

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

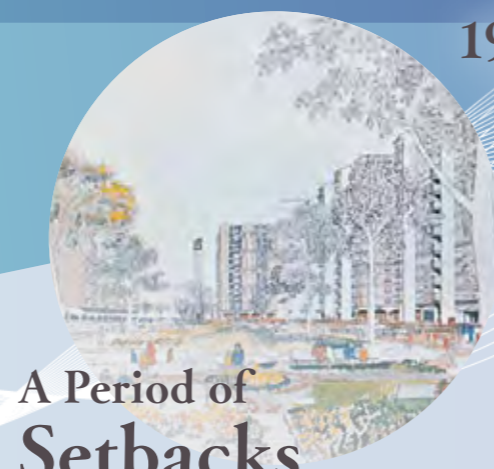
A Period of Growth

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

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.

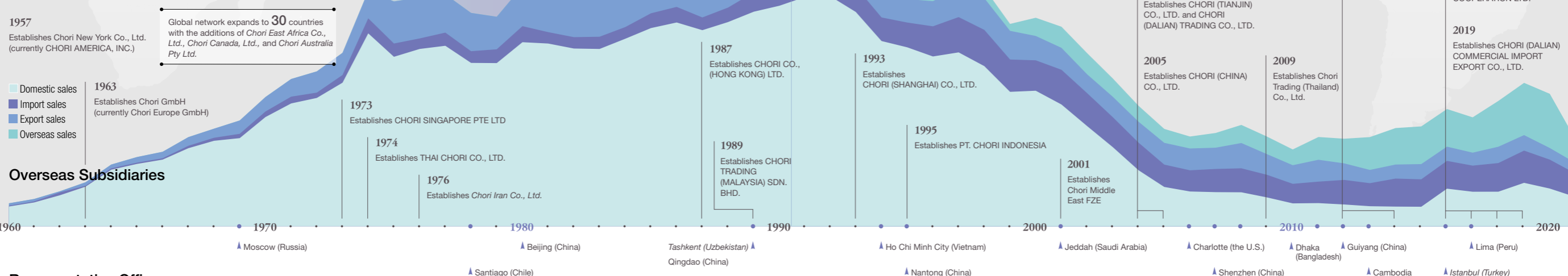
Expansion of Overseas Trade with Central and South America through the Establishment of CHORI COMERCIAL DE MEXICO, S.A. DE C.V.

In the 1960s, representative offices were established in El Salvador, Lima, and Sao Paolo 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.

Major Overseas Bases and Net Sales in Japan and Overseas*

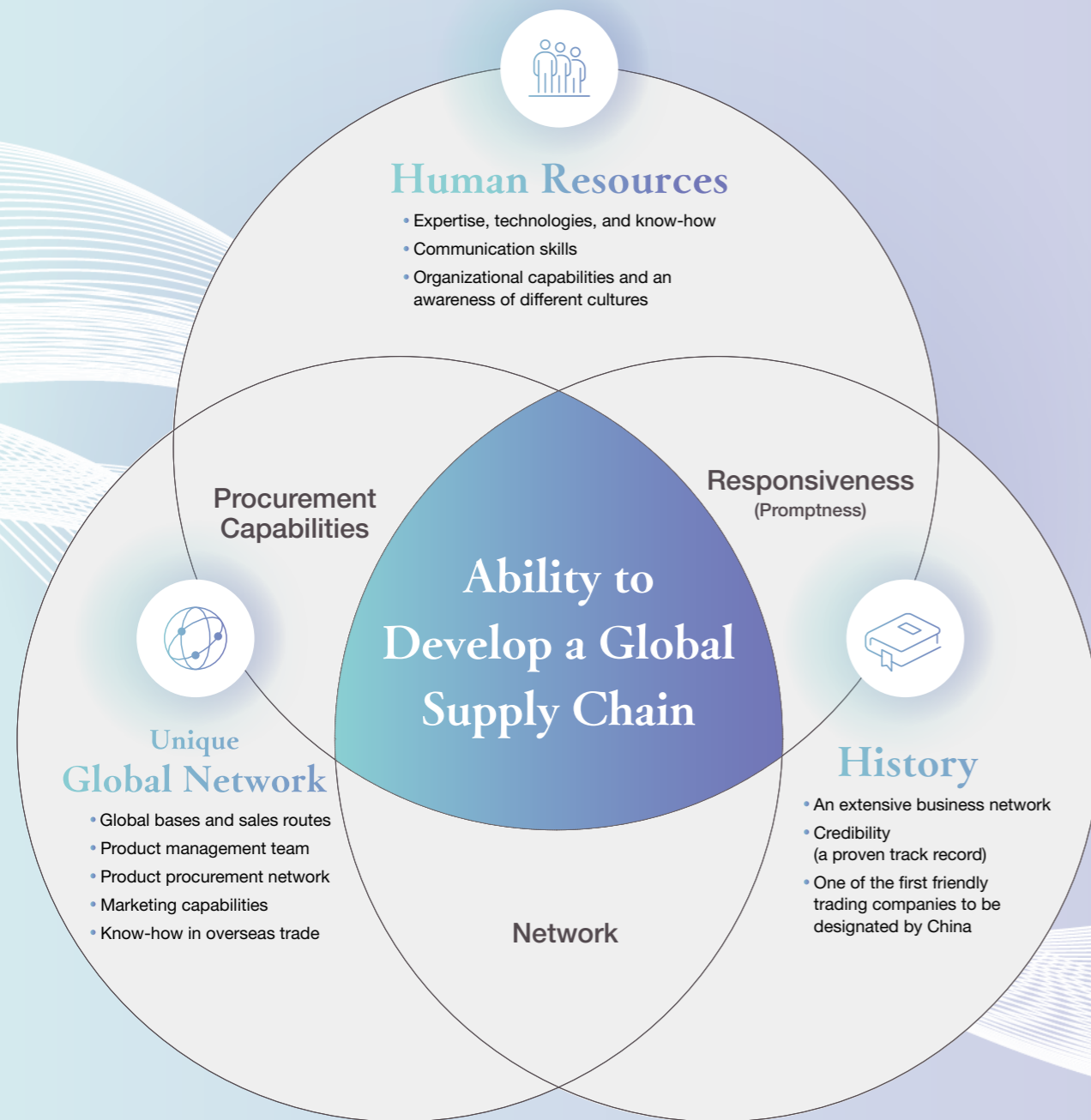
Overseas bases shown in italics have either discontinued operations or are currently inactive.

* 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

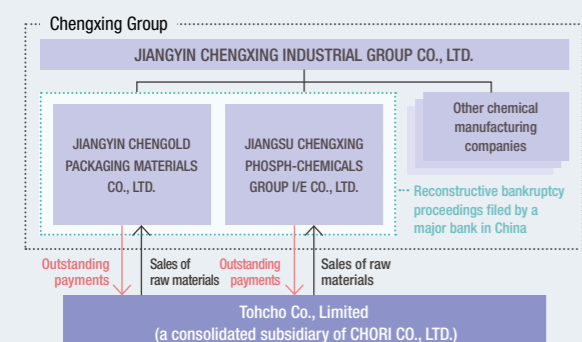
I truly appreciate the hard work of our Group employees in this regard. Amid circumstances in which employees were not able to come to the office or take business trips, the fact that we managed to continue to fulfill our procurement tasks by maintaining our supply chain and, in particular, the fact 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.

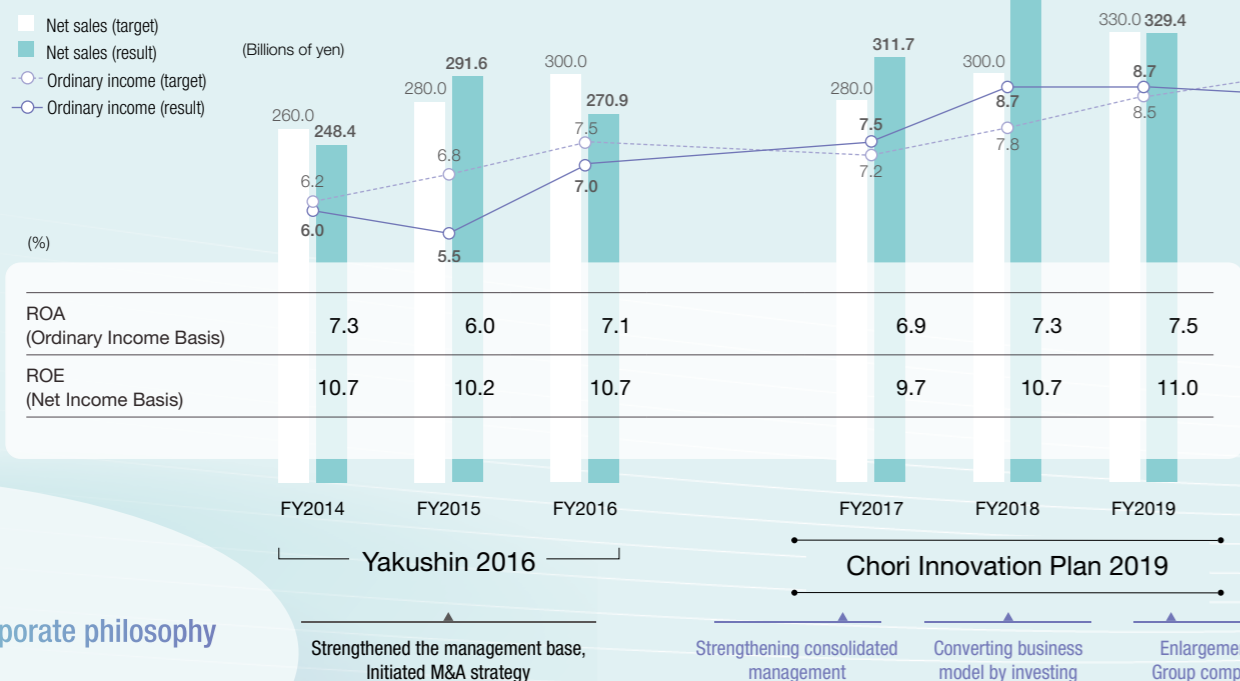
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President, CEO & COO,
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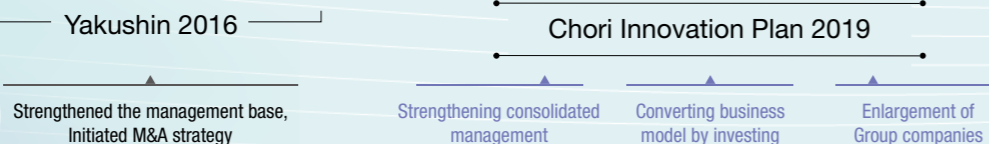
Overview of Chori

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.



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.

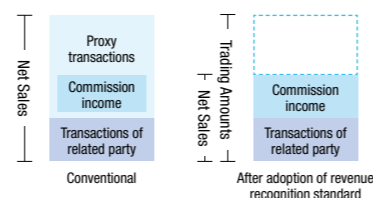
Under Chori Innovation Plan 2019, our previous medium-term management plan covering the period from fiscal 2017 to fiscal 2019, we solidified the foundation for reinforcing our consolidated management structure by making ASADA U CO., LTD. and KOZAKURA SHOKAI CO., LTD. consolidated subsidiaries. This 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

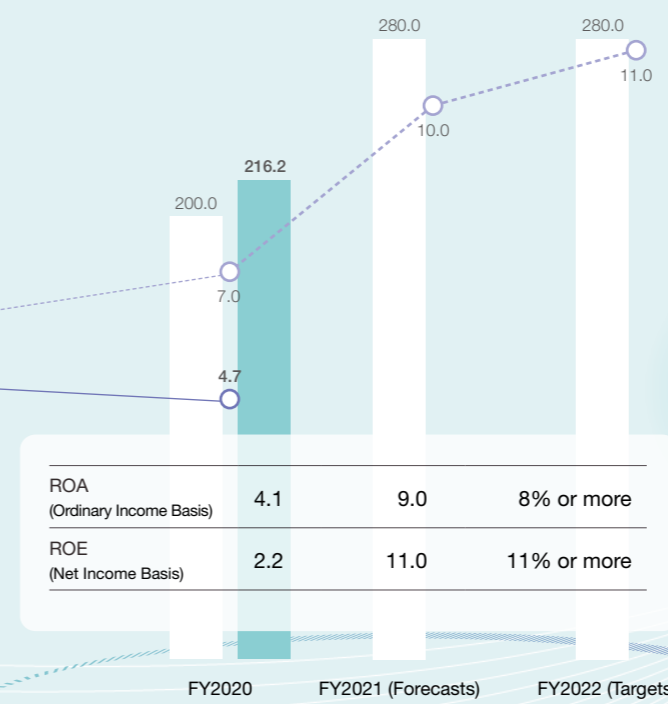
of recording provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group in China, ordinary income came to ¥4.7 billion, a 46.4% decrease from the previous fiscal year, while both ROA (ordinary income basis) and 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.



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

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).

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

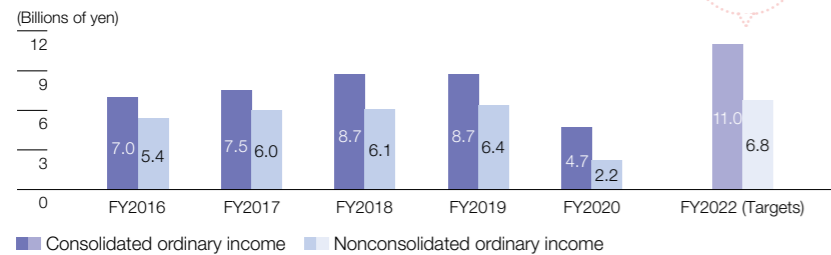
The Basic Strategies of Chori Innovation Plan 2022

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.

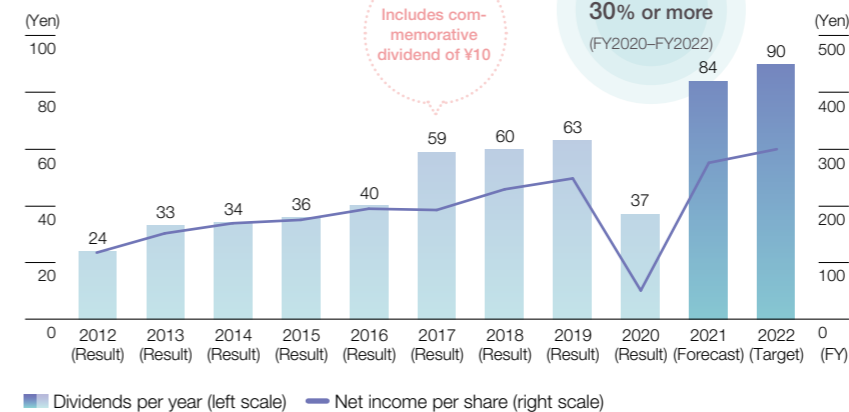
Overview of Sumitex International Company Limited

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

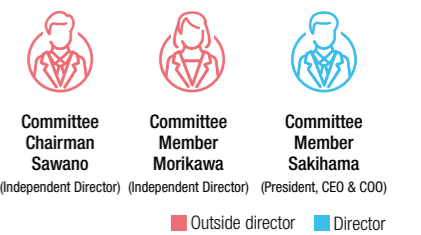
At Chori, we have a Governance Committee in place, which mainly consists of outside directors and serves as an advisory body to the Board of Directors. Through the enhancement and strengthening of corporate governance, we will pursue further increases in corporate value, while delivering performance-based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

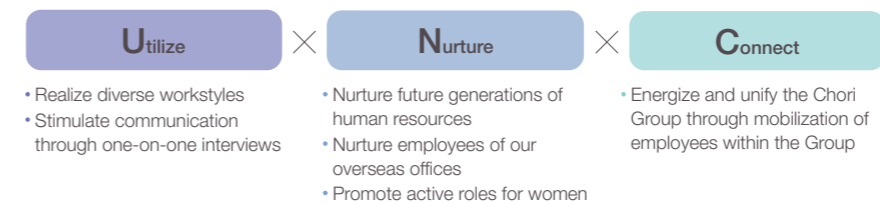
- Reinforcement of corporate ethics
- Elimination of legal violations
- Global risk management
- Strengthening of supervisory functions at consolidated subsidiaries

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



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

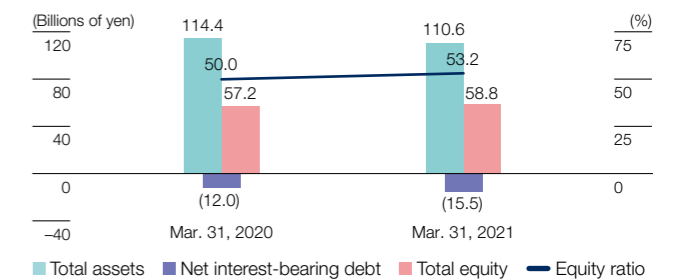
In terms of our financial base, we continue to maintain a high equity ratio, achieving 53.2% in fiscal 2020, even after recording provision of allowance for doubtful accounts. During the period of our Reborn Management Plan, from fiscal 2003 to fiscal 2004, our equity ratio was a mere 1% and our interest-bearing 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