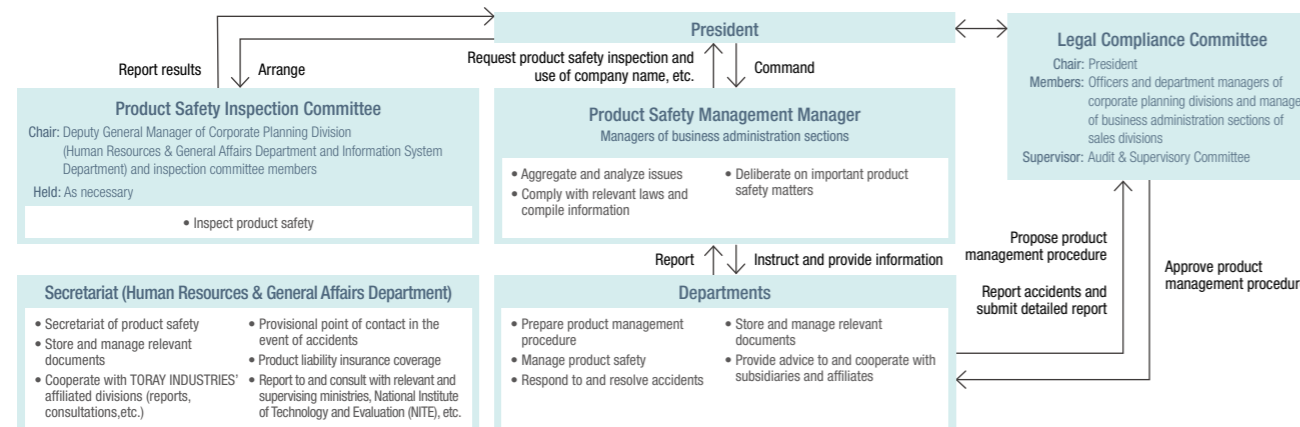
Once applications for list control and catch-all control are filed by Chori's Sales Department, the Corporate Management Department conducts final approval. In October 2020, we began implementing a system that integrates the management of information on export products and transactions, ensuring rigorous security trade control and stronger compliance measures. This system is also designed to improve work efficiency and eliminate the use of paper.

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 2020, 37 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. With this in mind, we devised a business continuity plan (BCP) and instituted a safety management system for our employees overseas.

Ensuring of 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 helps to

identify the location of each employee at a particular point in time.

Employees dispatched overseas and their families as well as employees on business trips outside of Japan are also enrolled in Chori's overseas healthcare support program, which provides medical assistance in Japanese in the event of an accident or illness while abroad. The program helps to minimize employee concerns regarding healthcare overseas due to its differences from Japan.

Business Continuity Plan (BCP)

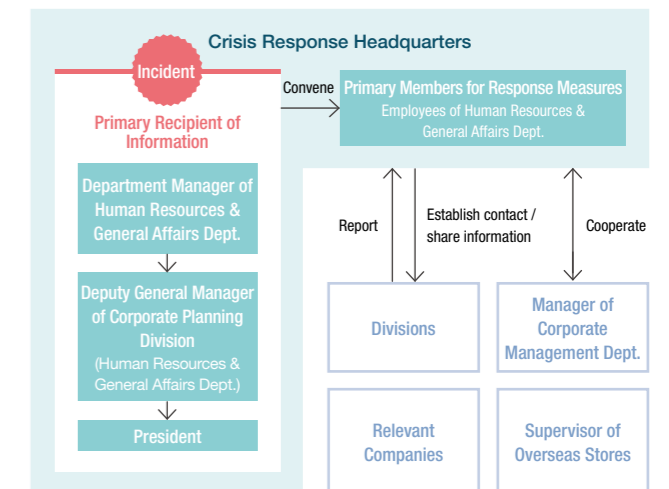
Chori's business continuity plan (BCP) has been designed to place the utmost priority on the safety of its directors and employees and to enable the swift recovery of business operations after serious disasters. We have implemented a safety confirmation system, which verifies the safety of all directors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

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.

Safety and Health Management

Each month, a Safety and Health Committee member visits our head offices in Tokyo and Osaka to assess the workplace environment. The committee comprises employees of the Human Resources & General Affairs Department, nurses of our in-house health clinics, and representatives from the Chori Labor Union who regularly monitor the humidity, temperature, and CO₂ concentration levels to ensure a safe workplace environment for all of our employees.

In terms of preventive measures for COVID-19, staggered work hour and telework systems have been established, plexiglass barriers and alcohol disinfectants are available for use, and body temperatures are measured at the entrance of the reception and office areas of our facilities. Moreover, our Tokyo and Osaka head offices, Hokuriku Branch, and Okayama Liaison Office operate in compliance with the Building Sanitation Law of the Ministry of Health, Labour and Welfare, with the facilities constantly ventilated at a rate of 30 m³/h or more per person.



Topic Contact System

Office etiquette has undergone drastic changes in the current COVID-19 era. Chori has established a contact system called KIITE through which employees can anonymously report legal or regulatory violations and other matters. Employees are constantly reminded to wear masks and talk quietly within work facilities, and through such measures, Chori strives to ensure a comfortable workplace environment (please see page 50 for details).



Reception area of Tokyo Head Office

Meeting area

Management Foundation Tailored to Sustainable Growth

Chori's Sustainability Initiatives



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 at a rapid rate, 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 on 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. (The event was canceled in fiscal 2020 due to the COVID-19 pandemic.)

Upon joining the Company, new employees receive orientation to acquire the basic knowledge and proper etiquette to become a responsible working adult and attend 30 lecture sessions and take certification exams twice a year. In fiscal 2020, these programs were held online as a measure to prevent the spread of COVID-19.

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. In fiscal 2020, these programs were held online as a measure to prevent the spread of COVID-19. Moreover, to speed up the pace of globalization, we have implemented a system for the dispatch of trainees overseas while continuing to conduct our in-house training program.

Groupwide Training System

	Level-Specific Training	In-House Training Course	Overseas Training	Organization-Based Training	Self-Development	E-Learning
Director	Director training					
Manager	Management training					
Employee	Follow-up training for new employees	Career management training	In-house training program	Various workshops	In-house English language courses (TOEIC)	Study abroad programs
	"Let's" intensive course					



C-TUBE

Chori has been holding a Companywide meeting, an internal financial results conference, and group training for its employees twice a year. However, the impact of COVID-19 has put a halt to these activities and, as a result, an internal video streaming platform called C-TUBE was established to conduct these activities online. This online streaming platform allows employees to view the content as many times as they want, at any time, and because the resources used in training by the Sales Department are utilized in the videos, it contributes to information sharing throughout the Group.



Promotion of 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 times half-day leave can be taken for the purpose of childcare, nursing care, or hospital visits

Promote Flexible Workstyles

- Improve flextime system (no core hours)
- Introduce work-at-home system (temporarily) and web-conferencing 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

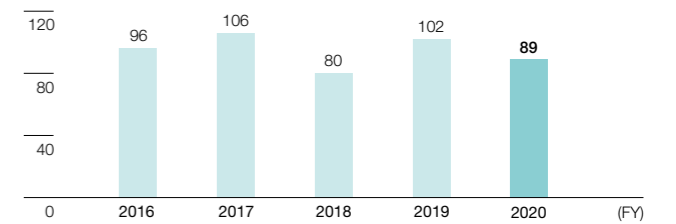
Chori has various childcare systems in place to promote the balance of work and family life. While the period of leave is relatively short, the number of male employees taking childcare leave has been on the rise, with 10 taking time off in fiscal 2020. We also have a support system in place as a part of our employee benefit program that provides employees with financial assistance for childbirth, self-development, and childcare.

	FY2018	FY2019	FY2020
Number of Employees Taking Childcare Leave	5 (1 of whom is male)	17 (6 of whom are male)	20 (10 of whom are male)
Number of Employees Working Shorter Hours Due to Childcare	11	11	10

Promoting Workforce Fluidity and Supporting 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. In fiscal 2020, this financial assistance program was utilized by 89 employees, despite the inability to take examinations due to COVID-19.

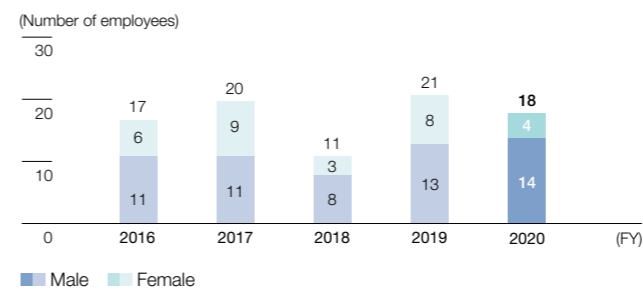
Number of Recipients of Self-Development Subsidy



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 2020, women accounted for 39.7% (up 6.9% from fiscal 2019) of our entire workforce. In addition, we have been

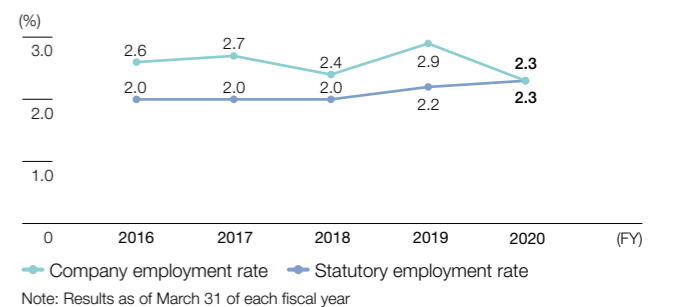
Number of New Graduates



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.

Ratio of People with Disabilities



Management Foundation Tailored to Sustainable Growth

Chori's Sustainability Initiatives

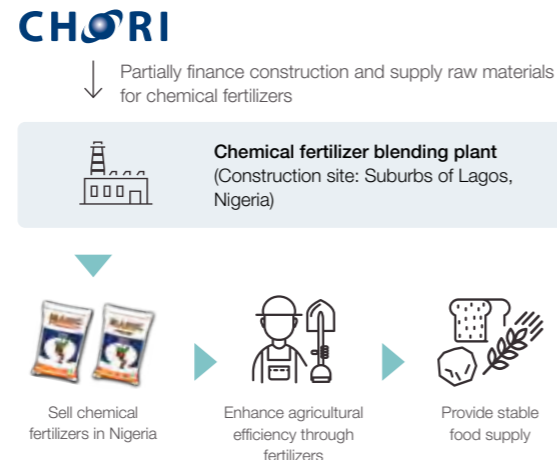


Local Communities and Society

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.

Provision of 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 a stable food supply and higher agricultural efficiency in Africa.



Inaugural Hokuriku Yarn Fair



Chori's booth at Hokuriku Yarn Fair in 2020

Based on the slogan "Everything begins with yarn," unveiled in the event's inaugural year, over the years the participating companies have showcased materials that were differentiated in many ways through the demonstration of their unique plying and processing capabilities. In 2020, the Hokuriku Yarn Fair featured a wide range of environment-friendly sustainable materials and, while admission was limited to prevent the spread of COVID-19, 2,160 people attended over the course of two days. Chori will continue to inject energy into the Hokuriku region by conveying the glamour of its textiles.

Hokuriku Yarn Fair

While the Hokuriku region has always been a hotbed for synthetic fiber, it had not played host to a materials exhibition for many years. Chori has always had deep ties to the region that stem from its long history of doing business with local textile companies. In 2015, the Raw Material Presentation Exhibition was held in Ishikawa Prefecture, answering the long-awaited wishes of local companies for an exhibition in their hometown. The event was a tremendous success, setting the stage for an even bigger event in 2016, the inaugural Hokuriku Yarn Fair. A total of 13 companies, including Chori, took part in this event, which was attended by roughly 550 people.

Due to its success and the desires of those within and outside of the Hokuriku region for the continuation of such events, the Hokuriku Yarn Fair has been held annually ever since through the support of textile associations in Ishikawa and Fukui prefectures.

Close Up

Our business ties with the Hokuriku region date back to the outset of the Showa Period. It all began with the establishment of branches in Fukui Prefecture in 1929 and Ishikawa Prefecture in 1934, which eventually led to the formation of the Hokuriku Chori Committee in 2000. The committee organizes parties and meetings that are attended each year by the member companies and Chori's directors and employees, and at the beginning of each year, the committee issues a publication called "Chori Future" to share information and promote member interaction.

With a rich history in textile production that extends over 400 years, the Hokuriku region continues to produce fabrics of exceptional quality through the use of fine thread. The region also boasts the ability to develop materials that are intricately made of threads and fabrics and that can contend with those produced overseas. In support of the region and its textile production, in 2016 Chori launched its Ishikawa Fabrics Project as a way to communicate the brand power of fabrics made in Ishikawa Prefecture to the rest of the world by placing this brand label on apparel products.



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 Satoko Nakayama, deputy general manager of the Corporate Planning Division, the Health Promotion Committee consists of industrial physicians and nurses from Chori's in-house health clinics as well as the employees of the Human Resources & General Affairs Department and members of the Chori 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

	FY2018	FY2019	FY2020
Employees	100%	100%	100%*
Family Members	70.3%	72.0%	52.9%

* Excludes expatriates who were unable to return to Japan due to COVID-19

Comment

We are here to ensure the physical and mental well-being of all of Chori's employees.



Keiichiro Yoneyama
Supervising Physician
in-house health clinic
at the Tokyo Head Office

At Chori's head offices in Tokyo and Osaka, we have in-house health clinics in place with nurses and public health nurses on hand to offer support. As such, employees can receive consultations immediately after receiving their health check results as well as undergo additional examinations and medical treatment to prevent conditions from worsening.

In fiscal 2020, we saw responsible alcohol consumption improve as a result of COVID-19. Our in-house health clinics also offer treatment to help employees quit smoking, as a result of which the smoking rate of Chori's male employees is on the decline. Meanwhile, we have noticed an increasing number of cases of lipid metabolism disorders in those at high risk of such disorders stemming from lack of exercise and improper eating habits.

There is a saying in Japanese that goes "one who perseveres unscathed reigns supreme" and this applies in many ways to the health of our employees. That is because the health and mental and physical well-being of our employees are what

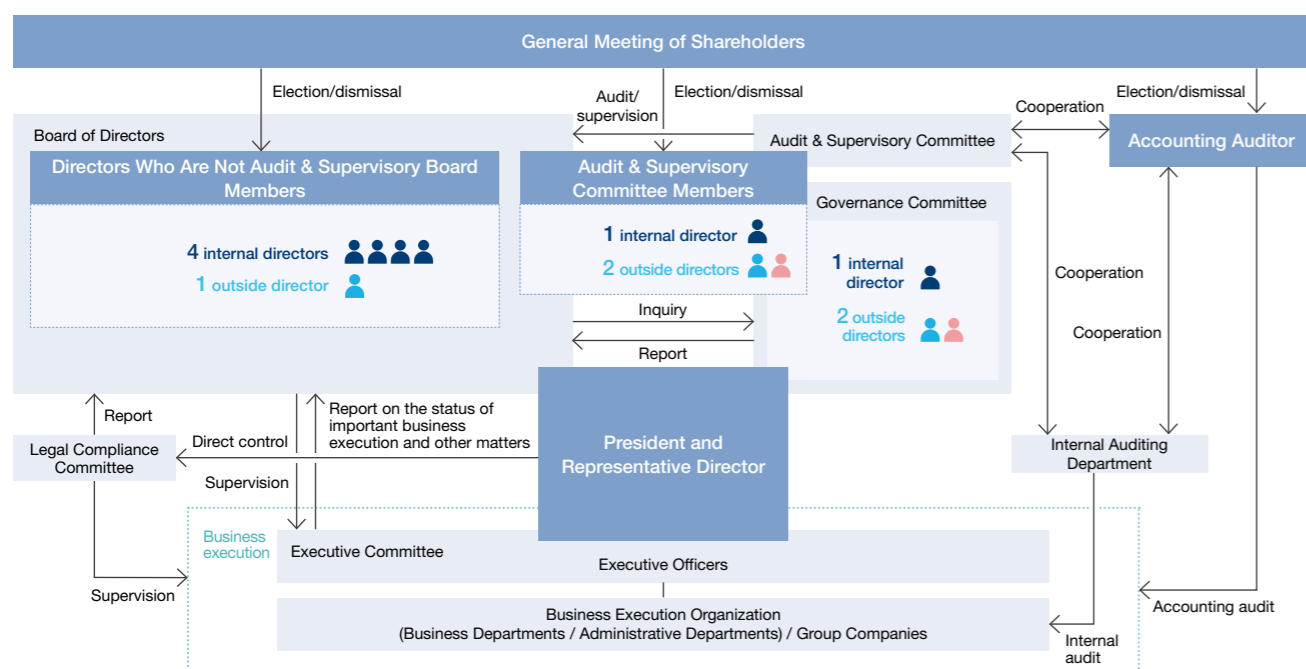
keep our business running. We at the in-house health clinics will continue to offer our support to help employees maintain good physical and mental health.

Management Foundation Tailored to Sustainable Growth

Corporate Governance

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.

Corporate Governance Structure (As of June 17, 2021)



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

Name	Description
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.
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.
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.
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.
Legal Compliance Committee	The Legal Compliance Committee is chaired by the president and representative director and consists of the general manager of the Corporate Planning Division, the heads of corporate divisions, and other members. The committee deliberates on important compliance-related issues and reports the results to the Board of Directors and the Executive Committee as necessary.
Business Investment Committee	Chaired by 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.
M&A Promotion Committee	The M&A Promotion Committee consists of the general manager of the Corporate Planning Division, the general manager of the Sales Department, and other members. The committee deliberates on and examines matters pertaining to the business portfolio of Group companies, including M&A and the Group's medium- to long-term management plan, from the perspective of improving consolidated management.

Committee Members and Activities

● : Committee chair ● : Committee member ▲ : Nonmember attendee

Name	Position	Fiscal 2020 Attendance (Meetings Attended / Meetings Held*)						
		Board of Directors ²	Executive Committee	Audit & Supervisory Committee	Governance Committee	Legal Compliance Committee	Business Investment Committee	M&A Promotion Committee
Kazuo Sakihama	President, CEO & COO / President and Executive Officer	● (18 times / 18 times)	● (25 times / 25 times)		● (5 times / 5 times)	● (6 times / 6 times)	● (2 times / 2 times)	
Shigemasa Yabu	Director / Senior Managing Executive Officer	● (18 times / 18 times)	● (25 times / 25 times)			● (6 times / 6 times)	● (2 times / 2 times)	● (4 times / 4 times)
Kazuhiro Tohge	Director / Executive Officer	● (18 times / 18 times)	● (25 times / 25 times)					
Mitsuo Ohya	Director (Part-Time)	● (13 times / 14 times)						
Hiromasa Suzuki	Outside Director	—						
Jun Furuya	Director / Full-Time Audit & Supervisory Committee Member	● (18 times / 18 times)	▲ (25 times / 25 times)	● (16 times / 16 times)		▲ (6 times / 6 times)		
Masaaki Sawano	Outside Director / Audit & Supervisory Committee Member	● (18 times / 18 times)		● (16 times / 16 times)	● (5 times / 5 times)	▲ (2 times / 6 times)		
Noriko Morikawa	Outside Director / Audit & Supervisory Committee Member	● (18 times / 18 times)		● (16 times / 16 times)	● (5 times / 5 times)	▲ (4 times / 6 times)		

*1 Indicates the number of meetings held during the term of each director

*2 The number of Board of Directors' meetings held includes two meetings that shall be deemed to have been held through a resolution in writing passed by the Board of Directors pursuant to Article 370 of the Companies Act and Article 28 of the Articles of Incorporation of the Company.

Overview of Corporate Governance Structure and Reasons for Its Adoption

To strengthen the management transparency and oversight function of the Board of Directors, Chori has an Audit & Supervisory Committee in place, the majority of which consists of outside directors.

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	5 (of whom, 1 is an outside director)
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	3
Executive Officer System	Yes
Performance-Linked Remuneration System	Yes
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Management Foundation Tailored to Sustainable Growth

Diversity of the Board of Directors

The Board of Directors must decide on matters in a transparent, fair, prompt, and decisive manner, and therefore consists of members with a diverse range of views, experience, and skills. To strengthen corporate governance by ensuring the objectivity and appropriateness of decisions made by the Board of Directors, at least one-third of the members are independent outside directors.

Directors

Name	Gender	Length of Service*1	Area of Expertise and Experience				
			Independent Director (Outside)	Corporate Management	Global Business	Finance & Accounting	Legal & Compliance
Kazuo Sakihama	♂	8 years		●	●		
Shigemasa Yabu	♂	6 years				●	●
Kazuhiro Tohge	♂	3 years		●	●		
Mitsuo Ohya	♂	1 year		●	●		
Hiromasa Suzuki	♂	Newly appointed	●	●			

*1 Indicates number of full years of service as of June 30, 2021

Directors Who Are Audit & Supervisory Committee Members

Name	Gender	Length of Service*1	Area of Expertise and Experience				
			Independent Director (Outside)	Corporate Management	Global Business	Finance & Accounting	Legal & Compliance
Jun Furuya	♂	3 years*2				●	●
Masaaki Sawano	♂	3 years	●				●
Noriko Morikawa	♀	3 years	●	●	●	●	

*1 Indicates number of full years of service as of June 30, 2021

*2 Jun Furuya served as a director of the Company for two years prior to concurrently serving as an Audit & Supervisory Committee member

Reason for Nomination of Outside Directors

The Company's outside directors were nominated for the reasons outlined below and their ability to supervise management from an external point of view, such as through the proactive exchange of opinions and advice at the Board of Directors' and other important meetings. In June 2021, Mr. Hiromasa Suzuki was appointed as an outside director as he is expected to draw on his wealth of experience in corporate management.

Name	Reason for Nomination
Hiromasa Suzuki Newly appointed	He has been appointed as an outside director based on his many years of involvement in the management of Fujirebio Inc. and his wealth of experience in group management as a top executive of a company, which involved orchestrating the establishment of Miraca Holdings Inc. As an outside director, he is expected to provide appropriate advice regarding the management of the Company. 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.
Masaaki Sawano	He has been appointed as an outside director as he is expected to provide appropriate 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 appropriate 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.

Executive Remuneration

Executive remuneration consists of three types: monthly basic remuneration, yearly bonuses, and restricted stock compensation. Remuneration of directors (excluding directors who are Audit & Supervisory Committee members) is based on a compensation structure that aligns with returns to shareholders to ensure that it functions effectively as an incentive toward the sustainable increase of corporate value. When determining the remuneration of each director, our basic policy is to provide an appropriate level of compensation based on a consideration of their position within the Company, individual performance, and other factors. Meanwhile, from the perspective of their role and independence, remuneration of directors who are Audit & Supervisory Committee members and outside directors consists solely of fixed remuneration, determined based on their role within the Company.

Overview of Executive Remuneration System

	Fixed remuneration		Variable remuneration	
	55%	35% (single year)	10% (medium to long term)	
	Note: Percentages apply in the case of full achievement of targets			
	Basic Remuneration	Bonuses	Performance-Linked Stock Compensation	
Remuneration Type	Fixed remuneration	Short-term incentive remuneration Linked to performance in relevant business year	Medium- to long-term incentive compensation Linked to degree of achievement of medium-term management plan	
Eligible Recipients	<ul style="list-style-type: none"> Directors who are not Audit & Supervisory Committee members Directors who are Audit & Supervisory Committee members Outside directors 	<ul style="list-style-type: none"> Directors who are not Audit & Supervisory Committee members 	<ul style="list-style-type: none"> Directors who are not Audit & Supervisory Committee members 	
Grant Method	Cash	Cash	Restricted stock compensation	
Evaluation Index (Variable Remuneration)	—	<ul style="list-style-type: none"> Consolidated ordinary income results Progress of medium-term management plan, etc. 	<ul style="list-style-type: none"> Consolidated ordinary income over three-year period Progress of medium-term management plan, etc. 	
Maximum Amount of Remuneration	Directors who are not Audit & Supervisory Committee members: No more than ¥300 million annually (However, excludes the portion of employee salary of directors who concurrently serve as employees) Directors who are Audit & Supervisory Committee members: No more than ¥100 million annually (Resolution passed at the 69th General Meeting of Shareholders held on June 15, 2016)	Directors who are not Audit & Supervisory Committee members: No more than ¥300 million annually (However, excludes the portion of employee salary of directors who concurrently serve as employees) (Resolution passed at the 69th General Meeting of Shareholders held on June 15, 2016)	Directors who are not Audit & Supervisory Committee members: No more than ¥100 million annually (However, excludes the portion of employee salary of directors who concurrently serve as employees) (Resolution passed at the 70th General Meeting of Shareholders held on June 15, 2017)	
Grant and Calculation Method	Fixed amount paid monthly based on role and position within the Company	<ul style="list-style-type: none"> Paid at a certain time of the year according to position within the Company Amount calculated according to the progress of the medium-term management plan and consolidated ordinary income in the given business year 	<ul style="list-style-type: none"> Level of remuneration determined based on position within the Company Payment made upon determining the annual base compensation for each position and, in principle, by dividing the amount equivalent to compensation for the execution of director duties over the same three-year period as the medium-term management plan by the standard stock price and determining the number of shares to grant for each position. Condition subsequent: Withdrawn in accordance with the degree of achievement of consolidated ordinary income targets under the medium-term management plan and work performance	

Director Remuneration in Fiscal 2020

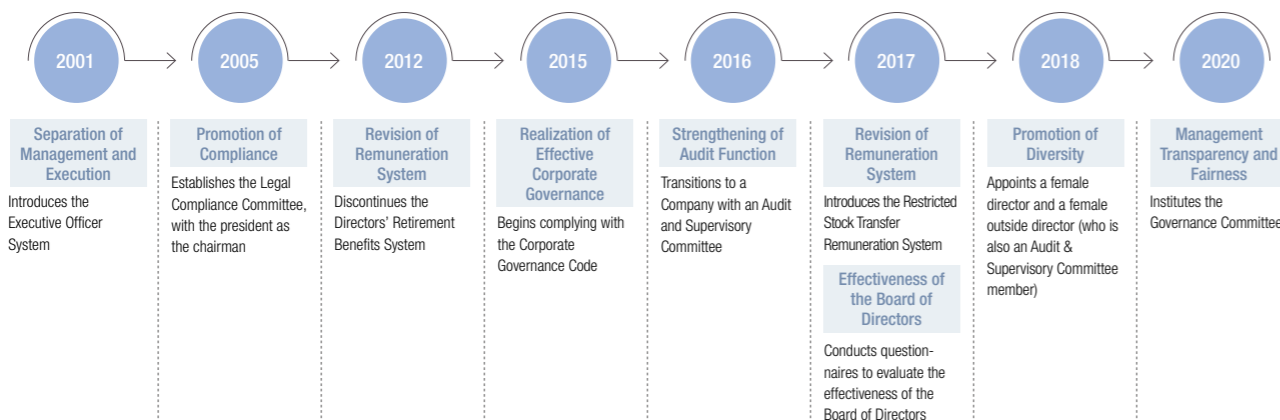
Classification	Total Amount of Remuneration (Millions of Yen)	Total Amount of Remuneration by Type (Millions of Yen)			Number of Directors Eligible
		Basic Remuneration	Bonuses	Restricted Stock Compensation	
Directors (Excluding Audit & Supervisory Committee Members)* (Excluding Outside Directors)	208	142	42	24	7
Directors (Audit & Supervisory Committee Members) (Excluding Outside Directors)	18	18	—	—	1
Outside Directors	17	17	—	—	2

* Excludes one director who did not receive any remuneration.

Management Foundation Tailored to Sustainable Growth

Measures to Strengthen Corporate 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 2020. The Board of Directors is composed of suitably qualified members that include outside directors, and the Board of Directors' meetings are held in a free and open environment that facilitates constructive discussions and the exchange of opinions. Accordingly, it has been deemed that the Board of Directors is operating appropriately on the whole and that its effectiveness is ensured.

Respondents	All 10 directors (including those who are Audit & Supervisory Committee members) in fiscal 2020 (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 Governance Committee, which was established in March 2020, conducted in-depth discussion on matters concerning the succession plan for the representative director, executive remuneration, and the appointment and dismissal of management executives, which were identified as being in need of more discussion in the previous year, and the details of such discussions were shared appropriately with the Board of Directors. Meanwhile, it was deemed that there is a need for further discussions on the major direction of our corporate strategies, compliance, and business risks as well as for more opportunities to train directors. Going forward, we will hold more in-depth discussions on the medium- to long-term policies and plan at the Board of Directors' meetings and improve the training of our directors in order to continue to enhance the effectiveness of the Board. In addition, we will look into the use of third-party external consultants in our evaluations and analyses of the effectiveness of the Board of Directors.

Maintenance of a Certain Level of Independence from Our Parent Company

As of March 31, 2021, Chori's parent company TORAY INDUSTRIES, INC. held 52.78% of voting rights in the Company. We constantly work to strengthen the combination of our ability to sell and collect information on textiles and chemicals, which represent our core business, in Japan and overseas and TORAY INDUSTRIES' ability to develop materials in order to generate synergies and enhance corporate value for both companies. By operating under a parent company, Chori is able to gain a better understanding of market trends and the business environment, enhance its

credibility, and enjoy other benefits that come with being a Group company.

With the exception of one director who does not execute business, the executives and employees at Chori do not concurrently serve as executives or employees at the parent company or Group companies and the Company does not accept employees through transfers from other companies. In addition, at Chori we have our own management plan in place, through the execution of which we have developed and will continue to develop our business.

Risk Management

At Chori, we take measures under normal circumstances to identify potential risks in our business activities and mitigate such risks and prevent crises before they occur. We have established a system for taking appropriate measures in the event of a crisis that could have a significant impact on our business and formulated our Risk Management Rules to enable swift and accurate responses to such emergencies while maintaining control of the situation and regaining a state of normalcy as quickly as possible. Under the direction of the president and representative director, who assumes overall responsibility of the Company's risk management activities, measures are taken to identify material issues pertaining to potential risks, mitigate such risks, and prevent such risks from occurring while formulating various methods to detect risks in advance and providing the necessary education and training in a voluntary and systematic manner. In addition, efforts are made to follow up on the results of our crisis response, verify

its effectiveness, and uncover and improve on any issues.

The management team at Chori has classified the major risks that are believed to have a significant impact on the financial position, business results, and cash flow of the consolidated company according to the risks listed below, each of which will be assigned a committee or division responsible for preventing their occurrence.

Business and Other Risks	
<ul style="list-style-type: none"> • External business environment / country risk • Exchange and interest rate fluctuations • Concentration on specific regions and markets • Risk associated with fluctuations in raw material prices • Inventory risk • Bad debt risk 	<ul style="list-style-type: none"> • Business investment risk • Risk of impairment on securities • Risk of natural disasters and contagious diseases • Risk associated with information systems and security • Compliance risk • Risk associated with securing of personnel

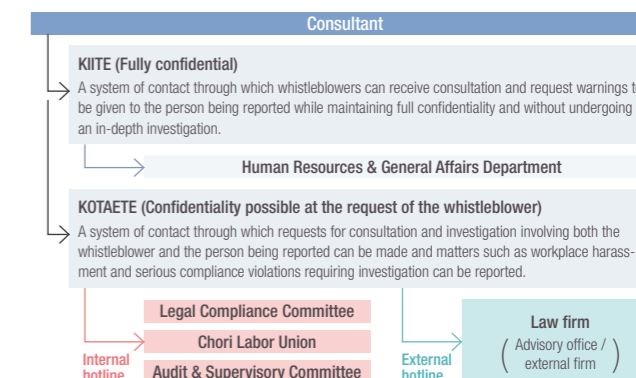
Ensuring of Thorough Compliance

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 discuss important matters regarding the 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.

A system of contact has been established throughout

Chori whereby executives and employees (including contract, temporary, and other employees) can receive consultation and report on compliance violations and other matters. In this way, we have established a framework for reporting incidents by ensuring the full confidentiality of the whistleblower, who is able to receive consultation either in-house or through an external point of contact depending on the nature of the incident.

Internal Whistleblower System



Internal Control

Our Basic Policy on Internal Control System was formulated in May 10, 2006 to serve as a set of fundamental guidelines for the establishment of a framework for ensuring the appropriate execution of business toward realizing sound

corporate management and sustainable growth.

Since then, this policy has been amended to reflect changes in the Group's business environment and business activities.



For details on our internal control system, please refer to our Corporate Governance Report.
<https://www.chori.co.jp/csr/governance.html> (in Japanese only)



Management Foundation Tailored to Sustainable Growth

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 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.

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.

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 works accordingly 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.

Outside directors and the Audit & Supervisory Committee receive reports regularly on audits conducted by the Internal Auditing Department and verify the status of business execution of each department and subsidiary. The Audit & Supervisory Committee reports the results of audits to and exchanges opinions with the Internal Auditing Department. The Audit & Supervisory Committee requests the Internal Auditing Department to provide information or conduct investigations when necessary, thereby working closely together to ensure that audits are carried out efficiently.

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)

	FY2018	FY2019	FY2020
Shares Held	32	30	30
Total Amount (Billions of Yen)	4.0	3.4	4.1

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.

- **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 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.

Messages from Outside Directors



Masaaki Sawano

Outside Director, Audit & Supervisory Committee Member

In fiscal 2020, despite the influence of COVID-19, Chori put up solid results and made steady strides with its medium-term management plan, including the M&A of Sumitex International Company Limited. Conversely, further investigation needs to be conducted to obtain more details on the cause of the Chengxing Group's debt issues while formulating and enforcing measures to prevent similar incidents from occurring again in the future. I also believe that more improvements need to be made to the effectiveness of Chori's corporate governance.

Corporate governance made its way into the industry in the first place to serve as a means for monitoring the activities of management by shareholders. Legal experts such as myself believe that it is our duty to determine and state the legality of the decisions of management at the Board of Directors' meetings, as well as the intent behind such decisions when they involve significant risks, even if made in a legal manner.

The Board of Directors' meetings are held in a free and open environment that encourages the exchange of opinions. Moreover, the corporate entity, headed by the president, is actively engaged in running business activities. On the other hand, the Company is in need of a framework for conducting business audits on its subsidiaries. I will offer more advice in regard to this as we move forward.

While we are currently in an era full of uncertainties due to COVID-19, Chori's basic stance is to develop new businesses in its areas of expertise, employ sound risk management practices, and expand the scope of its business. Moreover, as it continues to expand its business around the world, Chori must constantly remain up-to-date on and seek solutions to business- and human rights-related issues as well as the SDGs, in order to continue to grow its business in the years ahead.



Noriko Morikawa

Outside Director, Audit & Supervisory Committee Member

In fiscal 2020, despite the impact of COVID-19, Chori was able to address various needs, including those for hygienic materials, which made an impact on both society and its operating results. I also believe that given the nature of its business, the Company has done an outstanding job of overcoming the challenges associated with conducting all aspects of its business remotely by improvising according to the situation. To achieve the goals of Chori Innovation Plan 2022 under this unprecedented business environment, all of Chori's employees will be expected to enhance their skill sets going forward.

My hope is that management takes action to orchestrate the Company's further growth while ensuring awareness of its mission and reason for existence among all of its stakeholders. The framework underpinning all of this is corporate governance. Chori has been strengthening its corporate governance over the years, as exemplified by the establishment of its Governance Committee, which is headed by an outside director, in 2020. Meanwhile, I see a need for improving the transparency and reinforcing the internal control and governance functions of its subsidiaries and overseas affiliates. I hope to be able to continue to analyze, assess, and facilitate the growth of Chori's business by drawing on the experience I have gained at an audit firm and through my role in managing all aspects of a corporate management division at a foreign company, including overseas assignments. Chori is expected to take a more active approach to incorporating the SDGs and ESG initiatives into its growth strategies, and I hope to aid in this capacity by offering specific solutions that are truly relevant and valuable to Chori's business.

Chori is a company that has overcome trying times over its 160-year history through the collective efforts of its employees. As such, there is a sense of unity among its employees. I look forward to seeing Chori develop its business to a whole new level on the strengths of its outstanding teamwork and flexibility.

Management Foundation Tailored to Sustainable Growth

Directors, Audit & Supervisory Committee Members, and Executive Officers

(As of July 1, 2021)

■ "Number of shares held" indicates the number of CHORI CO., LTD. shares held.

Directors



President, CEO & COO,
President and Executive Officer

Kazuo Sakihama

■ Number of shares held: 32,617
CEO & COO



Director, Senior Managing
Executive Officer

Shigemasa Yabu

■ Number of shares held: 21,282
General Manager of Corporate Planning Division,
Executive Chief Representative for China of the
Company, and General Manager of
Pharmacovigilance & Quality Assurance Office



Director, Executive Officer

Kazuhiro Tohge

■ Number of shares held: 9,151
Special Appointee of the President (in relation to
the Textile Division)



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.



Outside Director*

Hiromasa Suzuki

■ Number of shares held: 0

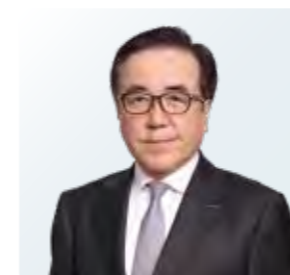
Independent Director



Director, Full-Time Audit &
Supervisory Committee Member

Jun Furuya

■ Number of shares held: 4,930



Outside Director,* Audit &
Supervisory Committee Member

Masaaki Sawano

■ Number of shares held: 0
Significant concurrent positions
• Member of Advisory Council on Fundamental Issues in
Corporate Management of Urban Renaissance Agency
• Member of Advisory Council on Fundamental Issues in
Corporate Management and Rent Council of Urban
Renaissance Agency
• Member of Business Evaluation Monitoring Committee
of Urban Renaissance Agency
• Outside Auditor of Japan Federation of Certified Public
Tax Accountants' Associations
• Member of Kanto Regional Government Asset Council,
Kanto Local Finance Bureau, Ministry of Finance
• Chairperson of Tokyo Metropolitan Government Election
Administration Commission

Independent Director



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.

Independent Director

Executive Officers (Excluding Those Who Concurrently Serve as Directors)



Managing Executive Officer

Hiroshi Yoshida

■ Number of shares held: 12,519
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



Managing Executive Officer

Yoshihiro Teratani

■ Number of shares held: 12,378
General Manager of Chemicals Division, Senior
Manager of Life & Fine Chemicals Business
Department, and General Manager of Logistics
Department (Chemicals) of the Company



Senior Executive Officer

Satoko Nakayama

■ Number of shares held: 13,829
Deputy General Manager of Corporate Planning
Division (Human Resources & General Affairs
Department, Information System Department), and
General Manager of CHORI Innovation Activities of
the Company



Senior Executive Officer

Tatsuyuki Sakoda

■ Number of shares held: 6,774
President & CEO of Miyako Kagaku Co., Ltd.



Executive Officer

Masao Nakamura

■ Number of shares held: 0
Senior Manager of Chemical & Materials Business
Department



Executive Officer

Naohiko Ashida

■ Number of shares held: 0
Senior Manager of Technical Material & Garments
Business Department, Chairman of CHORI
(DALIAN) TRADING CO., LTD., and Chairman of
CHORI (DALIAN) COMMERCIAL IMPORT
EXPORT 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



	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Operating Results:											
Net sales*1	222,074	217,825	221,847	244,286	248,396	291,578	270,908	311,705	356,537	329,360	216,233
Gross profit	18,818	20,020	19,770	21,530	22,157	24,799	25,149	26,400	28,585	28,310	26,357
Selling, general and administrative expenses	13,641	14,103	14,665	16,037	16,604	19,429	18,701	19,174	20,538	20,091	22,693
Operating income	5,177	5,916	5,105	5,492	5,552	5,369	6,448	7,226	8,047	8,219	3,663
Ordinary income	5,343	6,118	5,466	5,831	5,966	5,518	6,967	7,499	8,660	8,685	4,656
Net income attributable to owners of the parent	5,372	3,497	2,944	3,715	4,153	4,297	4,780	4,730	5,630	6,101	1,247
Financial Position (As of March 31):											
Total assets	64,390	67,465	71,851	78,221	84,289	98,736	97,983	119,055	118,499	114,400	110,591
Net assets	25,826	28,698	31,385	36,417	41,473	42,882	46,343	51,153	53,897	57,279	58,831
Net interest-bearing debt*2	(8,635)	(6,650)	(7,491)	(8,820)	(10,703)	(8,029)	(6,824)	(11,134)	(10,887)	(11,962)	(15,547)
Cash Flows:											
Cash flows from operating activities (A)	(1,098)	(263)	5,792	1,716	3,320	4,992	625	6,653	3,196	2,857	5,889
Cash flows from investing activities (B)	(295)	(1,153)	(2,980)	(208)	(813)	(4,442)	58	821	(1,421)	8	(357)
Free cash flows (A+B)	(1,393)	(1,417)	2,812	1,508	2,507	550	683	7,474	1,774	2,866	5,532
Cash flows from financing activities	(623)	(318)	(1,641)	(506)	(840)	(1,510)	(1,363)	(2,352)	(4,350)	(1,899)	(887)
Per Share Data*3 (Yen):											
Net income per share	224.11	145.91	117.57	151.54	169.40	175.31	195.00	192.74	229.28	248.46	50.73
Net assets per share	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	2,390.06
Dividends per share*4	20.00	29.00	24.00	33.00	34.00	36.00	40.00	59.00	60.00	63.00	37.00
Key Indicators (%):											
Ordinary income to net sales	2.4	2.8	2.5	2.4	2.4	1.9	2.6	2.4	2.4	2.6	2.2
Return on assets (ROA)*5	8.8	9.3	7.8	7.8	7.3	6.0	7.1	6.9	7.3	7.5	4.1
Return on equity (ROE)*6	22.8	12.9	9.8	11.0	10.7	10.2	10.7	9.7	10.7	11.0	2.2
Equity ratio	39.8	42.4	43.5	46.4	49.1	43.4	47.2	42.9	45.4	50.0	53.2
Consolidated dividends payout ratio	8.9	19.9	20.4	21.8	20.1	20.5	20.5	30.6	26.2	25.4	72.9
Price earnings ratio	4.4	7.0	9.1	7.4	10.9	8.3	9.9	10.9	6.8	6.2	33.2
Price book-value ratio	1.0	0.9	0.8	0.8	1.1	0.8	1.0	1.0	0.7	0.7	0.7
Other Data:											
Stock price at end of March (yen)*3	990	1,020	1,066	1,124	1,851	1,457	1,939	2,097	1,556	1,537	1,685
Number of employees (consolidated)	1,113	1,084	1,286	1,292	1,091	924	939	991	1,023	1,014	969
Number of consolidated subsidiaries	24	23	26	27	25	27	27	29	29	29	30

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

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

*3 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 2010 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.

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

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

*6 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, 2021)

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

Subsidiaries

CHORI (CHINA) CO., LTD. (Shanghai)	THAI CHORI CO., LTD. (Bangkok)
CHORI (SHANGHAI) CO., LTD. (Shanghai)	Chori Trading (Thailand) Co., Ltd. (Bangkok)
CHORI (TIANJIN) CO., LTD. (Tianjin)	PT. CHORI INDONESIA (Jakarta)
CHORI (DALIAN) TRADING CO., LTD. (Dalian)	CHORI SINGAPORE PTE LTD (Singapore)
CHORI (DALIAN) COMMERCIAL IMPORT EXPORT CO., LTD. (Dalian)	CHORI TRADING (MALAYSIA) SDN. BHD. (Kuala Lumpur)
CHORI CO., (HONG KONG) LTD. (Hong Kong)	CHORI VIETNAM CO., LTD. (Ho Chi Minh City)
TAIWAN CHORI MERCHANDISE COOPERATION LTD. (Taipei)	CHORI TRADING INDIA PRIVATE LIMITED (Mumbai)
CHORI KOREA CO., LTD. (Seoul)	

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

Major Overseas Subsidiaries and Affiliates

- 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 automotive interior and packaging materials
- CHORI MODA CO., LTD.
Planning of fashion apparel
- Sumitex International Company Limited
Trading company specializing in textiles (apparel, raw materials, etc.)
- Miyako Kagaku Co., Ltd.
Trading company specializing in chemicals
- CHORI GLEX CO., LTD.
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

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

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-Ekimae Bldg.,
 1-6, Ekimotomachi,
 Kita-ku, Okayama
 700-0024, Japan
 Tel: +81-86-224-6188

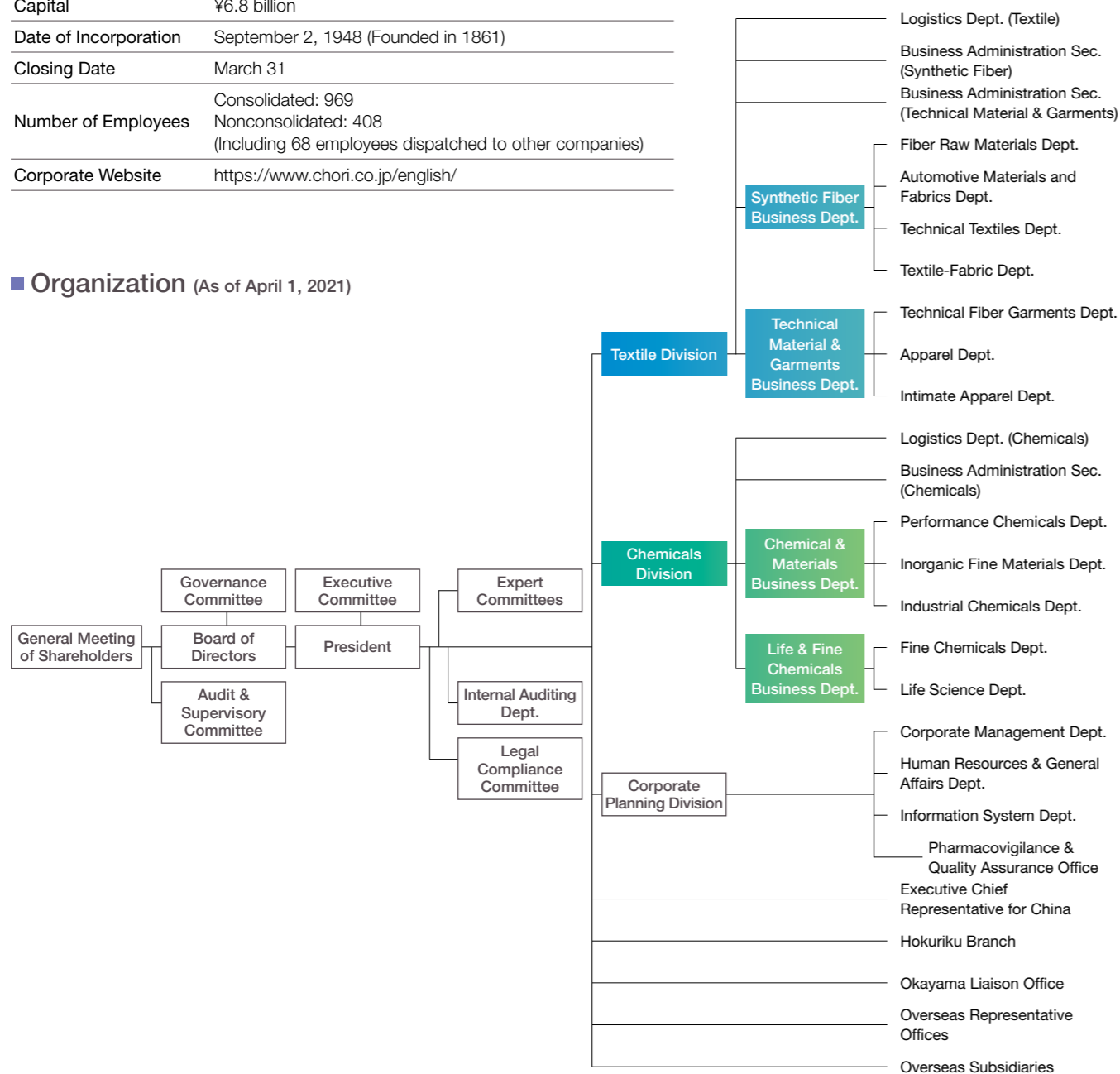
Fact Data

Corporate Information (As of March 31, 2021)

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	Consolidated: 969 Nonconsolidated: 408 (Including 68 employees dispatched to other companies)
Corporate Website	https://www.chori.co.jp/english/

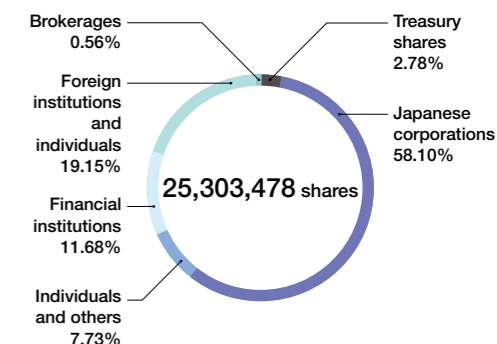
Organization (As of April 1, 2021)



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	4,406
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 (Thousand shares)	Percentage of shares held (%)
TORAY INDUSTRIES, INC.	12,967	52.71
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,566	6.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	822	3.34
Hurex Co., Ltd.	735	2.99
Wacoal Corporation	548	2.23
Custody Bank of Japan, Ltd. (Trust Account)	537	2.18
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	484	1.97
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	325	1.32
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	296	1.20
HSBC PRIVATE BANK (SUISSE) SA GENEVA, CLIENT ACCOUNT	204	0.83

Notes:
 1. In addition to the above, the Company owns 703,266 shares (2.78%) of treasury stock.
 2. The percentages of shares held excludes the 703,266 shares of treasury stock.
 3. All shares held by the Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are related to trust services.

Stock Price

Total Shareholder Return (TSR)-Related Data

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Stock price at year-end (yen)	1,457	1,939	2,097	1,556	1,537	1,685
Dividends per share (yen)	36	40	59	60	63	37
Total dividends per share (yen) (from fiscal 2016)	—	40	99	159	222	259
TSR (%)	Chori	135.8	150.7	117.7	120.7	133.4
	TOPIX (incl. dividends)	114.7	132.9	126.2	114.2	156.2

* TSR is based on investments carried out at the closing price on March 31, 2016.

