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Printed in Japan
Issued in November 2022

CHORI CO., LTD. Tsumugu Report 2022

Making your dreams come true

Tsumugu

Report 2022

Fiscal 2021 (the year ended March 31, 2022)

CHORI CO.,LTD.



Corporate Slogan

Making your dreams come true

Corporate Philosophy

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

Regarding the Name of the Report

Since its establishment as a raw silk wholesaler in 1861,
Chori has been weaving (“Tsumugu”) a variety of connections and
bonds with stakeholders in the same manner as it has been weaving silk over the years.
The report’s name “Tsumugu Report” reflects our corporate stance
that has remained intact since our founding. With a track record spanning more than 160 years,
Chori will continue to remain a company that weaves dreams into reality
by cherishing its relationships with all stakeholders.

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.



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 2021 (April 1, 2021 to March 31, 2022); however, certain sections of the report contain information on fiscal 2022 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.

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President's Message



Kazuo Sakihama

President, CEO & COO,
President and Executive Officer

As it moves forward to a new stage, Chori will remain committed to its slogan, “Making your dreams come true.”

Leveraging of Chori's Strengths toward Further Growth

Chori is a company with a rich history that dates back more than 160 years. However, we overcame a period of immense challenges from the 1970s onward, which led to the formulation of our Reborn Management Plan in 2003 and the implementation of sweeping structural reforms. In the sense that it has been 19 years since this plan was unveiled, the Company, as it exists today, is very young despite its long history. During these perilous times, the Company expanded sales and profits by taking out loans and increasing the capital of other organizations. Chori has become what it is today as a result of this experience and a restructuring process that emphasized improvements to asset efficiency and return on assets (ROA). Accordingly, at the end of fiscal 2021, Chori's ROA (ordinary income basis), which demonstrates a company's earnings power, was 8.4%, a figure that parallels that of general trading companies. We aim to maintain this figure at around 8% going forward. Moreover, as a part of our rebirth as an organization, we filtered our operations into the Fibers, Textiles, and Garments Business; the Chemicals Business; and the Machinery Business while focusing on niche areas with the aim of becoming an integrated and specialized trading company. As we continue to expand our business around the world, the COVID-19 pandemic has reminded us of the fact that these three businesses are expandable as growth industries, of the strength of our supply chain infrastructure that has been built over our more than 160 years in business, and of the strength of our overseas transactions that have been developed as a result of this infrastructure.

As a trading company, Chori's greatest strength is its human resources. In 2009, I was appointed vice president of CHORI (CHINA) CO., LTD., at a time when I was working as a sales representative in the Chemicals Business. This allowed me to view Chori from an outsider's perspective and realize that this organization is brimming with exceptionally talented individuals. Whether it be fluency in a foreign language or expertise in market development, Chori is overflowing with highly skilled and

knowledgeable employees who are extremely well-suited to the direction the Company is taking toward global expansion. I would like to see each and every employee continue to actively embrace new challenges, hone their skills, and expand their roles and responsibilities. Chori certainly has employees who are capable of doing so, and therefore, I look forward to seeing our young and talented individuals inspire the next generation.

Chori's Vision for the Future

We expect Asia to continue to grow as a market in the next 10 to 20 years and beyond. In view of this, the approach we take to expanding Chori's presence in this market will be critical. In anticipation of this medium- to long-term growth, we have been promoting consolidated management centered on our global business since the start of our previous medium-term management plan, and we will continue to do so going forward. Our new stage at which we will consistently deliver ordinary income at the ¥10.0 billion level, as set forth in our current medium-term management plan, is also aimed at building a solid foundation for the next 10 to 20 years and beyond. Having achieved ordinary income of ¥10.3 billion in fiscal 2021, we are on a steady course to firmly solidify this foundation. With this foundation as a springboard, we will proceed ahead to our next step toward becoming a company that can promote M&As across the globe.

As an initiative that looks forward to the next generation, in April 2022 we launched a Companywide business transformation project to renew our mission-critical system. Having reached our new stage of consistently delivering ordinary income at the ¥10.0 billion level in fiscal 2021, and based on our confidence and determination that we will consistently achieve this target, we have decided to implement an enterprise resource planning (ERP) system. Although it will take a lot of effort to transition from the conventional system to our new system, this is an investment we have made toward the continuous growth of Chori, 10 to 20 years in the future and beyond. While this new system will be utilized solely by Chori

President's Message

at this time, we will seek to implement ERP at our consolidated subsidiaries as soon as possible, thereby enhancing our business management and productivity.

Progress of Chori Innovation Plan 2022 and Our Approach to Fiscal 2022

In fiscal 2021, the second year of Chori Innovation Plan 2022, our medium-term management plan, we recorded net sales of ¥284.1 billion and ordinary income of ¥10.3 billion, successfully achieving our ordinary income target of ¥10.0 billion. Although we feel that we would have reached this target a bit earlier if not for COVID-19, we were able to reaffirm the strength of Chori's foundation because of this pandemic and believe that our strategy of consolidated management centered on global business, which has been in force since our previous plan, was the right decision. In fiscal 2021, we expanded our network of consolidated subsidiaries as well as our overseas business, which led to record-highs in ordinary income and net income attributable to owners of the parent.

In terms of business segments, the Fibers, Textiles, and Garments Business is enhancing its efforts to realize sustainability throughout the entire supply chain, from upstream to downstream, based on our new BLUE CHAIN™ concept. While the sale of environment-friendly products has amounted to approximately ¥3.0 billion until now, in fiscal 2021 sales amounted to roughly ¥10.0 billion due to the expansion of this area of our business through a collective effort with business partners. Going forward, we will work to promote BLUE CHAIN™ by leveraging Chori's strengths as a company that engages in the entire supply chain. Meanwhile, STX Co., Ltd. (trade name changed from Sumitex International Company Limited) was forced to shut down its factory in Vietnam due to the lockdown enforced as a result of COVID-19. For that reason, we were unable to reach our projected income target for this segment during fiscal 2021; however, in the meantime we were able to take the measures necessary to create synergies between STX and Chori. It is essential that we expand our business in the ASEAN region, which is drawing interest as a replacement to China for production activities. Although we will continue to face headwinds in the form of the deteriorating Japanese yen in fiscal 2022, we will work to restore operations of STX with the aim of creating more synergies together over the next five to 10 years and thereafter.

As for the Chemicals Business, it has been expanding toward the goal of becoming a business that can independently provide additional value. In this business, we will leverage our global network to provide customers with the best possible solutions through our diverse lineup of products. We have also expanded and diversified our line of plant-based foods, biodegradable resin, and other products focused on helping realize a sustainable society. In fact, when supply chains around the world were

at risk due to COVID-19, we received a number of inquiries in regard to how we could address this issue, and in response we have been utilizing our global network to propose a variety of new solutions. With regard to the lithium compound production project in Chile, which Chori has been a part of since 2017, equipment has begun to arrive from the United States, where daily life is returning to normal. We expect the project to make further progress in fiscal 2022.

In the Machinery Business, we have been working with business partners based in the United Arab Emirates (UAE) since 2018 to expand our business in West Africa, where there is tremendous potential for growth. While Africa is a relatively new market for Chori, we have been steadily expanding our business in this region. However, due to a delay in collecting receivables from these business partners based in the UAE, we recorded provision of allowance for doubtful accounts in the amount of ¥739 million in fiscal 2021. Due to the lack of foreign currency being a factor in this matter, we will proceed with business by increasing our sensitivity to geopolitical risks and changes in the business environment and continuing to work to recover our accounts receivable. Meanwhile, we have been expanding the global operations of the Machinery Business as a market consisting of four regions and India and achieved brisk sales in Europe and Mexico in fiscal 2021. We will continue to steadily expand this business globally by promoting its line of products, which extend beyond those of the automotive business.

During the first two years of Chori Innovation Plan 2022, we have been exposed to various risks, such as COVID-19, rising commodity prices, and the deteriorating Japanese yen. In fiscal 2022, the final year of Chori Innovation Plan 2022, we will pay particular attention to the conflict between Russia and Ukraine and the zero-COVID policy in China due to the degree of their potential impact on supply chain disruptions. The conflict between Russia and Ukraine has caused a clash and division between global nations, which has posed significant risks to our business. On the other hand, the potential for further growth in Asia, Africa, and other regions as a result of population growth is an enormous business opportunity for Chori. In fiscal 2022, we will focus on these growth regions while continuing to grow as an organization by adapting quickly to the changes in our business environment.

Chori's Approach to ESG

In June 2022, we disclosed new information in accordance with the TCFD recommendations. In this day and age, a business cannot be operated without paying due consideration to the environment. At Chori, in order to fulfill our social responsibility as an organization, we calculate and disclose our Scope 1 and Scope 2 greenhouse gas (GHG) emissions. Although, the impact of our sales activities on the environment is certainly not

substantial from a trading company perspective, a matter we must address going forward is the disclosure of our Scope 3 GHG emissions. Moreover, in regard to our contributions to society and the environment, we continue to engage in new projects aimed at realizing a sustainable society. I believe it is of great significance that each of our businesses is engaging in new projects, such as the aforementioned BLUE CHAIN™ and plant-based foods, by identifying and being aware of the needs concerning social issues. It is imperative that these social contributions that are made through our business activities are managed throughout the organization by setting numerical targets.

The most important element to Chori's achievement of sustainable growth is its human resources. Meanwhile, it is also important that we embrace the diversity of our employees. The number of non-Japanese employees has increased among new graduates in recent years, and we also have a wealth of exceptionally talented individuals working as local staff in our various regions of operation. In an age characterized by the mobilization of human resources, we are assigning individuals to the most well-suited roles by continuing to hire new graduates and actively recruiting mid-career employees. We will do our utmost to continue to strengthen the abilities of each employee by allowing our diverse team of personnel to gain a variety of experiences.

In April 2022, Chori transitioned to the Prime Market of the Tokyo Stock Exchange, as a result of which, outside directors now account for one-third of the members on the Board of Directors. We have also been taking measures to strengthen our governance, such as through the establishment of our Governance Committee, the majority of which consists of outside directors, as a voluntary advisory body to the Board of Directors in March 2020. There is no end in sight to such measures to strengthen governance. Rather, we believe that having a firm understanding of our issues is critical to the success of our business. Accordingly, we will value the opinions of our outside directors and strive to eliminate the gap between our current governance and the governance we desire to achieve. Implementation of the ERP system, which I mentioned earlier, will, I believe, also help strengthen our governance from the view of managing our numerical results and targets and ensuring the visibility of our business activities.

A Trading Company That Helps Make Dreams Come True

In 2008, Chori announced its corporate slogan, "Making your dreams come true." At the time, a number of employees may have been baffled by the extraordinary nature of this slogan, but in the more than 10 years since, we have steadily but surely improved our business results. Having reached our ordinary income target of ¥10.0 billion in fiscal 2021, we believe that we

are finally in a position to live up to this slogan by becoming a company that can take on various challenges. We have continued to help make the dreams of our customers and business partners come true by creating value through the Fibers, Textiles, and Garments Business, the Chemicals Business, and the Machinery Business in ways that go beyond the scope of an ordinary trading company. While keeping in mind the expectations of business partners for Chori to embrace new challenges and overcome difficult tasks, we will advance toward our next chapter.

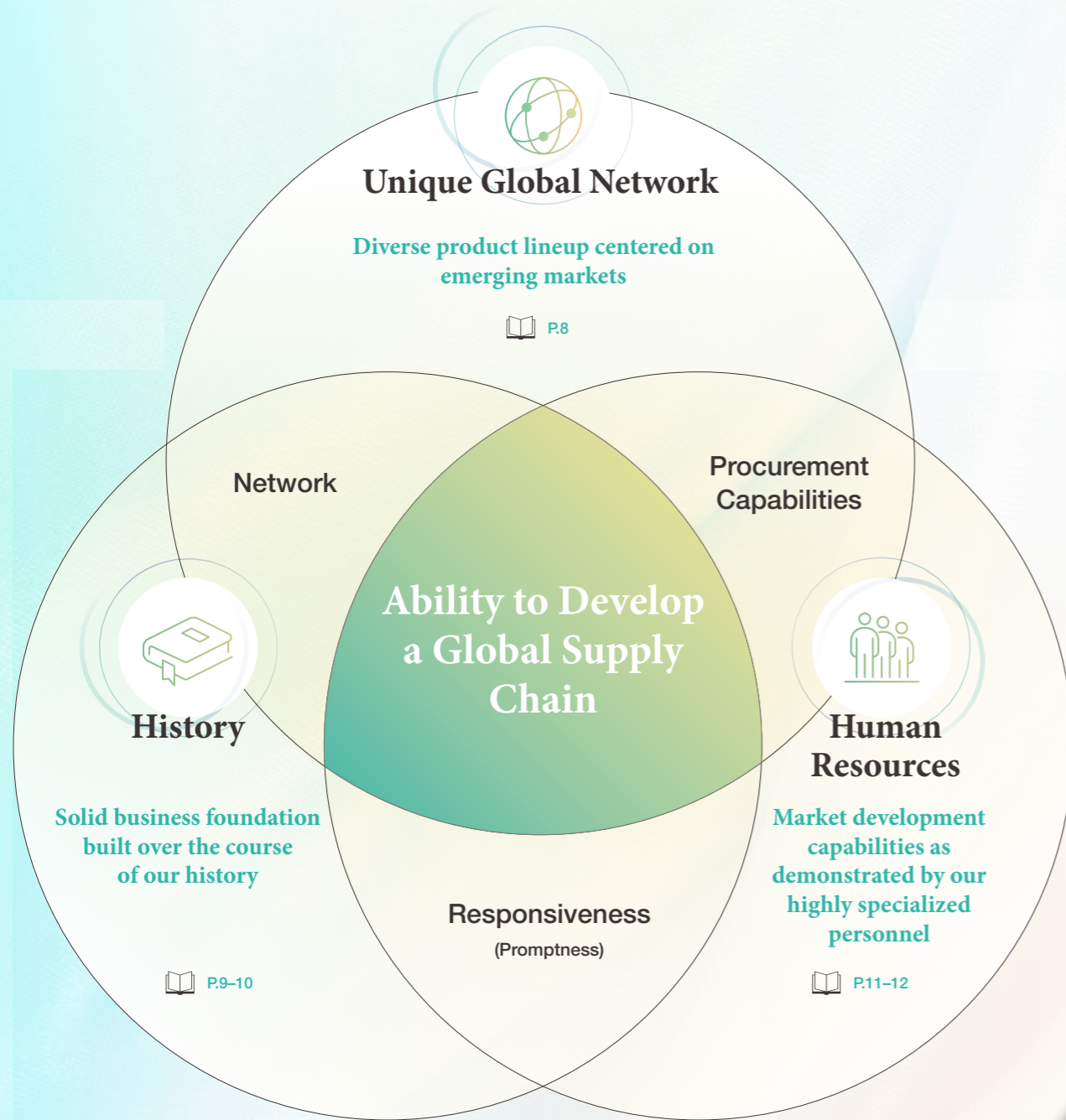
In fiscal 2021, we were able to achieve the targets of Chori Innovation Plan 2022 well ahead of schedule. Riding the wave of this success, we are also working to streamline our business through the implementation of ERP toward our further growth in the next generation. At Chori, we will remain a company that helps make dreams come true for everyone, and therefore, we kindly ask for your continued support going forward.



Kazuo Sakihama
President, CEO & COO,
President and Executive Officer



Chori's Strengths



Diverse product lineup centered on emerging markets

Chori has been aggressively expanding its business in emerging countries since the prewar period through efforts including the export of rayon yarn to China, India, and Mexico since the 1930s. Since then, the Company has expanded its global network to Europe, the United States, the Middle East, Africa, and other parts of the world, and its overseas transactions now account for roughly 70% of its total net sales.



Handling of Products with High Import Barriers

Through its more than 60 years of doing business overseas, Chori has established procurement routes for a variety of products centered on emerging markets. We have expanded the scale of our business by leveraging this product procurement route, and our years of doing business worldwide have allowed us to also handle an array of products with high import barriers.

Lithium Salt

Securing access to lithium salt is believed to be difficult in the producing nations of Chile and China.



Examples of Products Handled by Chori



Pharmaceutical Ingredients / Food Additives

Ensuring the stable procurement of quality raw materials in India and China is essential to the production of pharmaceutical ingredients and food additives.



Solid business foundation built over the course of our history

1861 Founded in the Nishijin District of Kyoto, Japan

Chori was founded as a raw silk wholesaler during a turbulent time when Japan was transitioning from the Edo Period to the Meiji Era. 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.



- 1929 Establishes branch office in Fukui Prefecture
- 1934 Establishes branch office in Ishikawa Prefecture
- 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 the 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

- 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
- 1993 Establishes CHORI (SHANGHAI) CO., LTD. as first subsidiary in China
- 1995 Establishes PT. CHORI INDONESIA
- 1996 Secures order for railway project in Kazakhstan
- 1997 Establishes joint venture Chongqing Dazu Red Butterfly Strontium Industry Co., Ltd.
- 2001 Establishes Chori Middle East FZE
- 2002 Spins off the Synthetic Resin Business Division into a separate company
- 2003 Launches the Reborn Management Plan and undergoes sweeping structural reforms Holds Textiles Exhibition (currently CHORI Exhibition)

- 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
- 2012 Engages in capital participation in manufacture of electrode foil for aluminum electrolytic capacitors
- 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 Establishes subsidiary CHORI TRADING INDIA PRIVATE LIMITED
- 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 the 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 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
- 2021 Makes STX Co., Ltd. a consolidated subsidiary



2003–2020s A Period of Breakthrough Results

Four Consecutive Years of Record-High Ordinary Income

Point Our Supply Chain in China

In 1961, prior to the normalization of Japan-China diplomatic relations, Chori became one of the first to be designated as a friendly trading company by China, which paved the way for the launch of its China business ahead of the competition. Meanwhile, in 2005 we established the first Japanese trading company subsidiary with the rights to sell and trade in China, and currently, in 2022 we boast a network consisting of 14 business sites in Greater China.*

Chori has established a robust supply chain in China through the extensive ties it has developed with the country over the years. We continue to expand our operations in the country as a hub for the production, procurement, and domestic sales activities of the Fibers, Textiles, and Garments Business as well as for exports to third-party markets in the Chemicals and Machinery businesses.

* Consisting of China, Taiwan, and Hong Kong

1948–1975 A Period of Growth

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

Point Our Connection with the Hokuriku Region, the World's Largest Textile-Producing Region

Chori has been working together with the Hokuriku region of Japan, one of the world's largest producing region for textiles, for more than 90 years. Over the years since establishing the Hokuriku Branch in the early days of the Showa Period, we have sold synthetic yarn to companies in the region and developed fabrics together that are marketed in both Japan and overseas.

This diverse network we have developed with business partners in the Hokuriku region has become the foundation of the supply chain of the Fibers, Textiles, and Garments Business, which handles a wide range of high-performance, high-quality materials.

1975–2003 A Period of Setbacks

Selection and Concentration of
Businesses Due to Significant Losses

Point Our Commitment to Niche Markets

In the 1970s, Chori expanded its lifestyle-related business and bolstered its business results. However, the Company began selecting and concentrating on certain businesses as a result of incurring significant losses in the finance and real estate segments of its operations. The organizational system was restructured, leading to the establishment of the Fibers, Textiles, and Garments Business; the Chemicals Business; and the Machinery Business as our core business segments and of our strategy of focusing on the handling of highly profitable products. As a result, ROA (ordinary income basis) has grown to 8.4% (as of March 31, 2021). Chori has been expanding its business in niche markets where it can utilize its knowledge and expertise to the fullest, rather than in products with fiercely competitive prices and overwhelming competition.





Market development capabilities as demonstrated by our highly specialized personnel

At Chori, our employees engage in the same line of business for many years and therefore boast a wealth of expert knowledge in everything from product quality and manufacturing know-how to the technological capabilities of our suppliers. Drawing on their expertise, these employees are contributing to the creation of major markets for our products in the Fibers, Textiles, and Garments; Chemicals; and Machinery businesses.

Creating new markets through innovation as a specialized trading company



1 Establishing a New Supply Chain and Realizing Cost Benefits

Since joining the Company, I have worked in the Logistics Department of the Chemicals Division for many years, and my strengths lie in business development, including the optimization and restructuring of supply chains. In 2013, we established a facility for inventory storage in Latvia to increase sales of urethane materials. Prior to establishing this facility in Latvia, there were a few other locations we had in mind. However, after reading through a considerable amount of materials in order to verify the rules and regulations and chemical products of each country, we decided that Latvia was the best location in terms of cost and other factors. Accordingly, we established a framework for creating cost benefits through the construction of a facility that is geographically more convenient than those of our European competitors and by utilizing nonresident inventory services and having a warehouse in

Kaai Kadokura

Section Manager, Chemical & Materials Business Department, Performance Chemicals Department, Section 1

Chori's name without establishing a local subsidiary in Latvia. We also made a number of trips to this region in order to establish a remotely operated inventory management system. An efficient operation method was also put in place to enable inventory to be tracked and deliveries to be managed online and emergency response procedures to be carried out by our overseas offices.

2 Optimizing the Supply Chain and Cultivating Markets While Embracing New Challenges

At our new facility in Latvia, we increased sales volume to as much as roughly 6,000 metric tons per year by expanding our lineup to three products from the mere one product that was sold at the outset in 2013. We will leverage this experience, in which we were able to showcase Chori's overseas presence, to develop new supply chains across the globe in a similar manner.

In 2021, I became the manager of my department after returning to work following the second time I took maternity and childcare leave. At the present time, my focus is on developing a team that can fulfill its duties and expand profits while gaining a sense of enjoyment in any environment. I will continue to strive to engage in projects that contribute to the realization of a greener global environment and better lifestyles for people everywhere while securing stable profits toward the achievement of Chori's medium- to long-term growth.

Leveraging its three strengths (human resources, global network, and history),

Chori will realize its corporate slogan,

“Making your dreams come true.”



Toshiya Sakaki

Section Manager, Synthetic Fiber Business Department, Section 1

When I joined the Company and was assigned to the Fibers, Textiles, and Garments Business, we mainly handled generic products. The challenge we faced was increasing the sales of our functional intermediates by distinguishing them from those of our competitors. In light of this situation, I focused on the sports industry and successfully developed our TEXBRID™ highly stretchable yarn, which is comfortable on the skin, while steadily working to verify the functionality of various raw materials. Going forward, we will look to expand the sales of environment-friendly products and realize sustainability in the textile industry.



Takuro Tamura

Section Manager, Apparel Department, Section 1

Since joining the Company, I have been a part of the Apparel Department, where I have been planning and proposing products for manufacturers around the world. In addition to China, a market in which Chori has held a competitive edge over the years, we are growing our business in the ASEAN region, where in 2018 we commenced production operations in Vietnam. When developing new production sites, we are often perplexed and faced with challenges such as differences in business customs. However, I find it very rewarding as I am able to learn many things and the experience itself is very stimulating. We will increase our product sales from ASEAN countries, where the potential for economic growth is particularly high, to Japan and other countries.



Suguru Hirano

Section Manager, Inorganic Fine Materials Department, Section 1

I engage in the sale of inorganic chemicals and have experience working overseas, including in the Philippines. While our main supplier to date has been China, we are working to procure materials from a variety of countries and open up new markets. Among these materials are potassium and boron salts, for which Chori has expanded its lineup to address the needs of customers. Going forward, we will expand our focus to nonferrous metals in order to provide new value to customers through the united efforts of all employees in Japan and overseas.



Shutaro Hamakawa

Section Manager, Fine Chemicals Department, Section 1

We engage in the manufacture of pharmaceutical and agrochemical intermediates and ingredients by outsourcing these services to suppliers in India, China, Eastern Europe, and other regions. Due to the fact that our pharmaceutical products must be produced by undergoing strict quality control procedures, I get great satisfaction from being able to contribute to the healthy lives of people on a daily basis. By continuing to cultivate the generic pharmaceutical market in both Japan and overseas, providing low-cost, high-quality pharmaceuticals, and pursuing biopharmaceuticals and other new domains, I hope to help save as many lives as possible around the world.



Sakae Takahashi

Section Manager, Pharmacovigilance & Quality Assurance Office

I work in the Pharmacovigilance & Quality Assurance Office, where I engage in the management of imported pharmaceuticals and other activities. Whenever a pharmaceutical using an ingredient imported by Chori or a drug that Chori has helped produce comes to my attention at drugstores, I take pride in the fact that I play a key role in supporting the health of patients. By continuing to draw on my high level of expertise and making wide contributions, including in the development of familiar health products and advanced medical materials, I will work to continue to help ensure the healthy lives of every individual.



Wenye Yu

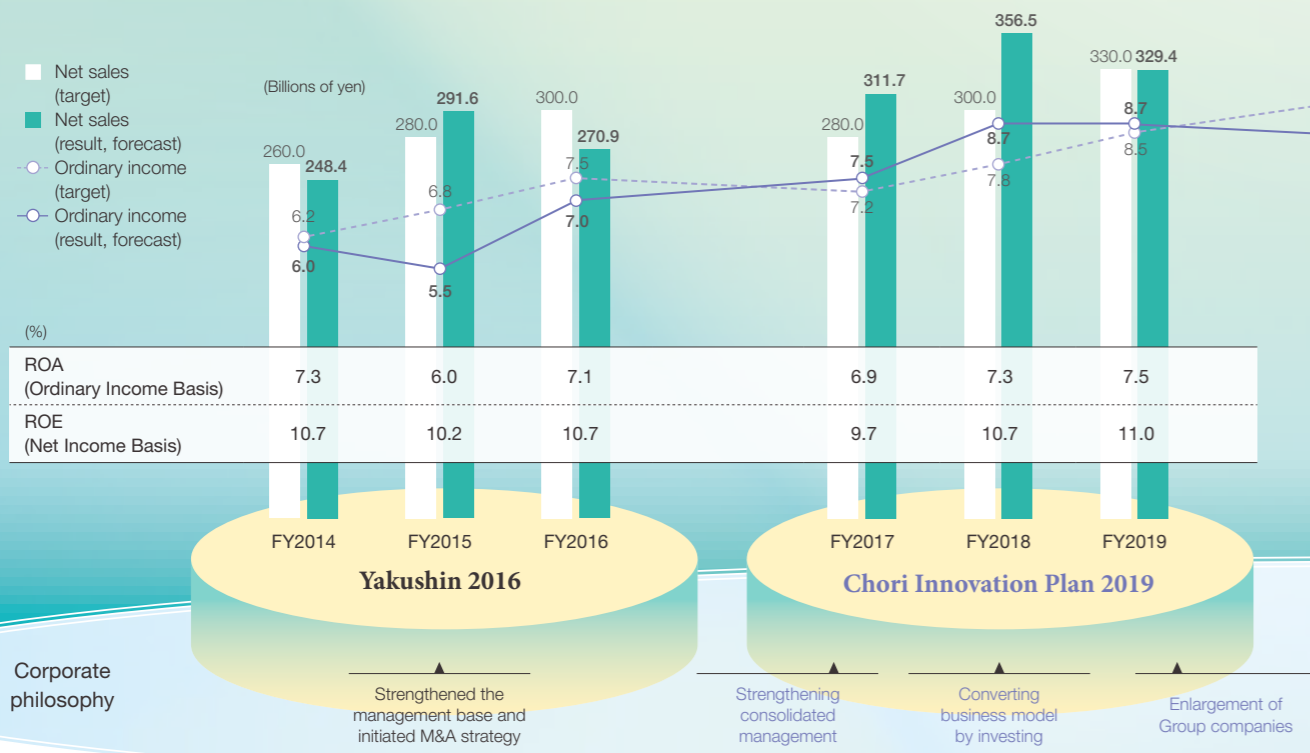
General Manager, CHORI (DALIAN) TRADING CO., LTD.

I work at CHORI (DALIAN) TRADING CO., LTD., where I engage in the management of production activities. Ten years ago, when China was the focus of Chori's production activities, we set our sights on acquiring a large-scale project that entailed production based in the ASEAN region. We dedicated almost an entire year to making a bid for this project, which involved conducting market research, selecting business partners, and negotiating conditions for production lines, among other tasks, resulting in our successful acquisition. Chori is a well-known Japanese company, even in China. We will continue to weave the next stage of Chori's history together with our wide range of business partners.

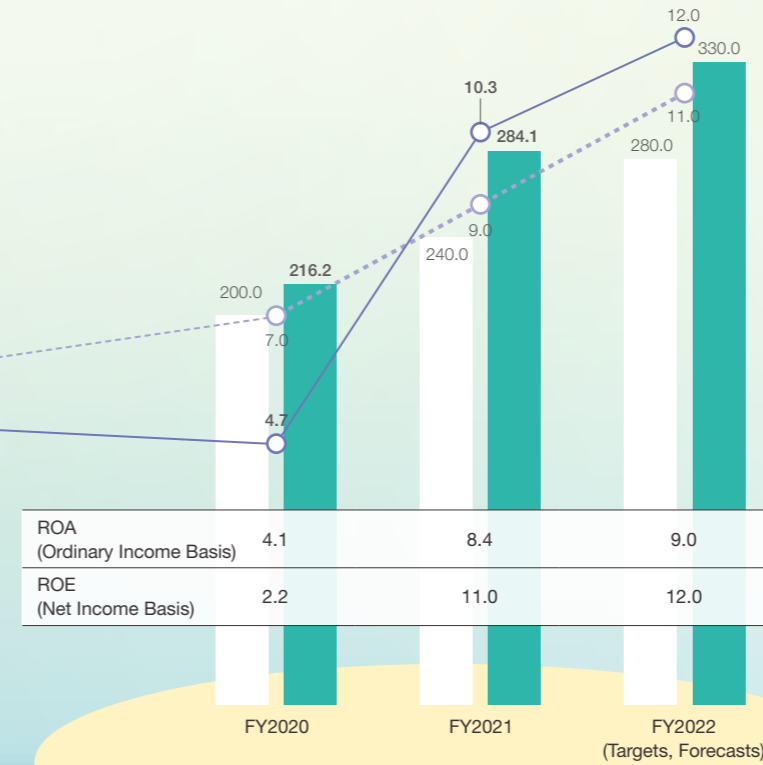
Medium-Term Management Plan

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 at the ¥10.0 billion level

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

Numerical Targets	FY2022 Forecast
Net Sales	¥330.0 billion
Ordinary Income	¥12.0 billion
Net Income Attributable to Owners of the Parent	¥8.2 billion
ROA (Ordinary Income Basis)	9.0%
ROE (Net Income Basis)	12.0%
Payout Ratio	30% or more

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 reinforced 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.

In fiscal 2021, the second year of Chori Innovation Plan 2022, we successfully began our new stage of consistently delivering ordinary income at the ¥10.0 billion level. We continued to make steady progress, posting our highest-ever results for ordinary income (¥10.3 billion) and net income attributable to owners of the parent (¥6.8 billion). In fiscal 2022, the final year of Chori Innovation Plan 2022, we aim to bolster our ordinary income to ¥12.0 billion.

Awareness of External Business Environment (Fiscal 2021)

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"> Decline in demand for apparel 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"> Decline in demand for cosmetics and food additives 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 and South and Central America 	<ul style="list-style-type: none"> Stringent supply and demand for vessels, soaring container shipping rates, etc.

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.

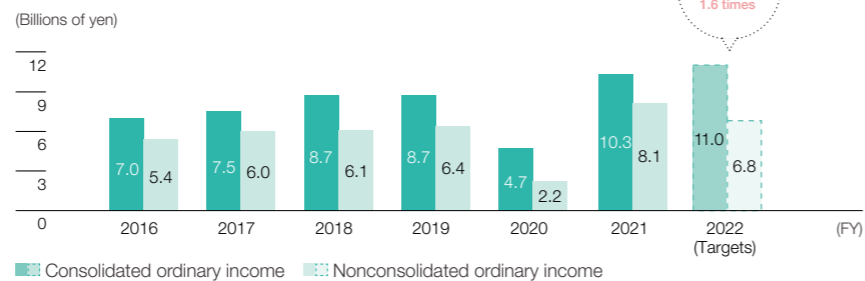
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Reinforcement of Consolidated Management Structure

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

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



2

Creation of Next-Generation Business Models

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

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

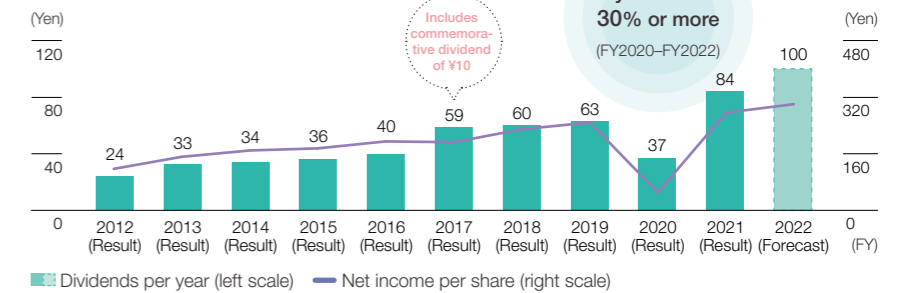
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Corporate Governance

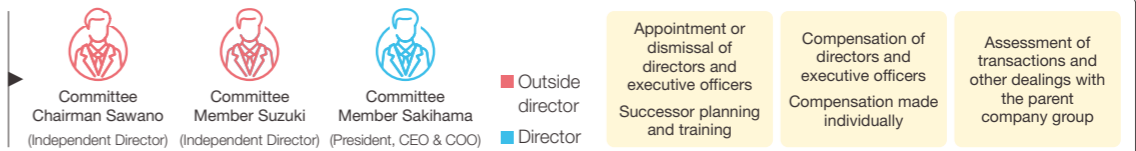
- Establishment of Governance Committee
- Improvement of dividend policy
- Continuation of stock-based compensation and enhancement thereof
- Group governance
- Enhancement of Chori's brand value
- CHORI Innovation Activities (Companywide activities)

At Chori, we have established the Governance Committee, 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)



Governance Committee



4

Compliance

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

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.



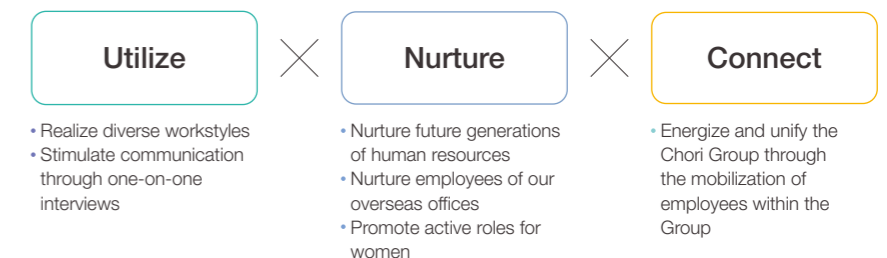
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Strengthening of Human Resource Development Structure

- Nurturing of human resources for next generation
- Promotion of health and productivity management (Please see page 50 for details)

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.

Nurturing of Human Resources for Next Generation



Financial Strategy



In our new stage of consistently delivering ordinary income at the ¥10.0 billion level, we will step up the pace of our global expansion and provide greater value to markets.

Tatsuyuki Sakoda
Director,
Managing Executive Officer

Inaugural Message and Reflection on Fiscal 2021 Performance

My name is Tatsuyuki Sakoda and I was appointed as a director and managing executive officer in fiscal 2022. Since joining the Company in 1989, I have served as the president of CHORI AMERICA, INC. and as the president, CEO & COO of Miyako Kagaku Co., Ltd., in addition to my role as the head of the planning department of the Fibers, Textiles, and Garments Business and the Corporate Management Division in Japan and overseas. Our current business environment urges us to respond to a multitude of risks, including COVID-19, the conflict between Russia and Ukraine, the weakening Japanese yen, and the rising prices of goods and services. However, by drawing on my own experience that I have gained over the years in a range of business settings, I will address these risks from a medium- to long-term point of view and thereby realize the sustainable growth of our organization.

Fiscal 2021 was a year in which we recorded our highest-ever results, achieving ordinary income of ¥10.3 billion and net income attributable to owners of the parent of ¥6.8 billion. While sales grew in all of our business segments, the Chemicals Business in particular benefited from a tailwind of rising material prices, and I commend the business for being able to ride this wave and improve its performance under its own power.

Meanwhile, the Fibers, Textiles, and Garments Business achieved results to a certain degree by adapting to the changes in demand stemming from COVID-19 while overcoming various obstacles. The Machinery Business recorded provision of allowance for doubtful accounts in the amount of ¥739 million* due to a delay in collecting receivables from business partners based in the UAE. This delay was mainly caused by a stagnation in cash flow resulting from the production cutback of oil in Nigeria and other factors associated with COVID-19. As preparations are underway for the payment of this amount in foreign currency, Chori will continue with its efforts to collect on its accounts receivable. For Chori to continue to grow over the medium to long term, we must establish strategic partnerships on a global scale. Going forward, we will continue to take the measures necessary to expand our operations while carefully monitoring the risks associated with our business without thinking twice about investing our resources.

* The total amount of receivables from two business partners, PLATINUM CORPORATION FZE and RELIANCE COMMODITIES DMCC, at risk of collection delays is ¥739.9 million. Chori has taken out a trade insurance policy with a coverage rate of 90% from Nippon Export and Investment Insurance (NEXI) and has recorded ¥739 million, which represents 10% of the total amount of the receivables, as provision of allowance for doubtful accounts (as of March 31, 2022).

Consolidated Financial Results and Rate of Achievement of Medium-Term Management Plan Targets

	FY2020	FY2021	Difference	FY2021 Plan	Achievement Rate
Net Sales	216.2	284.1	+67.9	240.0	118.4%
Gross Profit	26.4	30.7	+4.3	—	—
Selling, General and Administrative Expenses	22.7	21.3	-1.4	—	—
Operating Income	3.7	9.3	+5.7	8.7	107.2%
Ordinary Income	4.7	10.3	+5.6	9.0	114.2%
Net Income Attributable to Owners of the Parent	1.2	6.8	+5.6	5.9	115.4%

Toward the Achievement of Our Medium-Term Management Plan

We have revised our targets upward for fiscal 2022, the final year of Chori Innovation Plan 2022. The reason behind this revision is the surging prices of crude oil. While crude oil prices were on a declining trend in 2019, right at the time when our current medium-term management plan was formulated, the recent price hikes have sparked an increase in profits, particularly in the Chemicals Business, driving the growth of the entire Company. In order to achieve these revised targets, the Fibers, Textiles, and Garments Business must firmly recover the operations of STX Co., Ltd., which was unable to fully create synergies with Chori in fiscal 2021 due to the effects of COVID-19. We must also keep a close eye on the depreciating Japanese yen as a risk to our business. This is due to the likelihood of the profit environment deteriorating for products close to end consumers. In addition, the situation in Ukraine has put the nature of global businesses in question. The issue of security is becoming increasingly important in terms of expanding business along the global supply chain, an area where Chori excels in, and so we will keep a close eye on this issue going forward.

During the times of hardship up to the early 2000s, we put our heart and soul into revising our business portfolio. What transpired as a result of our selection and concentration of businesses and the significant losses we incurred during those

years was the establishment of the Fibers, Textiles, and Garments; Chemicals; and Machinery businesses that exist today. Each business is constantly reviewed based on our exit rule, which designates that we shall withdraw from a business that has failed to turn a profit for three consecutive years. In addition, we verify the effectiveness of new investments and assess the risks involved through the efforts of the Business Investment and M&A Promotion committees.

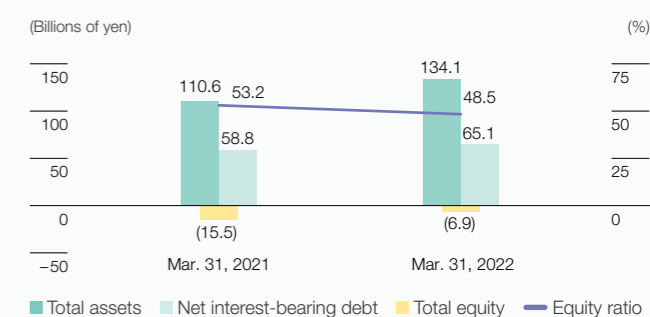
Fiscal 2022 Performance Forecast

	FY2022 (Forecast)	Medium-Term Management Plan (Final Year Target)
Nat Sales	330.0	280.0
Ordinary Income	12.0	11.0
Net Income Attributable to Owners of the Parent	8.2	7.3
ROA (Ordinary Income Basis)	9.0%	8% or more
ROE (Net Income Basis)	12.0%	11% or more

Financial Position

Total assets as of March 31, 2021 were ¥134.1 billion, an increase of ¥23.5 billion from the end of the previous fiscal year; however, ¥13.6 billion of this amount was due to the consolidation of STX. As a result, the equity ratio as of the end of fiscal 2021 was 48.5%. Based on our years of experience in dealing with challenging business environments, Chori's goal is to maintain an equity ratio of around 50%. While this figure may appear to be high from the perspective of a trading company, we will continue to expand our business by placing emphasis on ROA, which is indicative of a company's asset efficiency, while focusing on investing in niche areas of the Fibers, Textiles, and Garments Business; the Chemicals Business; and the Machinery Business, Chori's core businesses. ROA (ordinary income basis) at the end of fiscal 2021 was 8.4%, exceeding the final year target of 8% for Chori Innovation Plan 2022, and ROE (net income basis) came to 11.0%.

Financial Soundness



Profitability / Capital Efficiency

	Mar. 31, 2021	Mar. 31, 2022	Difference
ROA (Ordinary Income Basis)	4.1%	8.4%	+4.3%
ROA (Net Income Basis)	1.1%	5.6%	+4.5%
ROE (Net Income Basis)	2.2%	11.0%	+8.8%

Financial Strategy

Cash Allocation

In fiscal 2021, net cash used in operating activities came to ¥2.3 billion mainly due to increases in both trade receivables and inventories. In fiscal 2022, we will reduce our stock funds while closely monitoring increases in material prices and other factors.

From an investment point of view, we will constantly be on the lookout for quality projects, but first we must focus on improving the profitability of STX and other existing businesses in fiscal 2022. Moreover, in order to achieve organic growth, we have been directing our attention to our branding activities for the three core businesses, particularly the Fibers, Textiles, and Garments Business, and enhancing awareness of our new BLUE CHAIN™ concept and original products while carrying out investments in order to protect our intellectual property rights. With regard to our human resources, in addition to investing in training programs and career development support services, we are actively recruiting highly specialized and experienced individuals in anticipation of Chori's new growth in an age characterized by the mobilization of human resources.

Meanwhile, we increased our payout ratio to 30% or more in fiscal 2020 and paid annual dividends of ¥84 per share in fiscal

2021. Going forward, we will continue to provide performance-based dividends in accordance with the standards for net income attributable to owners of the parent.

	FY2020	FY2021	Difference
Cash Flows from Operating Activities	5.9	(2.3)	-8.2
Cash Flows from Investing Activities	(0.4)	0.2	+0.6
Cash Flows from Financing Activities	(0.9)	(4.0)	-3.1
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(0.0)	0.6	+0.6
Total Cash Flows	4.6	(5.6)	-10.2
Cash and Cash Equivalents at End of Period	17.6	12.0	-5.6

Our Approach Going Forward

In fiscal 2021, we reached the ¥10.0 billion mark for ordinary income and solidified the foundation for our new stage of consistently delivering ordinary income at the ¥10.0 billion level. In fiscal 2022, we will work to achieve our upwardly revised consolidated performance targets and will cement this as our standard for the future. For Chori to achieve further growth in the next 10 to 20 years and beyond, it is essential that we continue to proceed

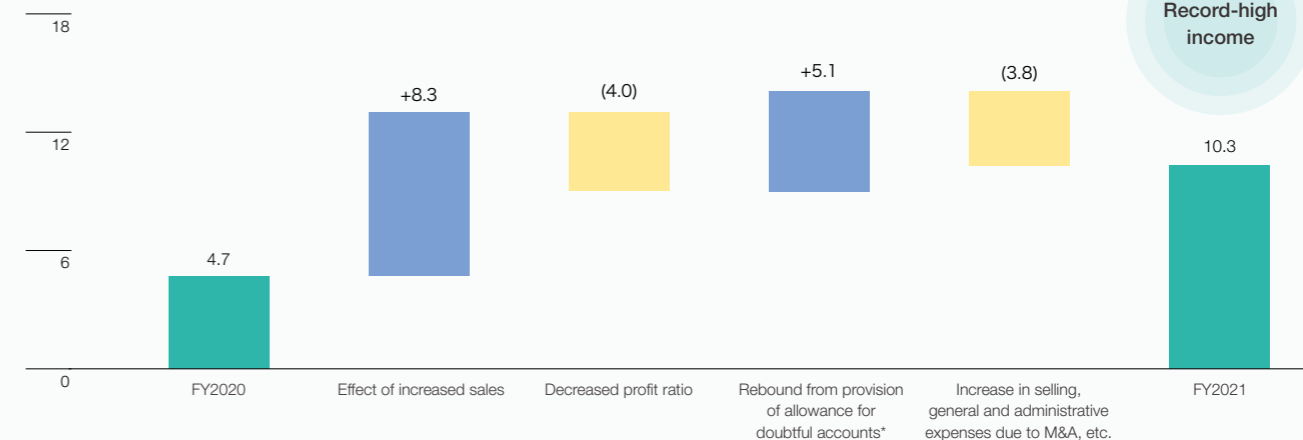
with consolidated management centered on our global business. In order to steadily grow its businesses, Chori will expand its global operations, raise the level of its intellectual infrastructure as a company, and enhance its presence in the market as an integrated and specialized trading company that has been in business for more than 160 years.

Reference Material

Reasons for Changes in Ordinary Income and Trends in Ordinary Income

Reasons for Changes in Ordinary Income

(Billions of yen)



* In FY2020, Chori recorded provision of allowance for doubtful accounts of ¥5.1 billion against a Chinese chemical manufacturing company group.

Trends in Ordinary Income

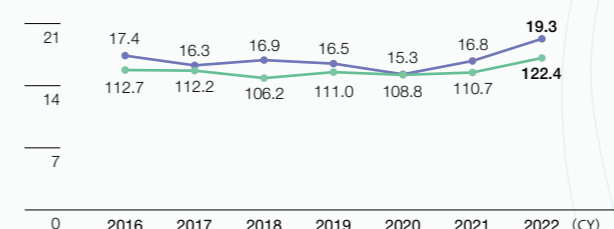
(Billions of yen)

	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Full-year total	1Q	2Q	3Q	4Q	Full-year total
Net Sales	49.0	53.2	55.2	58.9	216.2	60.7	69.4	75.8	78.3	284.1
Operating Income (Loss)	(0.9)	2.5	2.4	(0.3)	3.7	2.6	2.3	2.6	2.0	9.3
Ordinary Income (Loss)	(0.7)	2.5	2.5	0.3	4.7	2.9	2.4	2.9	2.1	10.3
(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	(1.2)	1.4	1.6	(0.6)	1.2	2.3	1.7	1.9	1.0	6.8

Market Trends

Foreign Exchange Rate

(Yen)



◆ RMB (left scale) ◆ USD (right scale)

Note: As of March 31

Source: Rate as of the Company's term-end

Oil Prices

(Yen)

(US\$/barrel)

(US\$/ton)



◆ New York crude oil (left scale) ◆ Naphtha (imports) (right scale)

Note: New York crude oil is as of March 31;

Naphtha is single-month average for March

Sources: Company research

Special Feature

Realizing a sustainable supply chain from upstream to downstream

blue
chain™

In this section, we will introduce Chori's initiatives toward realizing sustainability, centered on its ECO BLUE™ concept.

BLUE CHAIN™ at a Glance

Resolving the Issues of the Fiber, Textile, and Garment Industries

The problem of environmental degradation, which has been a focus of attention for a variety of industries in recent years, has become a matter of significant concern in the fiber, textile, and garment industries. The creation of new apparel made in response to recent trends and consumer needs requires massive volumes of water and produces substantial amounts of greenhouse gases. It is also true that large quantities of unsold clothing are discarded unused. To address these issues, Chori introduced BLUE CHAIN™ initiatives to create environment-friendly products by seamlessly linking the vast and complex fiber, textile, and garment industries and integrating the functions of each company. By teaming up with a number of companies and operating businesses by leveraging economies of scale, we will reduce the costs associated with decarbonization measures. Through BLUE CHAIN™, we will work together with our business partners to contribute to the transformation of the fiber, textile, and garment industries.

Chori's unique line of
BLUE CHAIN™ products



ECO BLUE™

Recycled polyester fiber made of used plastic bottles



TEXBRID™

A highly durable, long-lasting, and stretchable material



MILLENNIUM ORGANIC™

A material made of ultra-white raw cotton that eliminates the need for chlorine bleach and excess reducing agents used in chemical dyeing processes



MEDITERRANEAN GIZA™

A material that is made using 100% recycled water and has reduced the amount of water used in cultivation processes by 30% to 50% through the extensive use of a drip irrigation system



Natural Dye

A line of apparel that uses plants and food residue as dyes, having less impact on the environment than chemical dyes



ECO BLUE™

Natural Dye

Cotton

Special Feature

ECO BLUE™ Recycled Polyester Fiber

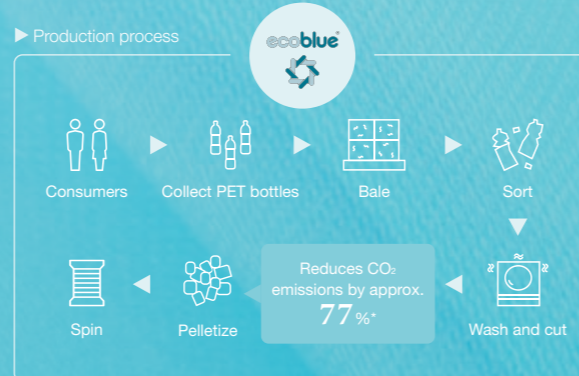
01

At Chori, we handle a wide variety of environment-friendly products. At the core of these products is our ECO BLUE™ recycled polyester fiber made from recycled plastic bottles. ECO BLUE™ was introduced in 2007 and has continued to evolve over the last 15 years. While continuing to engage in all areas of the supply chain, from the handling of yarn to the sale of the final product, in 2019 Chori partnered with recycled pellet manufacturer Utsumi Recycle Systems Inc. to tap into the pellet business—an upstream recycling process—and established its very own recycling facility.

The amount of recycled polyester fiber handled by other companies has also been on the rise in recent years. However, the strength of ECO BLUE™ lies in the Company's ability to handle over 200 types of yarn by leveraging the solid relationships it has built with the world's leading synthetic fiber manufacturers. Each year, approximately 520 million plastic bottles are recycled to produce plastic pellets and yarn. Setting our sights on continuing to increase corporate value, we will engage in advanced yarn processing together with processing plants in the Hokuriku region and other areas.



Recycled pellet extruder



* Based on in-house estimates



Exhibit at 9th FaW TOKYO—
FASHION WORLD TOKYO
(April 6–8, 2022)

Chori was among the approximately 360 companies with an exhibit at FaW TOKYO—FASHION WORLD TOKYO, Japan's largest fashion trade show held at Tokyo Big Sight from April 6 to April 8, 2022. Consisting of six themes, including Sustainable Fashion Expo and Japan Fashion Expo, this year's event marked our second appearance following our participation in last year's event held in October 2021. Our booth, which unveiled the redesigned logos of BLUE CHAIN™ and ECO BLUE™ and featured keynote speeches detailing these concepts, proved to be a tremendous success.

Development of Quick-Dyeing Yarn with Business Partners

02

Chori is expanding its lineup of initiatives that infuse its ECO BLUE™ concept into the products of its business partners. In 2021, we developed WS™, a quick-dyeing material, with KOMATSU MATERE Co., Ltd., a chemical material manufacturer based in Ishikawa Prefecture.

WS™ is an environment-friendly material that significantly reduces the amount of energy and dye required for the dyeing process by incorporating special yarn and processing technologies. Ordinary yarn needs to be dyed at high temperatures due to the inability of polymers to move around freely and the many crystalline regions that are not easy for dyes to permeate. Meanwhile, WS™ offers less than one-third the number of crystalline regions as ordinary yarn, enabling polymers to move around and dyes to permeate easily. As a result, compared with conventional methods, the dyeing process can be performed at a lower temperature and be completed in roughly 50% less time, thereby reducing the amount of CO₂ emissions from fabric dyeing processes by 31.7%.

Although textile recycling has become commonplace worldwide, WS™, which reduces greenhouse gas emissions at the manufacturing stage, is attracting a great deal of interest both in Japan and overseas and is expanding in terms of sales for use in sportswear, casual wear, and uniforms around the world.



Direction Going Forward

03

ECO BLUE™ and Chori's other recycled raw materials are already used in a number of sports and other apparel products, and in fiscal 2021 sales of environment-friendly products grew to approximately ¥10.0 billion. As new initiatives, we are proposing a system in which the used plastic bottles we collect are reused to produce original company uniforms and developing mats for riverbeds to prevent flood damage and sound-absorbing mats for electric vehicles made of fiber scraps generated at factories. Going forward, we will look to expand our business not only in Japan but also overseas, targeting the sports and



outdoors and mid- to high-end apparel markets in Europe. We will thereby achieve net sales of ¥13.5 billion in fiscal 2022 along the road to ultimately reaching ¥30 billion. As a company that was founded on its raw silk business, Chori holds itself accountable for overcoming the challenges facing the fiber, textile, and garment industries and achieving sustainability throughout the supply chain. While it is important to pursue sustainability at each point along the supply chain, this alone will not achieve true sustainability. Leveraging the solid relationships it has built with business partners throughout its over 160 years in business, Chori will weave together its sustainability practices along the supply chain and develop and provide environment-friendly products that pave the way to the future of the textile industry, which generates large amounts of waste, presenting a significant impact on the environment.

Overview

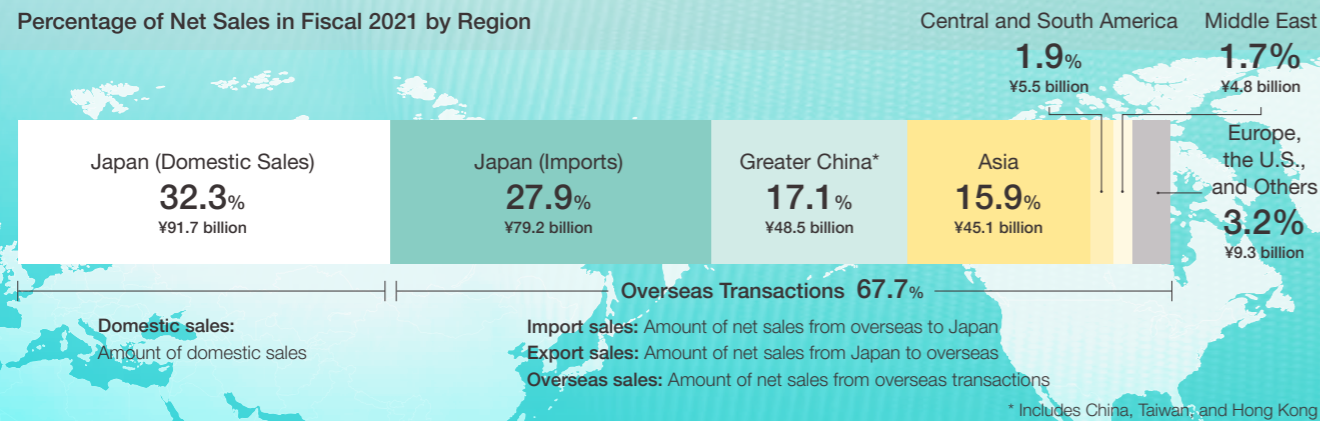
Group Structure

	Major Subsidiaries	Main Business	(As of March 31, 2022)
CHORI CO., LTD.	Fibers, Textiles, and Garments Business: 13 companies	ASADA U CO., LTD. CHORI MODA CO., LTD. STX Co., Ltd.	Sale of automotive interior and packaging materials Planning and development of apparel products Manufacturing and sale of textile-related products (including clothing and fabric materials)
	Chemicals Business: 8 companies	Miyako Kagaku Co., Ltd. KOZAKURA SHOKAI CO., LTD. CHORI GLEX CO., LTD.	Sale of chemical products, industrial materials, pharmaceuticals, and food-related ingredients Sale 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.	Sale 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 sale of various products in the U.S. Import and export sales, overseas transactions, and domestic sale of various products in China Import and export sales, overseas transactions, and domestic sale of various products in Thailand

Fiscal 2021 Net Sales by Segment

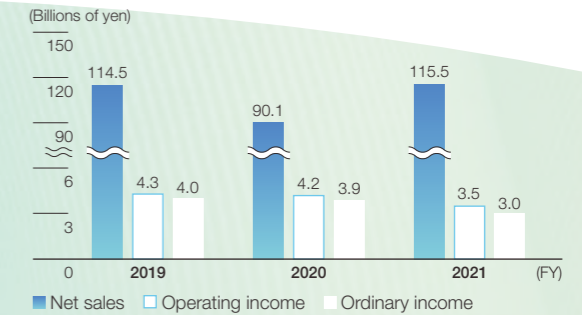


Percentage of Net Sales in Fiscal 2021 by Region



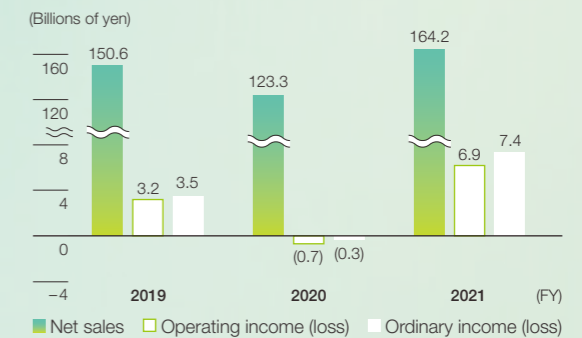
Fibers, Textiles, and Garments Business

Sales in the Fibers, Textiles, and Garments Business increased 28.2% from the previous year, to ¥115.5 billion, as a result of the consolidation of STX Co., Ltd. into the Group and other factors. In contrast, ordinary income decreased 23.1% year on year, to ¥3.0 billion, due to the effects of the surging prices of raw materials and stagnant results in the apparel segment stemming from sluggish personal consumption.



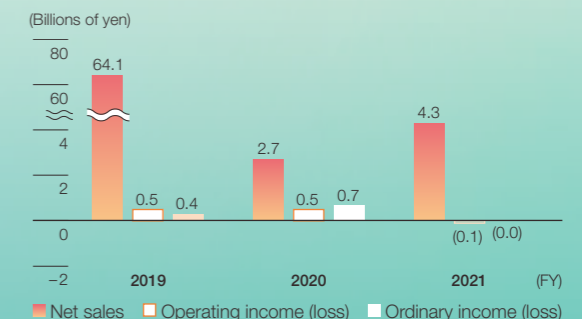
Chemicals Business

In fiscal 2021, the Chemicals Business achieved brisk results overall as sales climbed 33.1% from the previous year, to ¥164.2 billion, owing to a particularly strong performance in the organic chemicals, inorganic chemicals, and fine chemicals segments. From a profit standpoint, ordinary income came to ¥7.4 billion due to an increase in gross profit by virtue of the higher revenue.



Machinery Business

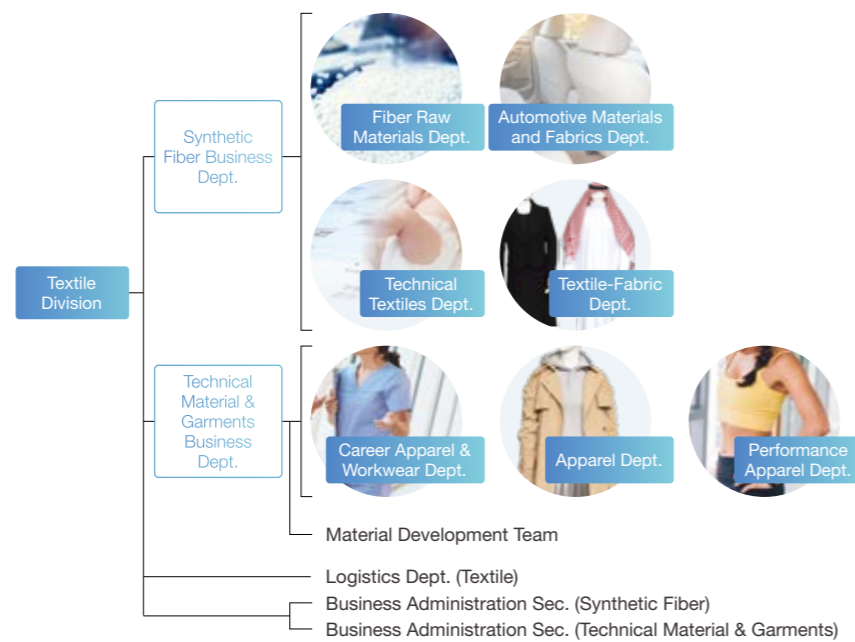
In the Machinery Business, sales soared 57.4% from the previous year, to ¥4.3 billion, due to the effects of the recovery in demand for automobiles in Europe, North America, and other regions. Meanwhile, despite achieving steady results, mainly due to the higher revenue, the segment posted an operating loss of ¥6 million. This loss was due to the recording of provision of allowance for doubtful accounts of ¥0.7 billion as part of selling, general and administrative expenses at the end of fiscal 2021 as a result of a delay in collecting receivables from business partners based in the UAE.



Fibers, Textiles, and Garments Business

By merging the three divisions of the Fibers, Textiles, and Garments Business to form a single division 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

Strengths

- Two-pronged business model involving manufacturing and commercial capabilities
- Customer base in the Hokuriku region, the largest textile-producing region in the world
- Well-versed team of personnel in Japan and overseas
- Operation of OEM business that integrates supply chain processes, encompassing production to distribution, by leveraging the capabilities of production overseas
- Responsiveness to customer needs by drawing on global network

Weaknesses

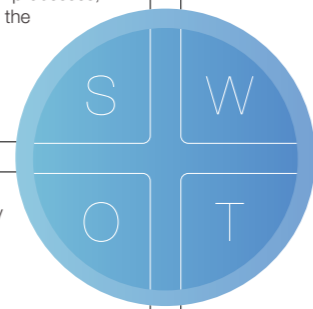
- Late start to globalization in downstream fields
- Digitalization measures
- Obsolescence of existing business fields

Opportunities

- Growing demand for car seats stemming from recovery of automotive market
- Growing demand for hygienic materials
- Increasing demand for sports apparel owing to greater health awareness
- Expansion of textile product market due to a rise in global population

Threats

- Sluggish consumer sentiment due to rising prices
- Global supply chain management disruptions (impact of zero-COVID-19 policy in China)
- Coups d'état or conflicts in emerging countries and disruptions to production and supply systems
- Surging raw material and crude oil prices and volatile foreign exchange rate movements



Road to Achieving Chori Innovation Plan 2022

We will expedite our global expansion while responding to each challenge and opportunity arising from COVID-19.



Hiroshi Yoshida

Managing Executive Officer
General Manager of Textile Division

Overview of Fiscal 2021 Performance of the Fibers, Textiles, and Garments Business

In fiscal 2021, sales in the Fibers, Textiles, and Garments Business increased from the previous year to ¥115.5 billion while ordinary income fell to ¥3.0 billion. These results reflect the significant impact of COVID-19 lockdowns on the Vietnam plant operated by STX Co., Ltd., which became a consolidated subsidiary, and the considerable effects of the surging logistics costs and raw material prices in recent years on low-price-zone products, an area of strength of STX. The Synthetic Fiber Business Department, which handles materials, is on the verge of fully recovering from the effects of COVID-19 as sales grew 15% year on year, while the Technical Material & Garments Business Department posted a 2% decline in sales due to the sluggish demand for outdoor wear. However, considering the fact that the demand for hygienic materials and other products in fiscal 2020 that arose from the effects of COVID-19 was virtually nonexistent in fiscal 2021, both departments are making steady progress without feeling any significant effects of COVID-19.

From a global perspective, the textile, fiber, and garment industries are all growing, and how Chori responds to these trends will be important going forward. The fact that the recent rise in material costs has increased the prices of the finished products we handle is certainly a positive sign, but we still have some ways to go before we can pass on these price increases to our customers. To encourage customers to purchase our products at higher prices, we must increase the value of our products to compensate for the price hike, and we believe that this is where Chori's strengths can be utilized. Chori's Fibers, Textiles, and Garments Business is characterized by its semi-industrial/semi-commercial business model, which allows us to create added value for our products by not only trading but also proposing and developing materials with our business partners. We will continue to showcase our presence in this field of value-added creation, which will become increasingly important in the years ahead.

	FY2020	FY2021	Difference	Ratio
Net Sales	90.1	115.5	+25.4	+28.2%
Ordinary Income (Segment Profits)	3.9	3.0	-0.9	-23.1%

(Billions of yen)

Road to Achieving
Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

With respect to the first strategy under Chori Innovation Plan 2022, “Bolster collective strength in the business,” in fiscal 2022 we expect to fully realize the synergies created with STX, which was hit hard in fiscal 2021 by the effects of COVID-19. Through a unified effort between Chori, which specializes in synthetic fibers, and STX, which specializes in natural fibers, we will expand the scope of our product portfolio. Moreover, in fiscal 2020, we integrated the Fibers, Textiles, and Garments Business, thereby strengthening its semi-industrial/semi-commercial business model. We will continue to expand the business while harnessing the strengths of our global business sites based on the GLOBAL ONE STOP Operation By CHORI approach. More specifically, we established subcommittees to discuss the ways in which we will leverage Chori’s comprehensive strengths to create added value for our customers and have steadily captured business opportunities as a result. As our daily lives begin to get back on track in fiscal 2022, we will look to speed up our measures that draw on these comprehensive strengths of the Fibers, Textiles, and Garments Business.

As for the second strategy, “Enhance global supply chain management,” the Vietnam plant is expected to contribute to sales on the scale of ¥10.0 billion, as operations will likely be fully restored during fiscal 2022 and it will serve as an alternative production site to China. In addition, we will continue to generate sales on the scale of ¥25.0 billion from the integrated operations being carried out in Thailand, Indonesia, Hong Kong, Taiwan, and Bangladesh.

In terms of the third strategy, “Strengthen global proposals and marketing capabilities for Chori’s original products,” we are expanding our portfolio of sustainable products throughout the supply chain based on our new BLUE CHAIN™ concept. In addition to its lineup of approximately 200 types of yarn, Chori is able to develop environment-friendly products featuring high levels of quality and performance through its engagements with exceptional business partners. In the Fibers, Textiles, and Garments Business, we aim to achieve sales of ¥50.0 billion from our products, which accommodate needs for the environment, health, and comfort, by the conclusion of our next medium-term management plan. Going forward, we will continue to proceed with initiatives centered on our BLUE CHAIN™ concept, which are expected to expand sales by more than 1.5 fold each year.

Basic Strategies of the Fibers, Textiles, and Garments Business

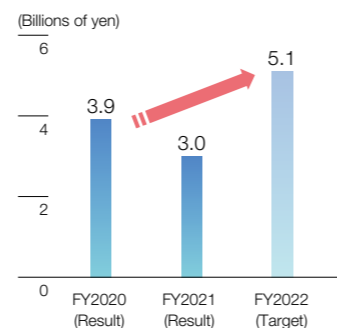
- ① Bolster collective strength in the business
- ② Enhance global supply chain management
- ③ Strengthen global proposals and marketing capabilities for Chori’s original products

Toward the Achievement of Fiscal 2022 Targets

In order to overcome the “late start to globalization in downstream fields,” which was identified as a weakness in *Tsumugu Report 2021*, MCC Industry COMPANY LIMITED was established in Hong Kong in 2021. One of the strengths of Chori’s sports apparel is that it is highly recognized by overseas customers. By positioning the company as a sales hub for global apparel, we will further expand our sports apparel into global markets. As for “digitalization measures,” which was also recognized as a weakness, we established a project team led by young employees to advance initiatives geared to the next generation as well as forging ahead with our transition to the new mission-critical system.

For the Fibers, Textiles, and Garments Business in fiscal 2022, our target for ordinary income is ¥5.1 billion. To achieve this target, we will continue to focus on products in the sports and environmental fields, while drawing on the strengths of our handling of diverse materials and our supply chain infrastructure in Asia to offer customers value-added proposals and steadily secure profits in the process. During the first two years of Chori Innovation Plan 2022, we have delegated more responsibility to our young employees and local staff overseas, which has led to the growth of our entire workforce. We will strive to achieve the targets of our medium-term management plan by positioning our human resources, who represent the greatest strength of Chori, as the foundation and continue to grow as an organization as we look ahead to the next generation.

Ordinary Income of Fibers, Textiles, and Garments Business



Core Initiatives of the Fibers, Textiles, and Garments Business

Initiative

1

Creation of Synergies with STX Co., Ltd.

In June 2021, STX Co., Ltd. became a wholly owned subsidiary of Chori. As Chori specializes in synthetic fibers and STX specializes in natural fibers, this partnership involving two companies that specialize in different materials has enhanced our ability to propose solutions for our customers.

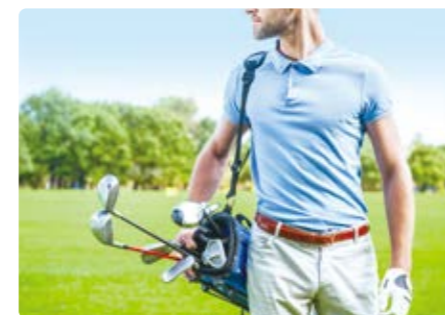
Summit Garment Saigon (SGS), a sewing factory in Vietnam operated by STX, proved to be the difference in our customer proposals due to the strong reputation it has built for production capacity. Despite a period in which operations were shut down due to the country’s lockdown, in fiscal 2022, SGS has seen an increase in orders from Chori and has been producing at full capacity. At SGS, approximately 700,000 fabric items for men’s and women’s apparel in the mid- and high-price zones are produced annually. Since joining the Group, orders from sports brands, including golf-related products, and for new high-end brands have also increased. In light of the country’s ongoing issues of labor shortages and rising labor costs, SGS is taking a variety of measures to enhance productivity with sights set on becoming the largest production plant in the ASEAN region through the concerted efforts of its employees.



2

Initiative

Proposals of Sportswear Made of Environment-Friendly Materials



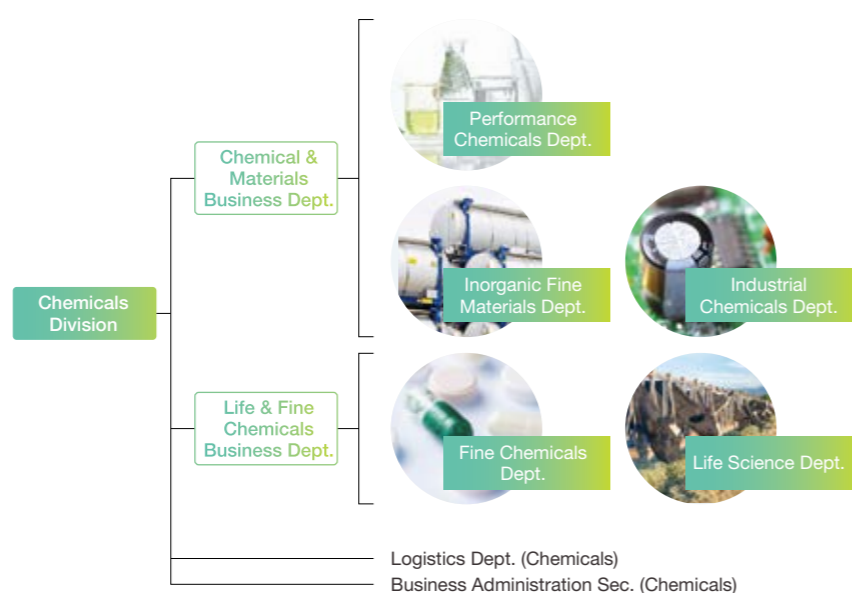
Chori produces and supplies fashionable and highly functional sportswear, outdoor wear, and sports casual products in Japan and overseas, mainly for golf and athletic use for the leading brands of major manufacturers. Many manufacturers are highly conscious of sustainability and are inclined to increase the use of environment-friendly materials. Such manufacturers have therefore transitioned to the use of ECO BLUE™ recycled polyester fiber made from recycled plastic bottles, which are well-regarded as a raw material. The ability to offer a one-stop solution for raw materials, textiles, and final products is a strength of Chori and its semi-industrial/semi-commercial business model.

MCC Industry COMPANY LIMITED, which was established in Hong Kong in March 2021, engages in sales activities with sportswear manufacturers in Europe and the United States who are particularly keen on the use of environment-friendly materials. Moreover, as the sales hub for the ASEAN region, TAIWAN CHORI MERCHANDISE COOPERATION LTD. proposes products utilizing Chori’s proprietary materials, such as ECO BLUE™.

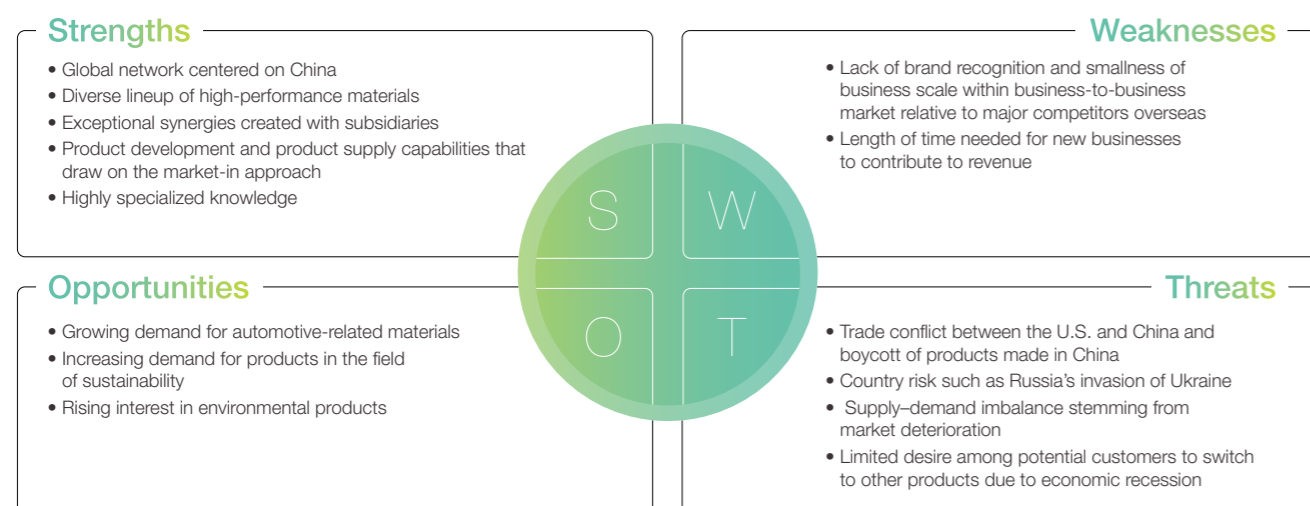
Chemicals Business

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 Southeast Asia, India, the Middle East, 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, 5G-related, personal care and healthcare, and agricultural fields, Chori caters to the wide-ranging of needs of its customers.



SWOT Analysis of the Chemicals Business



Road to Achieving Chori Innovation Plan 2022

We will steadily improve our business results and solidify our position in the chemicals industry.

Yoshihiro Teratani

Managing Executive Officer
General Manager of Chemicals Division



Overview of Fiscal 2021 Performance of the Chemicals Business

In fiscal 2021, the Chemicals Business posted sales of ¥164.2 billion and ordinary income of ¥7.4 billion, eclipsing the ordinary income target of ¥5.3 billion set forth for the final year of Chori Innovation Plan 2022 one year ahead of schedule. These substantial year-on-year improvements in sales and ordinary income were the result of both external and internal factors. External factors include the increase in unit prices of products arising from the soaring cost of resources. These higher prices helped drive our sales and ordinary income upward and accounted for approximately 20% of the year-on-year increase in sales for the Chemicals Business. Meanwhile, internal factors consisted of self-help efforts, such as business acquisitions. In fiscal 2021, sales from new businesses in the Chemicals Business grew ¥6.3 billion from the previous year. Despite the impact of these external and internal factors, I commend the efforts of each and every employee who played a role in this exceptional achievement.

More specifically in terms of product type, sales of pharmaceuticals and agrochemicals, which are indispensable to our lifestyles, grew steadily as they were unaffected by the effects of COVID-19. Moreover, sales of organic and inorganic chemicals, which contributed to the increase in sales through their higher unit prices, were brisk and so were sales of electronic materials, owing to rising demand for computers and televisions as a result of people staying home due to COVID-19. In contrast, we saw sluggish growth for food additives. Sales of commercial-use products also floundered due to store closures and shorter business hours to prevent the spread of COVID-19. However, with the state of emergency being lifted throughout Japan in March 2022, we expect demand to recover in fiscal 2022 through the resumption of store operations.

	FY2020	FY2021	Difference	Ratio
Net Sales	123.3	164.2	+40.8	+33.1%
Ordinary Income (Loss) (Segment Profits (Loss))	(0.3)	7.4	+7.7	—

(Billions of yen)

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

While our medium-term management plan has coincidentally overlapped with the COVID-19 pandemic, one positive aspect is the fact that the recent surge in the cost of resources has even raised the prices of the end products we handle. Meanwhile, the negative aspect is that too much of a price hike could discourage customers from making purchases. For instance, we are beginning to see a trend where the amount of additives used in animal feed is being reduced to cut costs and are therefore keeping a close eye on this situation. In regard to the first strategy under Chori Innovation Plan 2022, "Enhance business investment and promote development of new businesses," which has been at a standstill since fiscal 2020 due to the limited opportunities to engage directly with customers as a result of COVID-19, we expect to make progress in fiscal 2022 as we are beginning to gradually interact with customers once again. Among the fields we will focus on for this strategy are semiconductors and nonferrous metals, where we are expanding our lineup of new products, in addition to healthcare and green businesses.

As for the second strategy, "Accelerate global expansion," our product development was partially halted in Malaysia and Vietnam due to the absence of Japanese representatives in the wake of COVID-19. Accordingly, we have established a system that enables us to take appropriate action in response to new pandemics that may occur in the future, such as dispatching representatives to these regions from Japan.

With respect to the fourth strategy, "Strengthen subsidiaries centered on Miyako Kagaku Co., Ltd.," we are seeing positive results from our green business. The seeds that have been sown through our efforts to reduce sludge at plants using bio-disinfectants and to engage in the sales of biodegradable resin are beginning to bear fruit and are contributing to increases in year-on-year sales. These projects, which not only benefit the environment but also provide considerable advantages to customers, such as cost reductions through disposal, will likely increase in demand going forward.

Toward the Achievement of Fiscal 2022 Targets

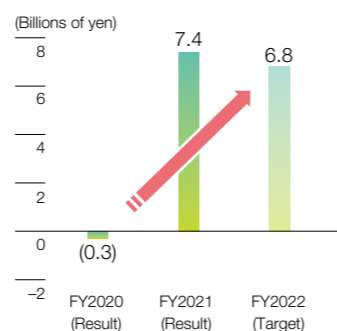
In the Chemicals Business, one of our weaknesses is the lack of brand recognition and smallness of business scale within the business-to-business market relative to major competitors overseas. While the business is more widely known nowadays relative to when it first emerged as part of Chori back in 1956, the Company's share of the industry as a whole is still relatively small. On the other hand, there is still room for growth. As we continue to improve sales in this business, which has been ascending year after year, thereby enhancing the credibility of the Chori brand, we will take the measures necessary to overcome this weakness. The Company may also be exposed to the threat of country risk due to the conflict between Russia and Ukraine. Although we had our eyes on Russia as a market to potentially replace China, we have discontinued our operations in this country as a result of the recent events. In fiscal 2022, we will leverage Chori's distinctive global network to compensate for the insufficient sales in other regions. Meanwhile, an area of strength at Chori is the frontline capabilities of its employees. Well-versed in their respective lines of expertise, Chori's employees are adept at developing markets on their own without the need for receiving instructions. Moving ahead, we will work to enhance our organizational strengths while making the most of our individual capabilities and boldly pursue the new projects that have come to a halt as a result of COVID-19.

For the Chemicals Business in fiscal 2022, the final year of Chori Innovation Plan 2022, our target for ordinary income is ¥6.8 billion. Fiscal 2022 will be a year in which our numerical targets will be achieved by responding appropriately to the demands and desires of our customers and reducing inventories that are exposed to high levels of risk. In general, Chori is known as a specialized trading company in textiles. However, by continuing to expand sales and profits in this business in fiscal 2022 and beyond, we will strive to become a company that is recognized by customers and other stakeholders as a multifaceted specialized trading company that also engages in chemicals and machinery.

Basic Strategies of the Chemicals Business

- ① Enhance business investment 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

Ordinary Income (Loss) of Chemicals Business



Core Initiatives of the Chemicals Business

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.



2

Initiative

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 raw material for garbage and shopping bags due to the soft texture they generate.

Initiative

3

Promotion of the Use of New Protein Sources

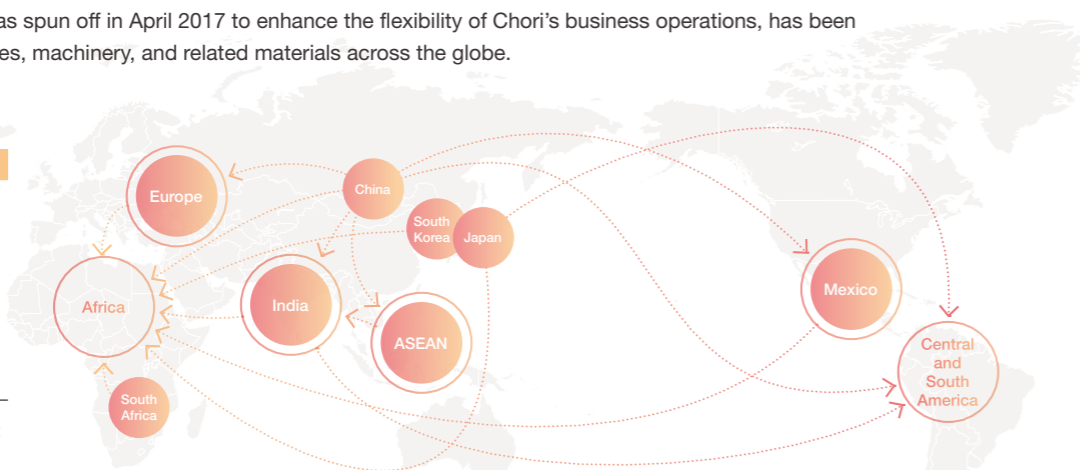
With the global population projected to reach approximately 10 billion by 2050, there are concerns over the potential imbalance between supply and demand for protein sources such as beef and pork. At Chori, we have been focusing on soybeans, wheat, and green peas as a source of ingredients; procuring ingredients of the highest quality and safety that comply with the Non-GMO Project Standard from overseas; and supplying these ingredients to food processing companies in Japan. We are also working to promote the use of sunflower protein, cricket powder, and other new sources of protein throughout the Group. In addition, through our measures to prevent deforestation for livestock and reduce the use of water and crops, we strive to help realize a greener and more enriched global environment.



Machinery Business

Chori Machinery Co., Ltd., which was spun off in April 2017 to enhance the flexibility of Chori's business operations, has been expanding its portfolio of automobiles, machinery, and related materials across the globe.

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 and the ASEAN region. 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

Strengths

- Sophisticated information and global networks
- Creation of niche market by leveraging unique customer base
- Market-in proposals by employees deeply familiar with markets
- Ability to develop customer relations worldwide by drawing on individual capabilities

Weaknesses

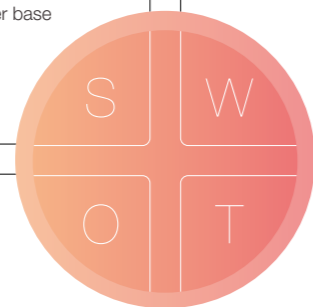
- Need for improvements to flexibility and organizational capabilities that draw on the strengths of each individual
- Timeliness of digital transformation measures

Opportunities

- Global recovery of automotive market
- Expanding product line in Africa, Southeast Asia, and other thriving emerging markets
- Growing business opportunities associated with shift to environment-friendly vehicles
- Expanding product line in non-vehicles businesses

Threats

- Country risk and risk of pandemics, coups d'état, and economic crises in emerging countries
- Market fluctuations resulting from intense climate change
- Global supply chain management disruptions (impact of China's zero-COVID-19 policy)



Road to Achieving Chori Innovation Plan 2022

We will steadily address the individual needs of each country through our wide range of products and services that extend beyond the trade of vehicles.



Jun Hayami
 President, CEO & COO
 Chori Machinery Co., Ltd.

Overview of Fiscal 2021 Performance of the Machinery Business

While proceeding successfully with our business activities until the third quarter of fiscal 2021, in the fourth quarter we came to realize our exposure to country risk. The shortage of foreign currency stemming from the production cutback of oil in Nigeria has had an impact on our vehicles business in terms of our ability to procure funds, which led to the delay in collecting receivables from business partners in the UAE. As a result, while sales in this business increased from the previous year to ¥4.3 billion in fiscal 2021, we posted an ordinary loss due to the recording of provision of allowance for doubtful accounts in the amount of ¥739 million. We will forge ahead to the final year of Chori Innovation Plan 2022 while reminding ourselves of the possibility of risks emerging at any time and developing measures that minimize the impact of such risks.

In addition to being an indispensable means of transportation, the automobiles we handle are currently in high demand worldwide, mainly due to the unleashing of pent-up demand accumulated as a result of COVID-19. Moreover, China, a market in which we have held a competitive edge over the years, has implemented a national strategy to funnel efforts into procuring parts that are essential to automobile production. As a result, we have not had to deal with procurement delays among our suppliers in this country. Although automobile demand remains brisk, we must keep an eye on our cash flow due to global inflation and soaring interest rates. Due to the surging prices of automobiles and other major changes taking place in the market, we will closely monitor the situation while continuing to accurately identify the needs of each country.

	FY2020	FY2021	Difference	Ratio
Net Sales	2.7	4.3	+1.6	+57.4%
Ordinary Income (Loss) (Segment Profits (Loss))	0.7	(0.0)	-0.7	—

(Billions of yen)

Machinery Business

Road to Achieving
Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

Under the first strategy of Chori Innovation Plan 2022, "Develop markets of four regions and India," we are conducting marketing activities based on the cultures and needs of each region of operation while continuing to focus on India due to the substantial size of this market. In regard to the third strategy, "Promote strategic alliances with global corporations in each region," our semi-knocked-down production and sales of automobiles for Chinese automakers in Mexico, a market we tapped into in 2018, continues to perform admirably. In the COVID-19 era, what has differentiated the economies of emerging nations is the availability of resources. As Mexico is an oil-producing nation, the market has been thriving. Moreover, in China, a market in which Chori boasts a competitive edge as a business partner, the supply of automotive parts to Mexico and other areas of the world is faring well due to the lack of delays in parts procurement as mentioned earlier. Accordingly, in light of the situation surrounding the shortage of automotive parts in recent years, we have seen an increasing number of customers switching to vehicles procured and produced by Chori Machinery Co., Ltd., which has boosted awareness of the Chori brand in various markets.

As for the second strategy, "Expand automotive materials through trade and convert to revenue model," we are utilizing automobiles as a means of expanding our relevant businesses. Specifically, in addition to the sales of automobiles, we are widening the scope of our non-vehicle products and services, including dashcams and other peripheral devices and after-sales services. We will continue to explore new business opportunities by deploying and utilizing these intangible assets called "sales methods."

Basic Strategies of the Machinery Business

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

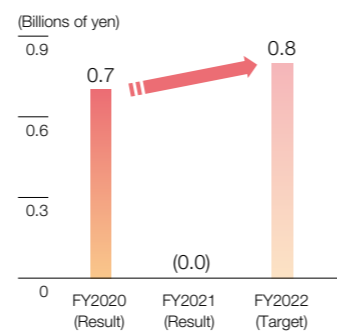
Toward the Achievement of Fiscal 2022 Targets

The Machinery Business is anchored by the market-in proposals made by its employees who have a sound knowledge of our various markets and the ability to create niche markets. Chori Machinery excels in producing vehicles that cater to the cultures and needs of each country through the use of parts made in China. For this reason, sales have remained on a steady upward trend even in Italy, a market that has high expectations for automobiles. At Chori, we will remain committed in our efforts to continue to achieve success in these areas.

Conversely, to address the need for improving flexibility and organizational capabilities that draw on the strengths of each individual, which we have identified as a weakness, we have been sharing information and advice on in-house projects and holding study sessions. Moreover, while each employee is in charge of a different region, the Company is working to strengthen the foundation for promoting digital transformation (DX) by establishing a universal sales support function in all regions. Meanwhile, we recognize that country risk and the risk of pandemics, coups d'état, and economic crises in emerging countries as well as global supply chain management disruptions are a threat to our business that will not fade away in the future and instead will enhance the uncertainty of markets. Although the Machinery Business has not felt the effects of the delays in the procurement of parts triggered by the conflict between Russia and Ukraine, the flow of funds must be carefully monitored on a global scale. Going forward, we will continue to diversify risks by enhancing our awareness of risk detection and staying on track with our strategy of developing the markets of the four regions and India.

For the Machinery Business, in fiscal 2022 our target for ordinary income is ¥0.8 billion. In order to realize this goal, we will continue working to collect on the receivables that were delayed in fiscal 2021 while expanding our coverage of products beyond the vehicles business to steadily increase profits. Chori Machinery was established in 2017 through a spin-off of Chori's internal machinery business. Our role within the organization is to develop emerging markets by constantly remaining ahead of the competition. We aim to contribute to the further growth of the Chori Group by sharing this know-how throughout the organization. Based on this commitment to market development, we will further expand our business in the next 20 to 30 years and beyond while taking the appropriate measures to prevent risks in these times of uncertainty.

Ordinary Income (Loss) of Machinery Business



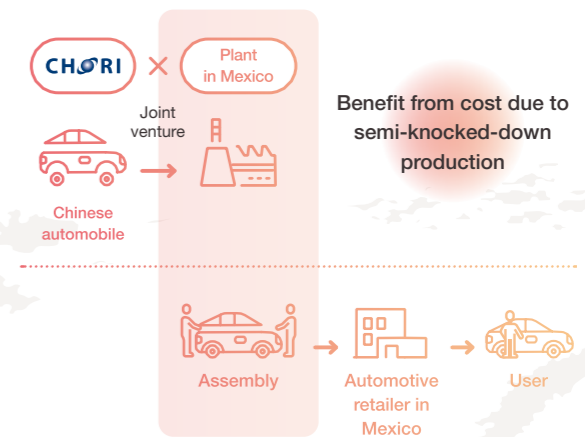
Core Initiatives of the Machinery Business

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 agencies 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

Enhancement of Our Presence in Italy and Other Parts of Europe

Chori Machinery has established a partnership with a company based in Italy to develop businesses in the country and other parts of Europe, including Spain, France, and Belgium. The stylish and environment-friendly vehicles developed by Chori's business partner have been well received by the younger generation and the local markets and continue to increase in sales.

This joint initiative began with the establishment of our presence in Italy, a market on the scale of 1.6 million units. Since then, in addition to expanding our business in Europe, we have continued to form partnerships with other companies to examine new business opportunities in Asia and Central and South America.



Sustainability

Chori's Sustainability Initiatives

Founder Riichiro Ohashi founded Chori as a raw silk wholesaler in 1861 and steered the business for nearly six decades. The spirit of coexistence and co-prosperity that Ohashi maintained, which is "to develop our business for the benefit of the world and people and to always strive to grow together with our customers," and the integrity, dignity, and compassion that has continued to support this spirit, have been passed down to this present day.

As a trading company that handles fibers, textiles, and garments, as well as chemicals and machinery, Chori not only builds relationships with its clients but also engages in capital investments and production on the strength of its semi-industrial/semi-commercial business scheme. Underscoring the value of its relationships with various stakeholders around the world, the Company strives to address poverty, health, resource waste, climate change, water shortages, and a range of other global concerns. In the face of our radically changing social and economic environments, we are advancing our business in pursuit of not only the growth of the Company but also the sustainability and development of the world as a whole.

As declared in our corporate philosophy, at Chori we engage in business with sustainability at the forefront of our minds by developing environment-friendly products, conducting procurement and export control activities that ensure compliance, and establishing a system to optimize operations so that we can contribute to the realization of a better society as global citizens.

Business Environment and Chori's Countermeasures

	Business environment	Chori's countermeasures
Climate change	<ul style="list-style-type: none"> Importance placed on reducing companies' financial risk through measures to address climate change 	<ul style="list-style-type: none"> Disclosure of information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) <p>P.41</p>
Marine plastic pollution	<ul style="list-style-type: none"> Need to ensure traceability and develop a recycling system 	<ul style="list-style-type: none"> Development and deployment of BLUE CHAIN™ Expansion of initiatives for biodegradable resin <p>P.21 and 34</p>
Escalation of human rights issues	<ul style="list-style-type: none"> Global need to improve working conditions and respect human rights along the supply chain 	<ul style="list-style-type: none"> Formulation of human rights policy Emphasis on CSR for procurement activities <p>P.45</p>
Changes in consumer awareness	<ul style="list-style-type: none"> Increasing ethical consumption Emphasis on the story behind each product 	<ul style="list-style-type: none"> Growing demand for environment-friendly products, including those based on the BLUE CHAIN™ concept and plant-based foods (plant-derived alternative meat) <p>P.21 and 34</p>



Environment

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

Basic Principle

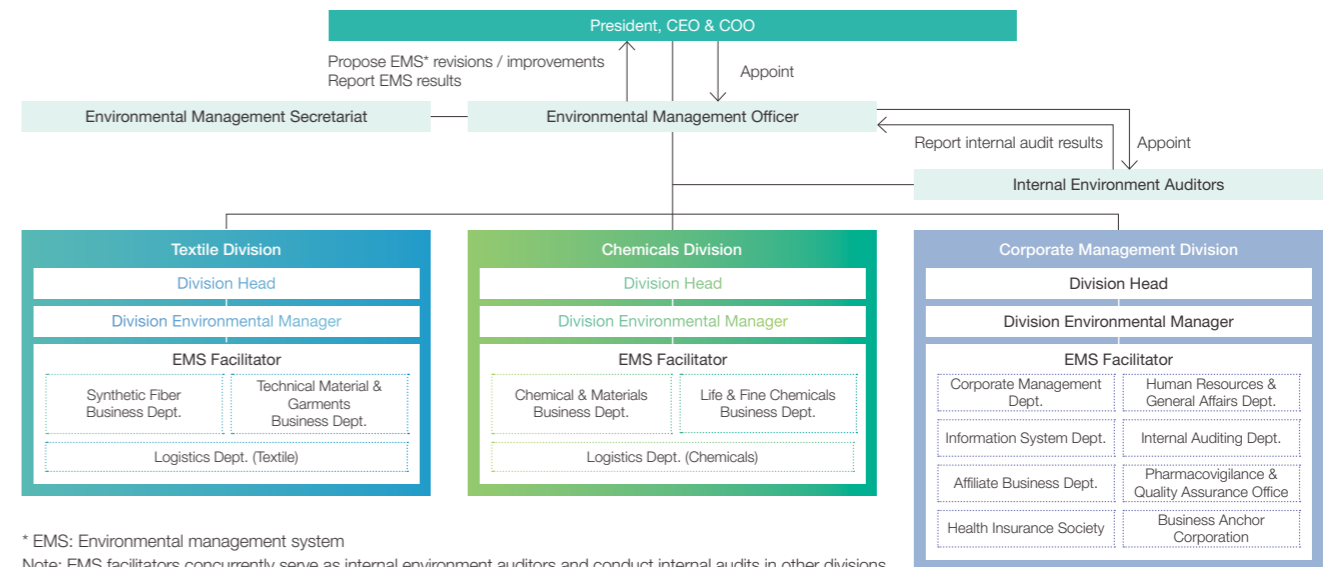
With a view to generating substantive value and helping to realize a more enriched society, Chori strives to provide accurate information and exceptional products tailored to the needs of its customers. As the environment continues to garner global attention, we believe the role we play in contributing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

Basic Policies

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

Environmental Management Structure (As of June 16, 2022)

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 Business Anchor Corporation and other subsidiaries in our aim to help preserve the environment.



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 foods and its participation in the lithium compound production project in Chile.

<https://www.youtube.com/watch?v=EfGtYiJVL0E>



Information Disclosure Based on the TCFD Recommendations

In 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) at the request of the G20. As the world strives to limit the increase in the earth's average temperature to below 2°C above pre-industrial levels as stipulated in the Paris Agreement in 2015, the aim of the TCFD is to encourage companies to disclose climate-related financial information to enable investors to make appropriate investment decisions. At Chori, we will work to appropriately disclose information on the recommended disclosure items in accordance with the *Recommendations of the Task Force on Climate-related Financial Disclosures*, the final report released by the TCFD in June 2017.

Governance

The Board of Directors' system for monitoring climate-related risks and opportunities and management's role in assessing and managing such risks and opportunities

The Company's response to climate change and other environmental issues is reported twice a year at Board of Directors' meetings and discussions are held based on the details of these reports. Ultimately, it is the responsibility of the Board of Directors to assess, respond to, and disclose details of the Company's risks and opportunities related to climate change.

With the general manager of the Corporate Planning Division, who also serves as a director, in charge and the Corporate Management Department as the responsible division, the Company manages and promotes organization-wide measures against climate change, including the TCFD recommendations, and other environmental issues as well as compiling important Companywide policies and measures, which are reported and proposed to the Board of Directors for discussion at Board meetings.

With regard to business-specific strategies, etc., on climate change and other environmental issues, the general managers of the respective sales departments, in cooperation with the general manager of the Corporate Planning Division and the Corporate Management Department, report summaries of such strategies, etc., to the Board of Directors, which are then assessed and discussed at Board meetings.

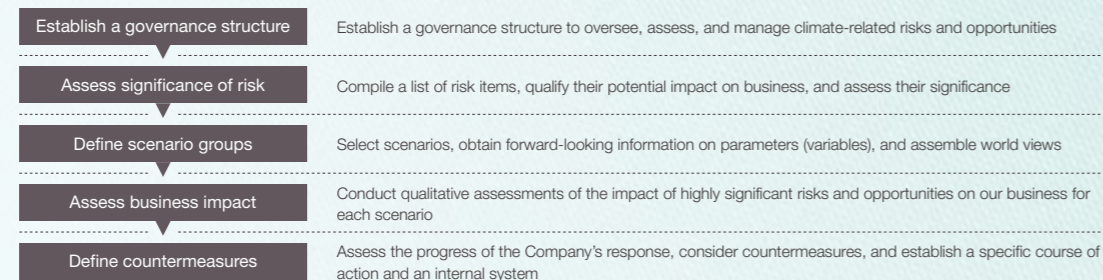
We will continue to discuss every aspect of our sustainability strategies and initiatives, including the TCFD recommendations, while considering the establishment of an expert committee, etc., as necessary.

Strategy

Short-, medium-, and long-term climate-related risks and opportunities identified by the organization and the impact thereof on the organization's business, strategies, and financial plan

In the scenario analyses, climate-related risks and opportunities are analyzed using the following process based on the below 2°C and 4°C scenarios as envisioned by specialized organizations such as the Shared Socioeconomic Pathways of the Intergovernmental Panel on Climate Change and the *World Energy Outlook 2020* of the International Energy Agency.

Analysis Process

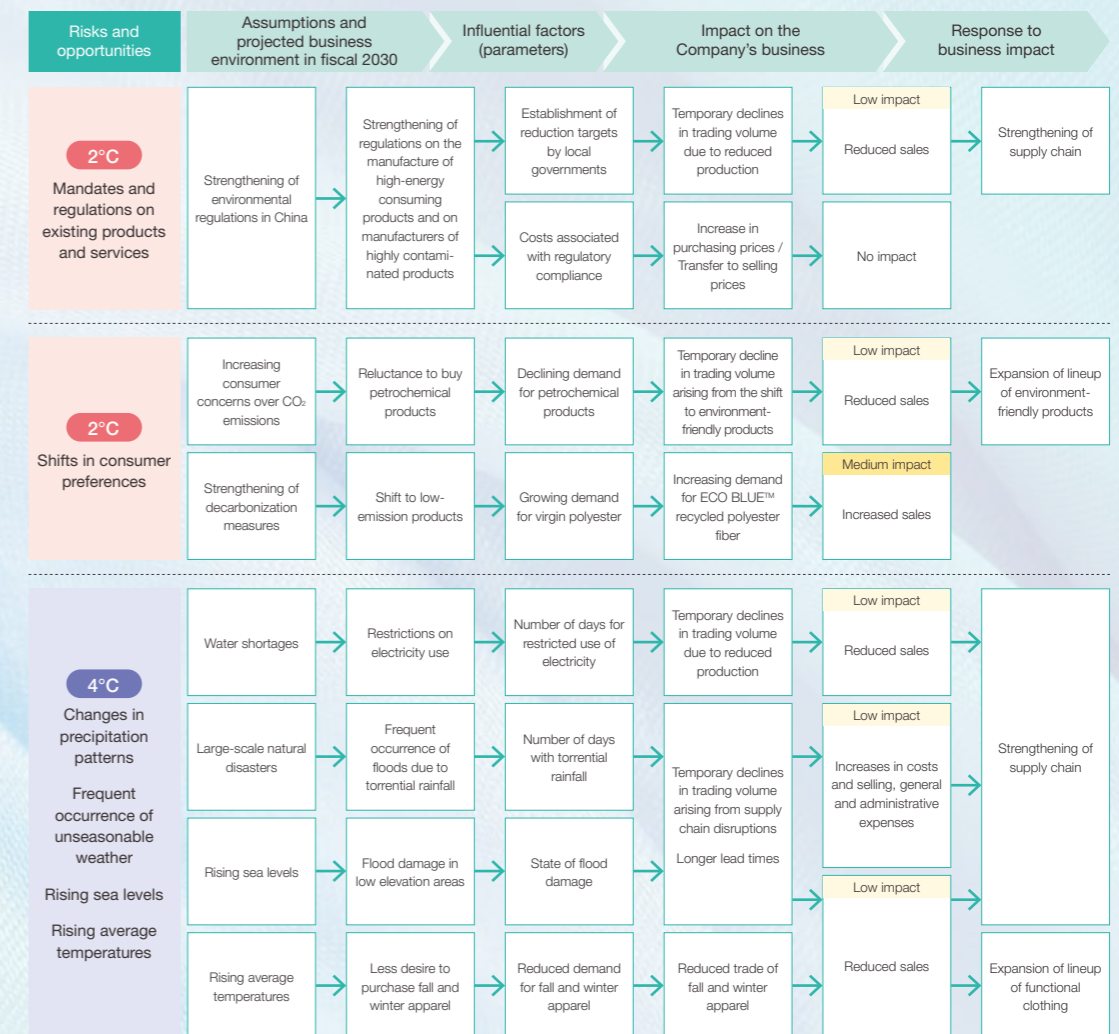


The analyses cover the period through to 2030. The world views of the scenarios to limit the increase in average temperature to below 2°C and 4°C by fiscal 2030 are assumed as follows. Under the Company's below 2°C scenario, we expect the increase in physical risk to be moderate and opportunities to develop and expand the sale of environment-friendly products, such as ECO BLUE™ and Natural Dye, to increase. Meanwhile, under the 4°C scenario, we expect an even greater increase in physical risks, including unseasonable weather.

Risk Management

World Views of the below 2°C and 4°C Scenarios

Based on our assumptions and the projected business environment in fiscal 2030, we conducted scenario analyses using the following flowchart, which summarizes the impacts of the identified climate-related risks and opportunities on our business and our measures in response to these impacts.



While the impact of each risk item on our business was assessed to be very minimal, we will continue to carry out risk assessments to ensure that risks are managed appropriately and seek to increase profits by capitalizing on the higher demand for environment-friendly products and other business opportunities.

Moving ahead, we will look into the possibility of conducting scenario analysis based on the world view of the below 1.5°C scenario and assumptions for 2030 and beyond, as necessary.

The process for identifying, assessing, and managing climate-related risks and the approach to integrating this process into the organization's overall risk management

Formulation of Risk Management Regulations

At Chori, we have established and operate risk management regulations with the aim of identifying potential risks in our business activities, reducing risks and preventing crises from occurring during the course of normal business conditions, establishing a system for responding to crises that may pose a significant impact on our business activities, and responding promptly and appropriately to prevent the situation from deteriorating and recover and normalize the situation as swiftly as possible.

Chori's Sustainability Initiatives

Risk Management under Normal Business Conditions

Under the guidance of the Risk Management Deputy Officer (the president, CEO & COO of the Company), the Risk Management Promotion Officer (the deputy general manager of the Corporate Planning Division, in charge of the Human Resources & General Affairs Department) and the Human Resources & General Affairs Department (the organization responsible for risk management) identify material issues within the organization; formulate various measures to mitigate, prevent, and promptly detect risks that may exist within the Company; and implement the necessary educational and training programs in a voluntary and systematic manner. They also follow up on the results of crisis response measures, verify their impact, identify issues, and seek measures toward improvement. Our risk management regulations define the Company's risks individually based on the following major classifications.

Risks Related to Our Business

Categories		
1. Legal compliance	4. Business continuity plan	7. Information, communication, and systems
2. Management and internal control	5. Human resources and occupational health and safety	
3. External business environment, including society, the economy, and politics	6. Transactions	

Climate-related risks are defined as risks that relate to either "3. External business environment, including society, the economy, and politics" or "4. Business continuity plan" above, and are addressed by the Corporate Management Department in cooperation with the Risk Management Promotion Officer and the Human Resources & General Affairs Department.

As demonstrated by the results of the aforementioned scenario analyses, ensuring a stable supply chain is extremely important to the continuation of our business. With respect to risks related to "6. Transactions" above, in order to address the risk of supply chain disruptions that stem from various supplier-inflicted issues and to fulfill our social responsibilities for procurement activities in Japan and overseas, the Company has established CSR procurement guidelines and conducts CSR procurement surveys regularly with its major suppliers to ensure the soundness of its supply chain and to verify risks.

Crisis Response Measures

In the event of a crisis, placing the highest priority on ensuring the safety and protecting the lives of each individual, the following measures must be taken in accordance with Company regulations: communicate and report details of the crisis based on the crisis communication system; establish a crisis response headquarters under the direction of the Risk Management Deputy Officer; and execute tasks, communicate the emergency, report the results of investigations, and implement measures to prevent recurrence through the crisis response headquarters.

Indicators used to assess climate-related risks and opportunities in accordance with the organization's strategies and risk management processes, targets used by the organization to manage these risks and opportunities, and progress toward the achievement of these targets

In pursuit of reducing its environmental impact, the Chori Group has identified the actual amount of greenhouse gas (GHG) emissions produced by its business activities in fiscal 2020.

GHG Emissions

Targets for reducing GHG emissions have not been established at this time due to the limited amount of emissions generated in relation to the Group's business scale. Aiming to continue to reduce our GHG emissions, we will regularly monitor the amount of GHG emissions from our business activities and consider switching to the use of renewable energy and vehicles that pose minimal impact on the environment for our Company-owned vehicles.

Moreover, while our Scope 3 emissions only consist of GHG emissions from the commutes and business trips of the Group's employees, we will look into the possibility of calculating the actual amount of GHG emissions from our entire supply chain in line with future developments.

GHG Emissions in Fiscal 2020 (Consolidated Basis)

	Actual Amount
Scope 1	385 (t-CO ₂)
Scope 2	956 (t-CO ₂)
Scope 3 (from employee commutes and business trips)	364 (t-CO ₂)
Total	1,705 (t-CO ₂)

Scope 1: Direct emissions
 Scope 2: Indirect emissions
 Scope 3: Supply chain emissions (the actual amount specified above consists solely of GHG emissions from employee commutes and business trips)

Indicators and Targets



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 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

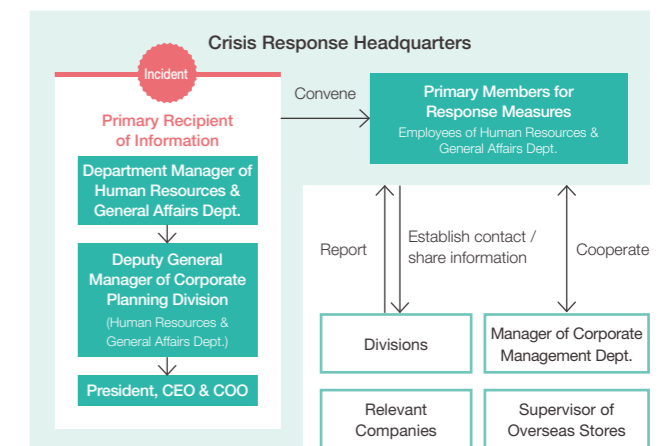
overseas offices and helps to identify the location of each employee at a particular point in time.

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

Chori's business continuity plan 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 business continuity plan training course is also held once a year, ensuring that we are fully prepared in the event of an emergency.

Chori's business continuity plan 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.

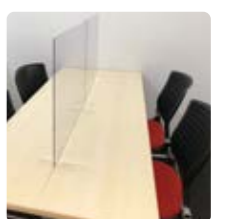
In terms of preventive measures for COVID-19, staggered work hour and telework systems have been established, plexi-glass barriers and alcohol disinfectants are available for use, and body temperatures are measured at the entrance of the reception and office areas of our facilities. Moreover, our Tokyo 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.

One Point Internal Whistleblower System

Office etiquette has undergone drastic changes in the current COVID-19 era. Chori has established an internal whistleblower 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 56 for details).



Reception area of Tokyo Head Office



Meeting area

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.

Supply Chain Management

At Chori, we strive to develop a supply chain that ensures the stable supply of raw materials and products that are of consistently high quality and deemed essential by customers.

● Fibers, Textiles, and Garments Business ● Chemicals Business ● Machinery Business

Business Environment and Issues to Address

- Water and resource shortages arising from climate change
- Food shortages stemming from the increasing global population
- Conflict between Russia and Ukraine
- Country risk associated with coups d'état and economic crises in emerging countries
- Global supply chain disruptions
- Surging prices of raw materials and oil and drastic exchange rate fluctuations
- Prolonged impact of the COVID-19 pandemic

Specific Measures to Address Issues

- Expand portfolio of environment-friendly products
- Ensure thorough risk management
- Strengthen supply chain
- Maintain appropriate sales prices

Impact on the Group's business

- Increasing need for a wider lineup of environment-friendly products
- Delays in collecting receivables from business partners due to foreign currency restrictions
- Disruptions in production and supply systems and the establishment of an alternative supply chain
- Deteriorating profitability due to increasing raw material costs and delays in reflecting these higher costs in product prices
- Decline in consumer sentiment due to rising prices

Operational Rules Regarding CSR-Based Procurement

In order to fulfill its social responsibilities for procurement activities in Japan and overseas, Chori has established its CSR Procurement Guidelines and promotes procurement activities that underline the importance of corporate ethics, legal compliance, safety, disaster prevention, environmental protection, product safety, quality assurance, human rights, and working conditions. Within these guidelines, the Company has prescribed its 11 Guidelines for Corporate Behavior in order to ensure that employees are fully aware of its social mission and the ways in which they must act at all times.

CSR-Based Procurement Surveys

In an effort to promote procurement activities that focus on corporate ethics, legal compliance, safety, disaster prevention, environmental protection, product safety, quality assurance, human rights, and working conditions, Chori conducts a CSR-based procurement survey once every two years, in principle, to periodically check the status of the CSR-based promotion activities of each supplier. The fiscal 2021 survey consisted of 25 questions in total, including five new questions regarding preparedness for COVID-19, human rights issues, conflict minerals, and other topics. Of the companies taking part in the survey, 9.3% responded that their suppliers were not meeting CSR procurement standards, and therefore, by working collectively with the sales departments, we will identify the specific reasons for not meeting these standards and seek improvements as necessary.

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.

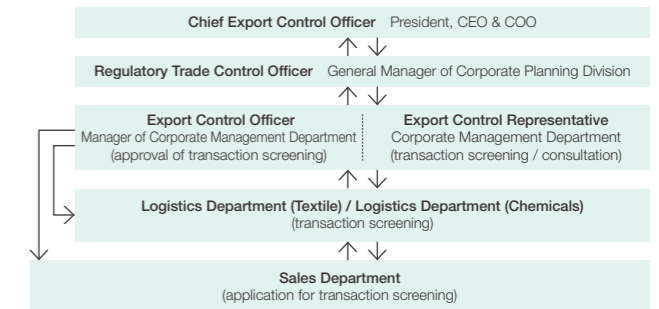
Security Trade Control

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

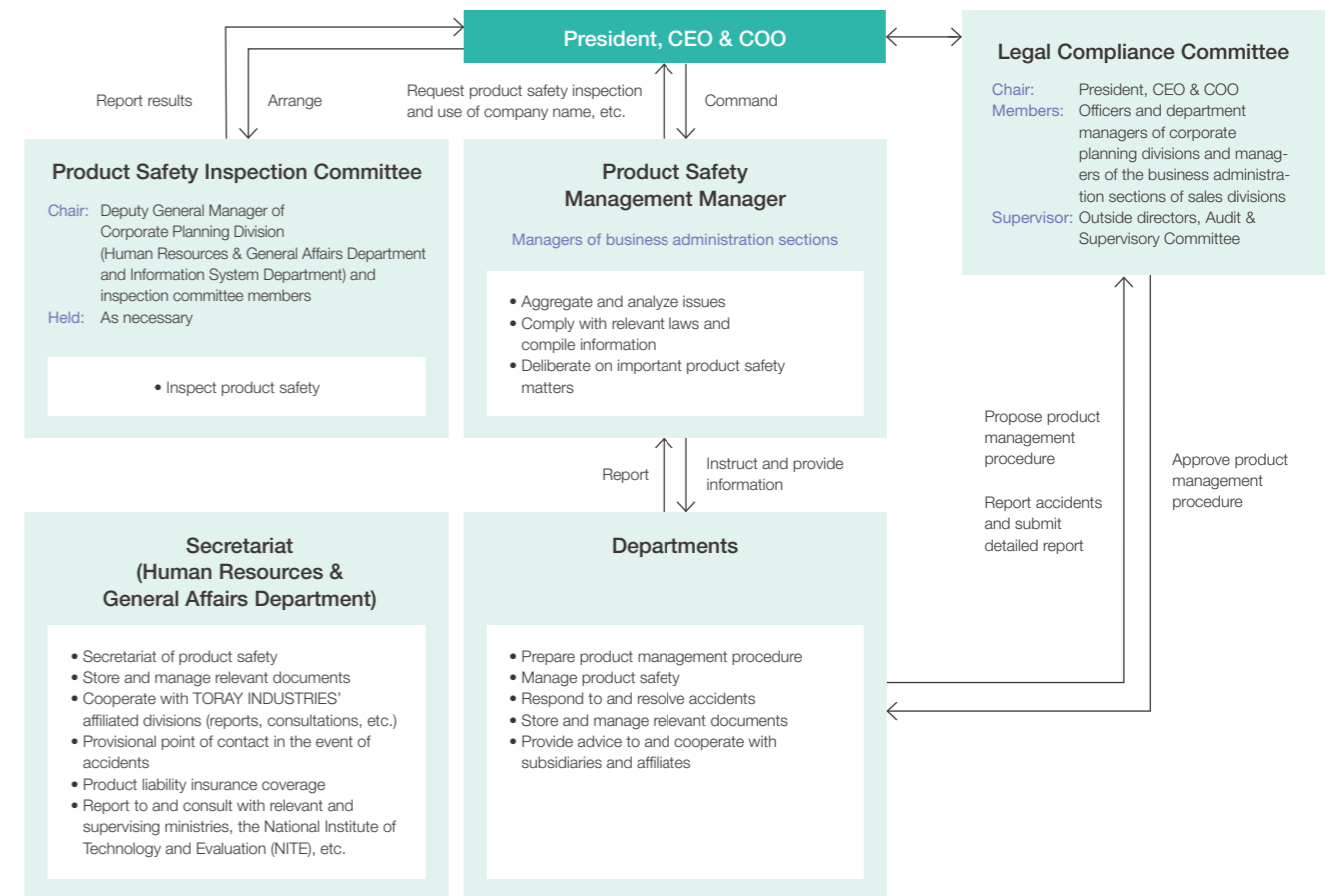
Once applications for list control and catch-all control are filed by Chori's Sales Department, the Corporate Management Department conducts final approval. In October 2020, we began implementing a system that integrates the management of information on export products and transactions, ensuring rigorous 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 2021, 31 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.



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
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New Employee Training

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 2021, 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 2021, 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.



We will set the stage for Chori's future generations through the growth of each and every employee.



Satoko Nakayama
Senior Executive Officer

Chori is a company that has experienced both times of success and hardship throughout the course of its over 160 years in business. With respect to human resource development, I believe it is more important to learn from the past and enable our employees to respond quickly to changes in the times and society by openly sharing information on past issues, rather than focusing on examples of best practices. Chori offers a range of training programs for all employees, from new graduates who have just joined the Company to executive officers. In every training program, I convey to the employees what I would like them to gain the most so that they are able to acquire information and knowledge that are not readily accessible in their day-to-day work.

In addition to compliance and anti-harassment measures, the theme for training in fiscal 2022 is digital transformation. As digitalization continues to gain momentum worldwide, we will home in on the development of digital experts, and we plan to formulate a human resource development policy in line with Chori's vision for a digital future in the new medium-term management plan. Moreover, to ensure Chori's continuous global development, we will resume our executive training program, which we experimented with at Group headquarters prior to the emergence of COVID-19, and promote the adoption of our human resource development policy at our subsidiaries in Japan and overseas.

The effectiveness of our training programs depends on the level of enthusiasm of the instructors and participants. While our training programs are now conducted online rather than face to face as a result of COVID-19, we will continue to educate our employees according to their needs with the utmost levels of energy.

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.

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
- 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
- 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
- Conduct one-on-one meetings between employees and their superiors
- Provide option to relocate to other locations (transfer to other branches domestically and regionally)

CHORI Innovation Activities ("CHOI-Katsu")

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. Fiscal 2022 marks the 10th year of CHOI-Katsu, and to commemorate, we initiated a Companywide business transformation project for the first time in 25 years.

Four Action Policies

1. Compliance and cleanliness
2. Health and communication
3. Learning
4. Digitalization

Supporting the Balance of Work Life and Childcare

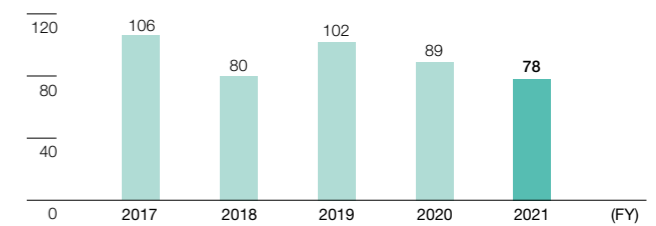
Chori has various childcare systems in place to promote the balance of work and family life. While the period of leave is relatively short, the number of male employees taking childcare leave has been on the rise, with nine taking time off in fiscal 2021. We also have a support system in place as a part of our employee benefit program that provides employees with financial assistance for childbirth, self-development, and childcare.

	FY2019	FY2020	FY2021
Number of Employees Taking Childcare Leave	17 (6 of whom are male)	19 (9 of whom are male)	22 (9 of whom are male)
Number of Employees Working Shorter Hours Due to Childcare	10	9	12

Supporting Self-Development

We support our employees' self-development by subsidizing the tuition and fees necessary to acquire Company-designated certification.

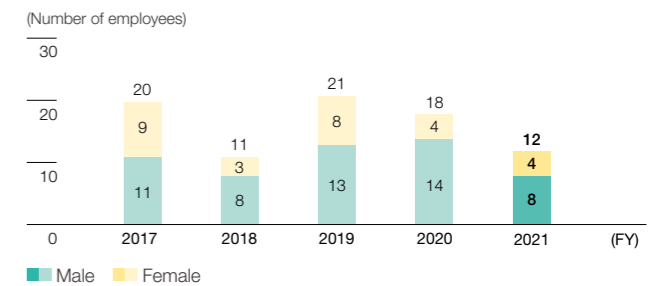
Number of Recipients of Self-Development Subsidy



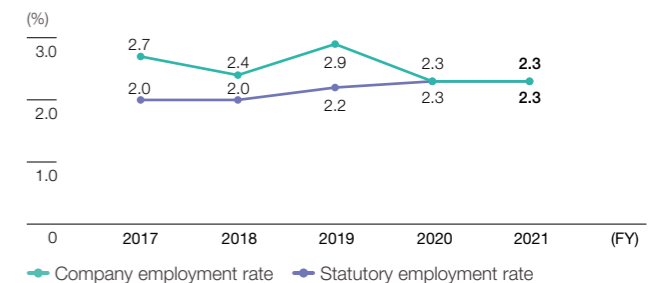
Recruiting Diverse Human Resources

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

Number of New Graduates



Ratio of People with Disabilities



Note: Results as of March 31 of each fiscal year

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.

Cooperation with the Hokuriku Region

The Hokuriku region (Fukui Prefecture, Ishikawa Prefecture, and Toyama Prefecture) boasts an extensive track record in the manufacture of yarn and textiles spanning over 400 years and thrives on the production of synthetic fiber fabric. Since the establishment of branch offices in Fukui Prefecture in 1929 and Ishikawa Prefecture in 1934, Chori has worked to develop a yarn and textile business that is deeply rooted in this region. In cooperation with synthetic fiber manufacturers, Chori began wholesaling raw yarn to the textile industry (textile manufacturers) and producing textiles with the industry. After the end of World War II, Chori took sole responsibility for the sale of woolly nylon, a raw material used in stockings, and grew in step with the Hokuriku region during a period of high economic growth in Japan. The COVID-19 pandemic has had a major impact on the yarn and textile industry in recent years. However, we have seen increasing demand for stretchable fabrics made of false twist yarn produced in the Hokuriku region, owing to the high level of comfort they offer for clothes worn indoors. On the strength of our high quality and footwork that can only be realized through domestically made products, we will continue to work with local companies to provide products that fulfill the needs of each customer and communicate the value of made-in-Japan quality to the rest of the world.

Activities of the Hokuriku Chori Committee

Chori has been able to maintain its presence in yarn and textiles in the Hokuriku Region because of the cooperation of its local business partners. The Fukui Chori Committee and the Kanazawa Chori Committee were established by these business partners as support groups for Chori's business in the region. These committees were combined and renamed as the Hokuriku Chori Committee in 2001 and it continues to operate to this day. Chori works alongside its member companies to hold annual meetings, cross-industrial exchanges, and lectures, as well as publish newsletters to facilitate member interaction and share information.

Selection as SDGs Promotion Coordinator

Compliance with various laws and regulations related to industrial waste disposal and rising costs are major challenges that must be overcome by companies. Chori is promoting initiatives to collect fiber scraps and remnants from yarn processing plants and fabric manufacturers to then utilize them to make products, rather than disposing them as industrial waste. In addition to engaging in the supply of raw materials used in reinforced sheet materials that absorb water along river embankments, we are currently developing sound-absorbing materials that will be used on electric vehicles. In recognition of our efforts in these BLUE CHAIN™ recycling schemes, in August 2021, we were selected as an SDGs Promotion Coordinator by the Fukui Textile Association. The Company is vigorously working to identify the issues and needs of textile companies in Fukui Prefecture and introduce a wider range of environment-friendly products to the market.

Companywide Charity Walk Event

Until 2019, Chori sponsored WFP Walk the World, a charity walk event organized by the United Nations World Food Programme (WFP), in which a number of employees and their family members volunteered each year. The emergence of COVID-19 made it difficult to continue holding the event, encouraging us instead to hold our own charity walk event from April 2022 by utilizing an internal walking app, keeping track of the number of steps taken together by each department and the Group as a whole, and donating funds in the amount equivalent to the number of participants who achieved a certain number of steps within a specific amount of time. The event, which aims to promote healthier lifestyles for employees of both Chori and its domestic subsidiaries and contribute to the betterment of society, attracted a record-high 260 participants in fiscal 2021. Chori will continue to engage in such activities to help realize a better society.



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		
February 14, 2018		
<p>1. Enhancement of Awareness of the Health of Employees</p> <p>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.</p>	<p>2. Approach to Health and Productivity Management</p> <p>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.</p>	<p>3. Responsibility to Society and the Future</p> <p>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.</p>

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 the deputy general manager of the Corporate Planning Division (in charge of the Human Resources & General Affairs Department and the Information System Department), 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. As part of the regular health examinations, employees aged 30 and 35 years and over can undergo 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

	FY2019	FY2020	FY2021
Employees	100%	100%*	100%
Family Members	72.0%	52.9%	61.5%

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



Comment

We offer a health support system that is attuned to changes in lifestyles.



Yuya Fujishima
Supervising physician at Chori's in-house health clinic inside Osaka Headquarters

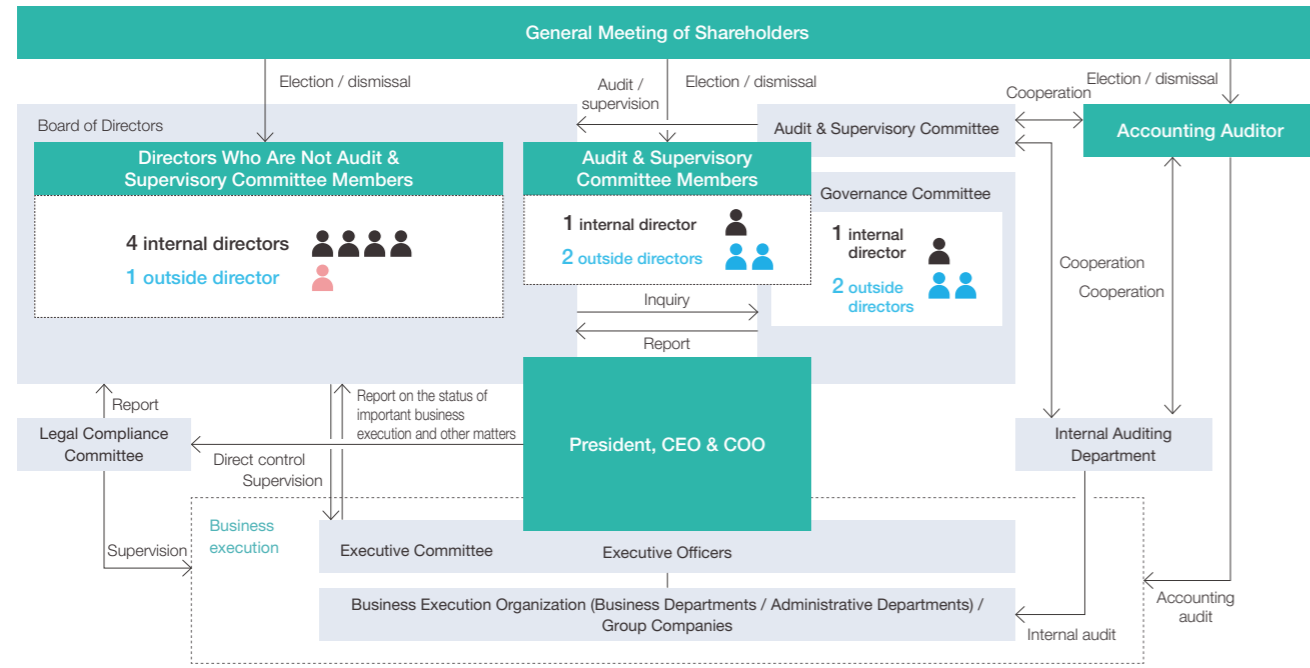
At Chori, we have internal health clinics in place at both headquarters in Tokyo and Osaka where employees can receive medical care and health guidance after receiving the results of their medical checkups. This enables the early prevention and treatment of serious illnesses. In recent years, we have seen a decline in the percentage of male smokers as well as a reduction in excessive alcohol consumption due to the effects of COVID-19. However, I have the impression that the conditions of employees with preexisting lifestyle-related diseases, such as diabetes and dyslipidemia, and mental health issues have worsened due to a lack of exercise and fewer opportunities to engage in workplace communication. In order to address the changes in lifestyles triggered by COVID-19, we must consider implementing measures that address the health-related needs of each individual. Our clinics will continue to do everything possible to help maintain the health of each employee and provide information and support that contributes to the realization of healthier lives by adapting to changes in our lifestyles.

For more details, please refer to the "Health Promotion Activities" page (in Japanese only) of our corporate website. <https://www.chori.co.jp/sustainability/social/health/activity.html>

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 16, 2022)



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 (excluding those who are Audit & Supervisory Committee members)	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

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

Name	Description	Number of meetings held in fiscal 2021	Attendance rate of all directors and executive officers	Attendance rate of outside directors
Board of Directors	The Board of Directors consists of all directors and has been positioned as the committee responsible for making strategic decisions and overseeing the Company's operations. The Board of Directors meets at least once a month, in principle, to make decisions on important management matters and to supervise the directors' execution of duties.	16	97.8%	100%
Executive Committee	The Executive Committee consists of executive officers and those who were approved by the Board of Directors and was established as an organization for conducting discussions and exchanging important information and opinions on matters related to business execution.	25	99%	—
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.	14	100%	100%
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.	6	100%	100%
Legal Compliance Committee	The Legal Compliance Committee is chaired by the president, CEO & COO 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.	6	—	—
Business Investment Committee	Chaired by the president, CEO & COO, the Business Investment Committee discusses and deliberates the appropriateness of risk-return assessments and plans and the feasibility of important investments and financing.	1	—	—
M&A Promotion Committee	The M&A Promotion Committee is chaired by the general manager of the Corporate Planning Division and consists of 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.	2	—	—

Committee Members

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

Name	Position	Fiscal 2022 Committees and Committee Members							
		Board of Directors	Executive Committee	Audit & Supervisory Committee	Governance Committee	Legal Compliance Committee	Business Investment Committee	M&A Promotion Committee	
Kazuo Sakiyama	President, CEO & COO, President and Executive Officer	●	●		○	●	●		
Tatsuyuki Sakoda	Director, Managing Executive Officer	○	○			○	○	●	
Kazuhiro Tohge	Director, Executive Officer	○	○						
Mitsuo Ohya	Director	○							
Hiroko Noda	Outside Director	○							
Shigemasa Yabu	Director, Full-Time Audit & Supervisory Committee Member	○	▲	●		▲			
Masaaki Sawano	Outside Director, Audit & Supervisory Committee Member	○		○	●	▲			
Hiromasa Suzuki	Outside Director, Audit & Supervisory Committee Member	○		○	○	▲			

Corporate Governance

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	♂	9 years		○	○	
Tatsuyuki Sakoda	♂	Newly appointed		○	○	○
Kazuhiro Tohge	♂	4 years		○	○	
Mitsuo Ohya	♂	2 years		○	○	
Hiroko Noda	♀	Newly appointed	○			○

*1 Indicates number of full years of service as of June 30, 2022

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
Shigemasa Yabu ^{*2}	♂	Newly appointed				○
Masaaki Sawano	♂	4 years	○			○
Hiromasa Suzuki ^{*3}	♂	Newly appointed	○	○		

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

*2 Shigemasa Yabu served as a director of the Company for six years prior to concurrently serving as an Audit & Supervisory Committee member.

*3 Hiromasa Suzuki served as a director of the Company for one year 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 as well as 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 2022, Ms. Hiroko Noda, who has extensive knowledge and experience as a certified public accountant, was newly appointed as an outside director.

Name	Reason for Nomination
Hiroko Noda <u>Newly appointed</u>	She has been appointed as an outside director based on her knowledge, experience, and abilities as a certified public accountant as well as her sufficient expertise in management gained through her years of experience as an outside director and a management consultant. As an outside director, she is expected to provide appropriate advice to the Company's management. 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.
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.
Hiromasa Suzuki	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.

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)	
	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 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 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)	
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 2021

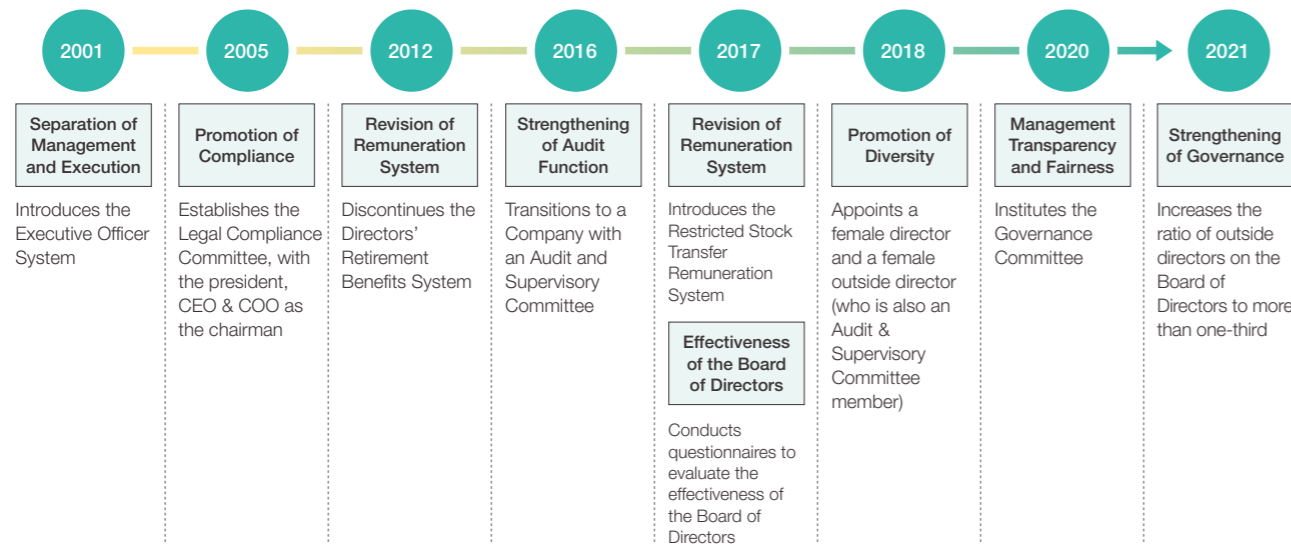
Classification	Total Amount of Remuneration (Millions of Yen)	Total Amount of Remuneration by Type (Millions of Yen)				Number of Directors Eligible
		Basic Remuneration	Restricted Stock Compensation	Bonuses	Non-Monetary Remuneration, etc., of Amounts Shown on the Left	
Directors (Excluding Audit & Supervisory Committee Members) (Excluding Outside Directors)	143	100	17	25	17	6
Directors (Audit & Supervisory Committee Members) (Excluding Outside Directors)	18	18	—	—	—	1
Outside Directors	23	23	—	—	—	3

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

Corporate Governance

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 aim of enhancing the effectiveness of the Board of Directors, in fiscal 2021 Chori conducted the evaluation of the effectiveness of the Board of Directors through a third-party institution for the first time. 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 eight directors (including those who are Audit & Supervisory Committee members) in fiscal 2021 (registered questionnaire)
Method of Evaluation and Analysis	Evaluation and analysis conducted by the Governance Committee and the Board of Directors upon aggregation of results by a third-party institution and ensuring confidentiality
Questionnaire Content	Questions are based on the following nine major themes • Composition of the Board of Directors • Operation of the Board of Directors • Discussions of the Board of Directors • Monitoring function of the Board of Directors • Support system for directors (including those who are Audit & Supervisory Committee members) • Training • Dialogue with shareholders (investors) • Individual initiatives • General overview
Overview of Evaluation Results	Regarding the enhancement of training opportunities for directors, which was identified as an issue in fiscal 2020, it was confirmed that improvements have been made through participation in web-based training programs. Meanwhile, opinions were shared in regard to decisions on management strategies and management plans, as a result of which it was deemed that further improvements must be made to discussions and deliberations by being observant of profitability, capital efficiency, and other factors. Opinions were also shared concerning dialogue with shareholders and investors, through which it was deemed that further improvements must be made to the feedback provided to the Board of Directors. We will continue to improve the effectiveness of the Board of Directors by increasing discussions on medium- to long-term policies and plans at the Board of Directors' meetings and by improving feedback to the Board of Directors on the status of dialogue with shareholders and investors.

Maintenance of a Certain Level of Independence from Our Parent Company

As of March 31, 2022, Chori's parent company TORAY INDUSTRIES, INC. held 52.76% 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.

Transactions between Chori's parent company TORAY INDUSTRIES, INC. and its corporate group are assessed and verified annually by the Governance Committee.

Risk Management

At Chori, we take measures under normal circumstances to identify potential risks in our business activities so we can 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, CEO & COO, 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

- 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
- 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

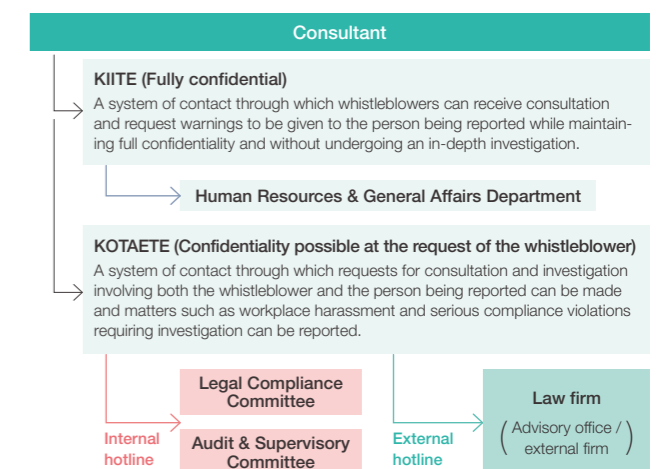
Ensuring of Thorough Compliance

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, CEO & COO 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 whistleblowers, who are able to receive consultation either in-house or through an external point of contact depending on the nature of the incident.

Internal Whistleblower System



in the Group's business environment and business activities.

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



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



Corporate Governance

Internal Audit

In regard to internal audits, the Company has established the Internal Auditing Department (consisting of seven members) directly under the president, CEO & COO. 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 the implementation and operation of internal controls concerning financial reporting in accordance with the Financial Instruments and Exchange Act.

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.

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.

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)

	FY2019	FY2020	FY2021
Shares Held	30	30	31
Total Amount (Billions of Yen)	3.4	4.1	4.6

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.

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 to achieve 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.

• Individual investors

The Company promotes dialogues with its individual shareholders by holding company briefings exclusively for such investors, which are attended by the president, CEO & COO of the Company.

• Institutional investors

The Company holds financial briefings through the attendance of the president, CEO & COO 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 on the Audit & Supervisory Committee

While fiscal 2021 was a turbulent year marked by rising raw material prices, surging logistics costs, and the increasingly disastrous conflict between Russia and Ukraine, Chori achieved substantial increases in both revenue and profit as well as its highest ever results for net income attributable to owners of the parent. Following the success of our steady efforts in each of our businesses in fiscal 2021, we will strive to further improve our governance in the final year of our medium-term management plan and ride this tailwind while working to avoid risks. It must be noted in particular that fiscal 2022 is also the year in which our new medium-term management plan will be formulated. In order to realize sustainable growth, we must not only achieve our ordinary income target but also take the initiative in fulfilling our social responsibilities as a company.

As a listed company on the Prime Market of the Tokyo Stock Exchange, Chori is working to strengthen its governance through efforts such as the centralization of consolidated subsidiaries and other organizations in charge of conducting business audits under the Internal Auditing Department in fiscal 2021. Moreover, the Governance Committee, which was established in 2020, discusses specific matters, such as the selection and dismissal of directors and succession planning, based on medium- to long-term projections.

Throughout our years in business, we have earned a high level of trust in the Hokuriku region and other

areas of the world, particularly through the Fibers, Textiles, and Garments Business. We have also steadily improved our performance in the Chemicals Business and the Machinery Business, firmly establishing a foothold in each market. Going forward, Chori will look to step up its business expansion in not only China but also Southeast Asia, the Middle East, Africa, and South America. To this end, we will draw on our longstanding relationships with partner companies to put forward plans to reshape our business in line with the changing times.



Masaaki Sawano

Outside Director,
Audit & Supervisory Committee Member

In fiscal 2021, Chori's business results exceeded initial forecasts on the whole, despite the impact of drastic changes in the business environment such as rapid inflation and supply chain disruptions stemming from COVID-19. This is the result of Chori firmly fulfilling its basic function as a trading company, which involves understanding customer needs and delivering products as necessary. Meanwhile, with regard to the recording of provision of allowance for doubtful accounts for the second straight year, the Company must reassess the risks of doing business with overseas companies and establish a framework to prevent such risks from arising.

It is said that the purpose of corporate governance is to achieve a company's sustainable growth and increase corporate value. As a company with an Audit & Supervisory Committee, Chori has increased the number of independent outside directors to three members, and its Board of Directors is on the verge of transitioning to the so-called monitoring board. Chori must fully utilize this structure to quickly make executive decisions and fulfill its responsibility of assessing and explaining the risks associated with its business with a high degree of transparency and thereby increase corporate value from both offensive and defensive perspectives. In order to enhance its audit function, in 2021 the Company integrated the Internal Auditing Department and

centralized the audit function for the entire Group, including its subsidiaries. Going forward, it is imperative that the Company strengthens the functions of both the Internal Auditing Department and the Risk Management Department in a balanced manner.

Today, society is undergoing rapid changes. Companies are being called on even more than ever to fulfill their social responsibilities, including environmental issues and trading regulations related to geopolitical conflicts, and while actively discussing these matters, I will bring a fresh new perspective as an outside director by drawing on my years of experience in corporate management.



Hiromasa Suzuki

Outside Director,
Audit & Supervisory Committee Member

Directors, Audit & Supervisory Committee Members, and Executive Officers

(As of June 16, 2022)

Directors

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



President, CEO & COO,
President and Executive Officer

Kazuo Sakihama

■ Number of shares held: 33,917
CEO & COO



Director, Managing Executive Officer

Tatsuyuki Sakoda

■ Number of shares held: 8,506
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: 9,351
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*

Hiroko Noda

■ Number of shares held: 0
Significant concurrent positions
• Registered as a certified public accountant, Representative of Noda Certified Public Accountant Office
• Established Probit Consulting Co., Ltd., Representative Director
• Part-time lecturer, Graduate School of Asian and International Business Strategy, Asia University
• External Director of MODEC, Inc.,
• Outside Director (Audit & Supervisory Committee Member) of Okabe Co., Ltd.
• Outside Director of S.T. CORPORATION

Independent Director



Director, Full-Time Audit & Supervisory Committee Member

Shigemasa Yabu

■ Number of shares held: 22,793



Outside Director,* Audit & Supervisory Committee Member

Masaaki Sawano

■ Number of shares held: 0
Significant concurrent positions
• Establishment and foundation partner of CITY-YUWA PARTNERS
• 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
• Director of Japan Bar Association

Independent Director



Outside Director,* Audit & Supervisory Committee Member

Hiromasa Suzuki

■ Number of shares held: 0

Independent Director

Executive Officers (Excluding Those Who Concurrently Serve as Directors)



Managing Executive Officer

Hiroshi Yoshida

■ Number of shares held: 13,391
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: 14,010
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

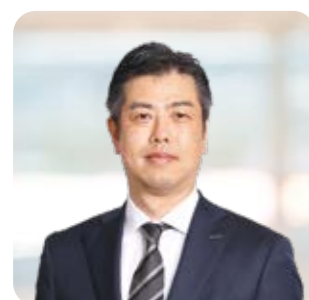
■ Number of shares held: 14,329
Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department and Information System Department), and General Manager of CHORI Innovation Activities of the Company



Executive Officer

Masao Nakamura

■ Number of shares held: 2,765
Senior Manager of Chemical & Materials Business Department



Executive Officer

Naohiko Ashida

■ Number of shares held: 2,765
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.



Executive Officer

Satoshi Shiragami

■ Number of shares held: 0
Deputy General Manager of the Corporate Planning Division (Corporate Management Department and Affiliate Business Department)

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

Fact Data

11-Year Financial Summary

CHORI CO., LTD. and Group Companies

Medium-Term Management Plan
Yakushin 2013

Medium-Term Management Plan
Yakushin 2016

Medium-Term Management Plan
Chori Innovation Plan 2019

Medium-Term Management Plan
Chori Innovation Plan
2022

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Operating Results:											
Net sales**1	217,825	221,847	244,286	248,396	291,578	270,908	311,705	356,537	329,360	216,233	284,096
Gross profit	20,020	19,770	21,530	22,157	24,799	25,149	26,400	28,585	28,310	26,357	30,650
Selling, general and administrative expenses	14,103	14,665	16,037	16,604	19,429	18,701	19,174	20,538	20,091	22,693	21,321
Operating income	5,916	5,105	5,492	5,552	5,369	6,448	7,226	8,047	8,219	3,663	9,328
Ordinary income	6,118	5,466	5,831	5,966	5,518	6,967	7,499	8,660	8,685	4,656	10,274
Net income attributable to owners of the parent	3,497	2,944	3,715	4,153	4,297	4,780	4,730	5,630	6,101	1,247	6,811
Financial Position (As of March 31):											
Total assets	67,465	71,851	78,221	84,289	98,736	97,983	119,055	118,499	114,400	110,591	134,121
Net assets	28,698	31,385	36,417	41,473	42,882	46,343	51,153	53,897	57,279	58,831	65,096
Net interest-bearing debt**2	(6,650)	(7,491)	(8,820)	(10,703)	(8,029)	(6,824)	(11,134)	(10,887)	(11,962)	(15,547)	(6,939)
Cash Flows:											
Cash flows from operating activities (A)	(263)	5,792	1,716	3,320	4,992	625	6,653	3,196	2,857	5,889	(2,330)
Cash flows from investing activities (B)	(1,153)	(2,980)	(208)	(813)	(4,442)	58	821	(1,421)	8	(357)	197
Free cash flows (A+B)	(1,417)	2,812	1,508	2,507	550	683	7,474	1,774	2,866	5,532	(2,133)
Cash flows from financing activities	(318)	(1,641)	(506)	(840)	(1,510)	(1,363)	(2,352)	(4,350)	(1,899)	(887)	(4,015)
Per Share Data**3 (Yen):											
Net income per share	145.91	117.57	151.54	169.40	175.31	195.00	192.74	229.28	248.46	50.73	276.82
Net assets per share	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	2,643.55
Dividends per share**4	29.00	24.00	33.00	34.00	36.00	40.00	59.00	60.00	63.00	37.00	84.00
Key Indicators (%):											
Ordinary income to net sales	2.8	2.5	2.4	2.4	1.9	2.6	2.4	2.4	2.6	2.2	3.6
Return on assets (ROA)**5	9.3	7.8	7.8	7.3	6.0	7.1	6.9	7.3	7.5	4.1	8.4
Return on equity (ROE)**6	12.9	9.8	11.0	10.7	10.2	10.7	9.7	10.7	11.0	2.2	11.0
Equity ratio	42.4	43.5	46.4	49.1	43.4	47.2	42.9	45.4	50.0	53.2	48.5
Consolidated dividend payout ratio	19.9	20.4	21.8	20.1	20.5	20.5	30.6	26.2	25.4	72.9	30.3
Price earnings ratio	7.0	9.1	7.4	10.9	8.3	9.9	10.9	6.8	6.2	33.2	6.4
Price book-value ratio	0.9	0.8	0.8	1.1	0.8	1.0	1.0	0.7	0.7	0.7	0.7
Other Data:											
Stock price at end of March (yen)**3	1,020	1,066	1,124	1,851	1,457	1,939	2,097	1,556	1,537	1,685	1,759
Number of employees (consolidated)	1,084	1,286	1,292	1,091	924	939	991	1,023	1,014	969	1,322
Number of consolidated subsidiaries	23	26	27	25	27	27	29	29	29	30	33

*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 deposits + Deposits paid to subsidiaries and associates)

*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 2011 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.

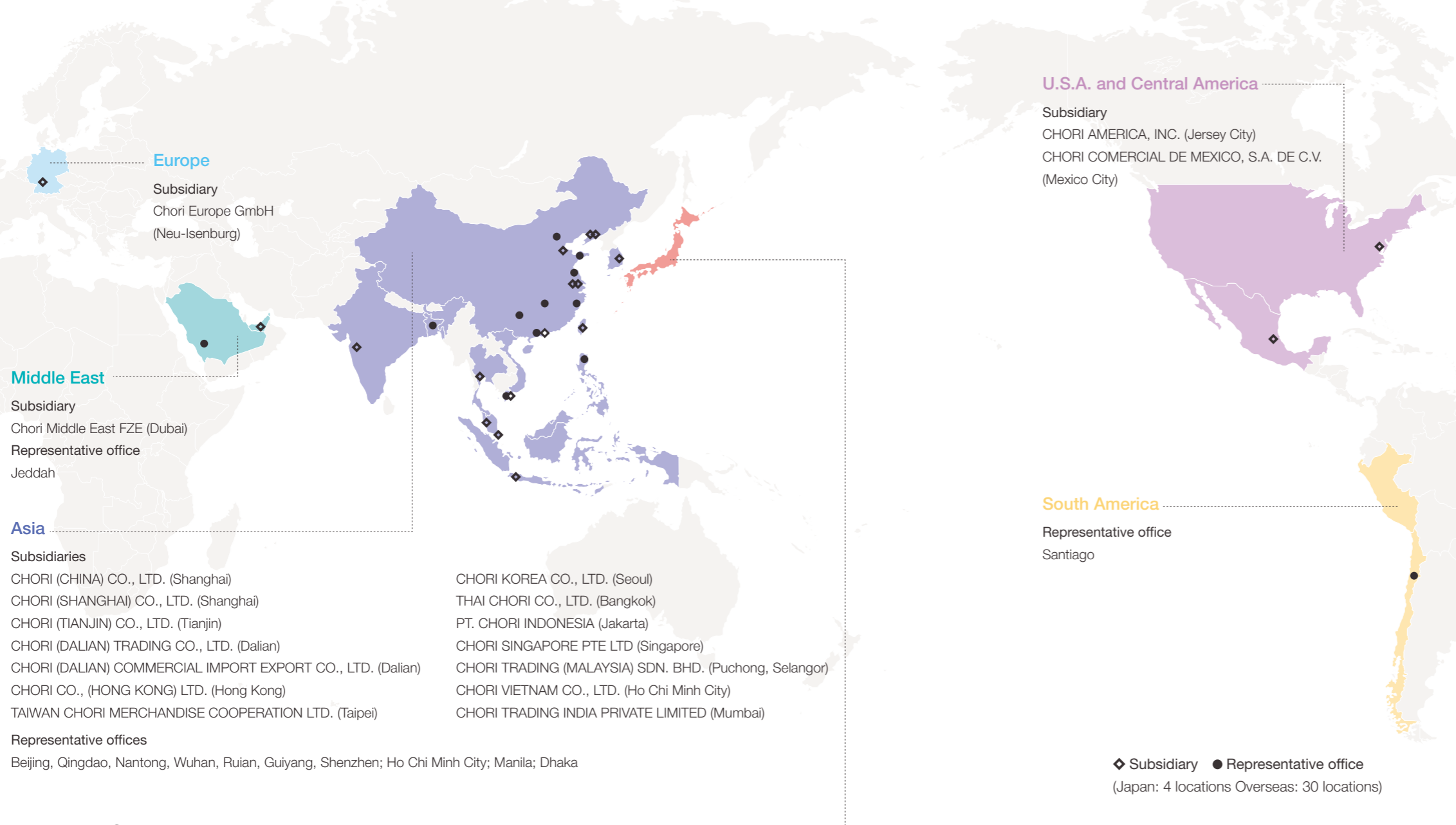
*5 Return on assets (ROA) = Ordinary income / Total assets (Avg. of beginning and end of fiscal year) x 100

*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, 2022)

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.



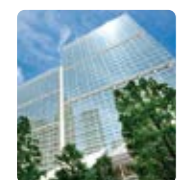
Major Overseas Subsidiaries and Affiliates

- QINGDAO RED BUTTERFLY PRECISION MATERIALS CO., LTD. (China)
Production and sale 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
- MCC Industry COMPANY LIMITED (Hong Kong)
Sale of textile products
- MEGACHEM LIMITED (Singapore)
Trading company specializing in chemicals
- PT. MATSUOKA INDUSTRIES INDONESIA (Indonesia)
Sewing of textile products

Major Domestic Subsidiaries and Affiliates

- ASADA U CO., LTD.
Sale of interior and packaging materials
- CHORI MODA CO., LTD.
Planning of fashion apparel
- STX Co., Ltd.
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

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, Showa-machi, Kanazawa
920-8676, Japan
Tel: +81-76-232-3521

Okayama Liaison Office

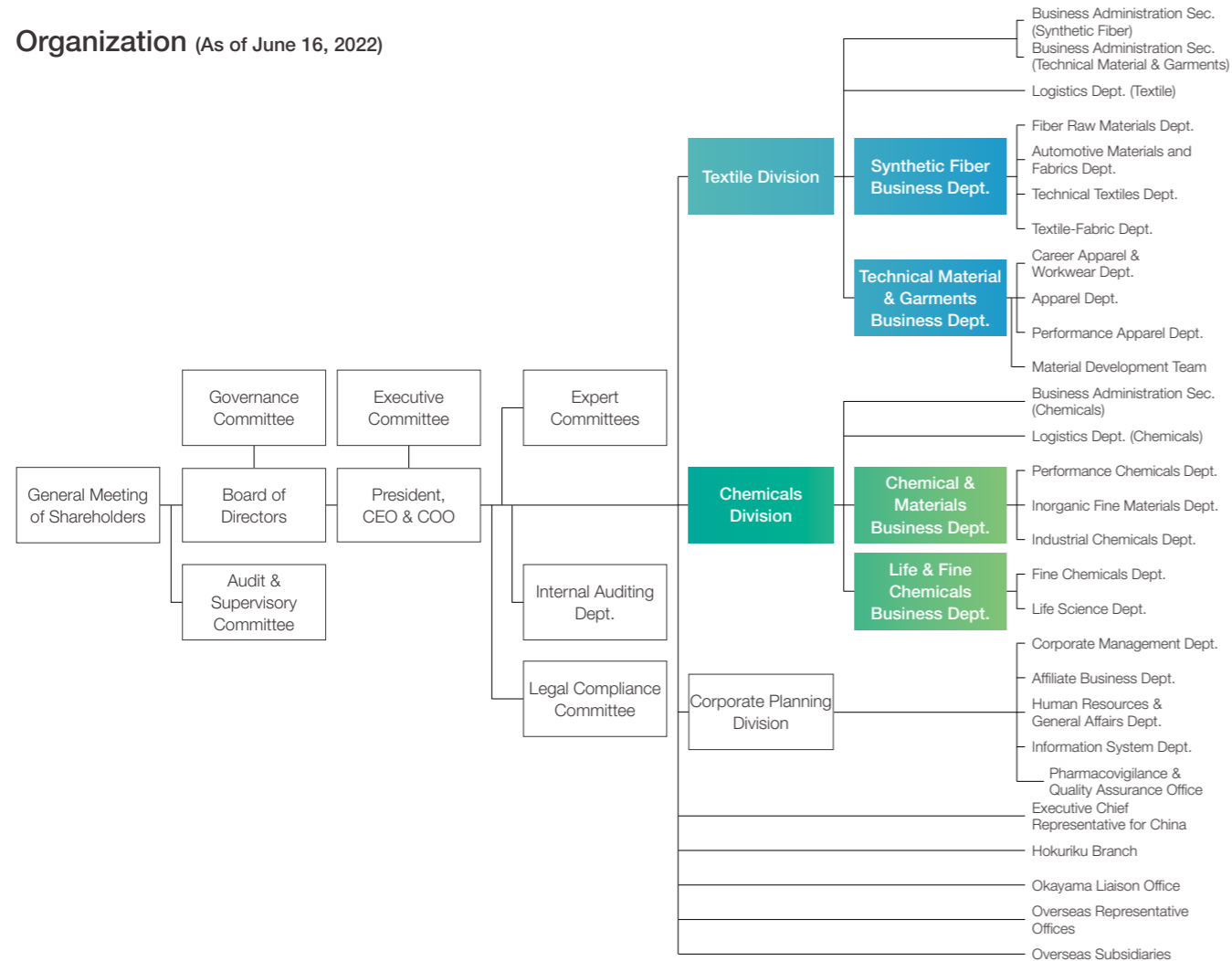
10F Okayama
Fukokuseimei-ekimae Bldg.,
1-6, Ekimotomachi,
Kita-ku, Okayama
700-0024, Japan
Tel: +81-86-224-6188

Corporate Information (As of March 31, 2022)

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: 1,322 Nonconsolidated: 416 (Including 76 employees dispatched to other companies)
Corporate Website	https://www.chori.co.jp/english/

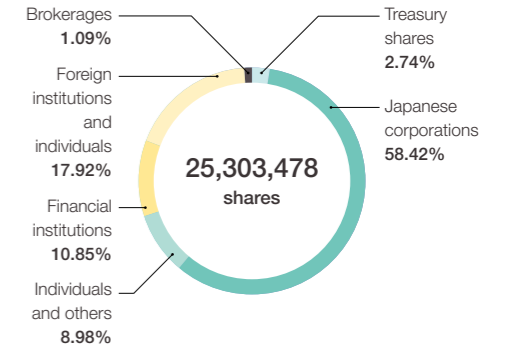
Organization (As of June 16, 2022)



Investor Information

Securities Code	8014 (Prime Market of the Tokyo Stock Exchange) (As of April 4, 2022)
Total Number of Shares Authorized to Be Issued	55,000,000
Total Number of Shares Outstanding	25,303,478
Number of Shareholders	5,546
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

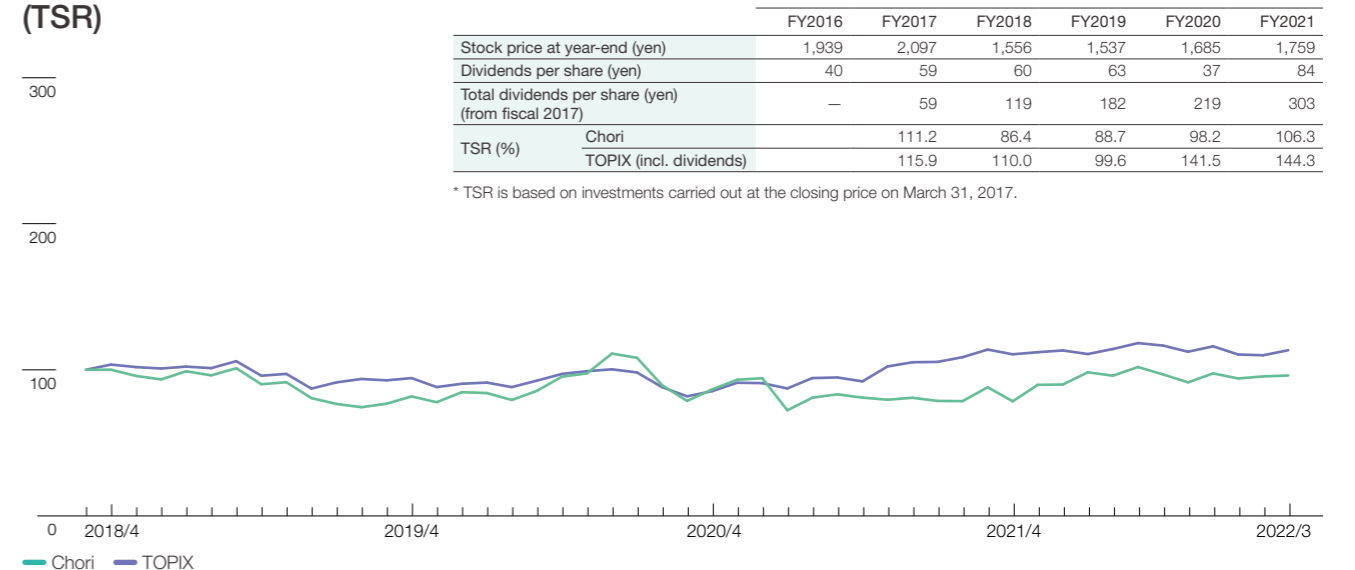


Major Shareholders

Shareholder name	Number of shares held (Thousand shares)	Percentage of shares held (%)
TORAY INDUSTRIES, INC.	12,967	52.69
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,566	6.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,488	6.05
Hurex Co., Ltd.	735	2.99
Custody Bank of Japan, Ltd. (Trust Account)	588	2.39
Wacoal Corporation	548	2.23
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	479	1.95
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 694,400 shares (2.74%) of treasury stock.
 2. The percentages of shares held exclude the 694,400 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.

Total Shareholder Return (TSR)



Note: Based on closing price on March 31, 2018 as 100