

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

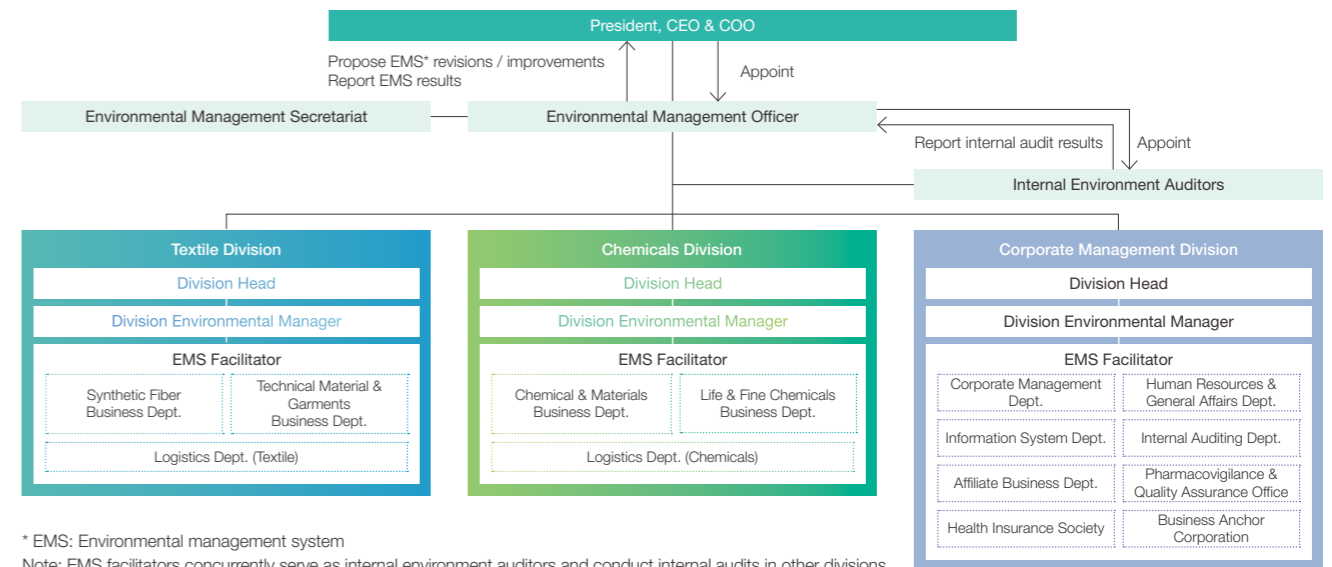
With a view to generating substantive value and helping to realize a more enriched society, Chori strives to provide accurate information and exceptional products tailored to the needs of its customers. As the environment continues to garner global attention, we believe the role we play in contributing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

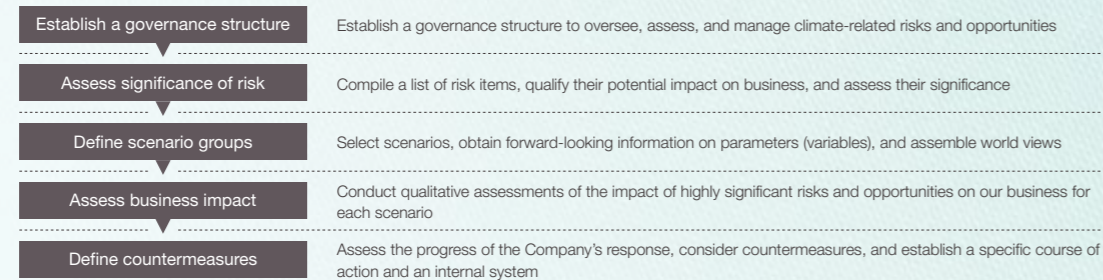
We will continue to discuss every aspect of our sustainability strategies and initiatives, including the TCFD recommendations, while considering the establishment of an expert committee, etc., as necessary.

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

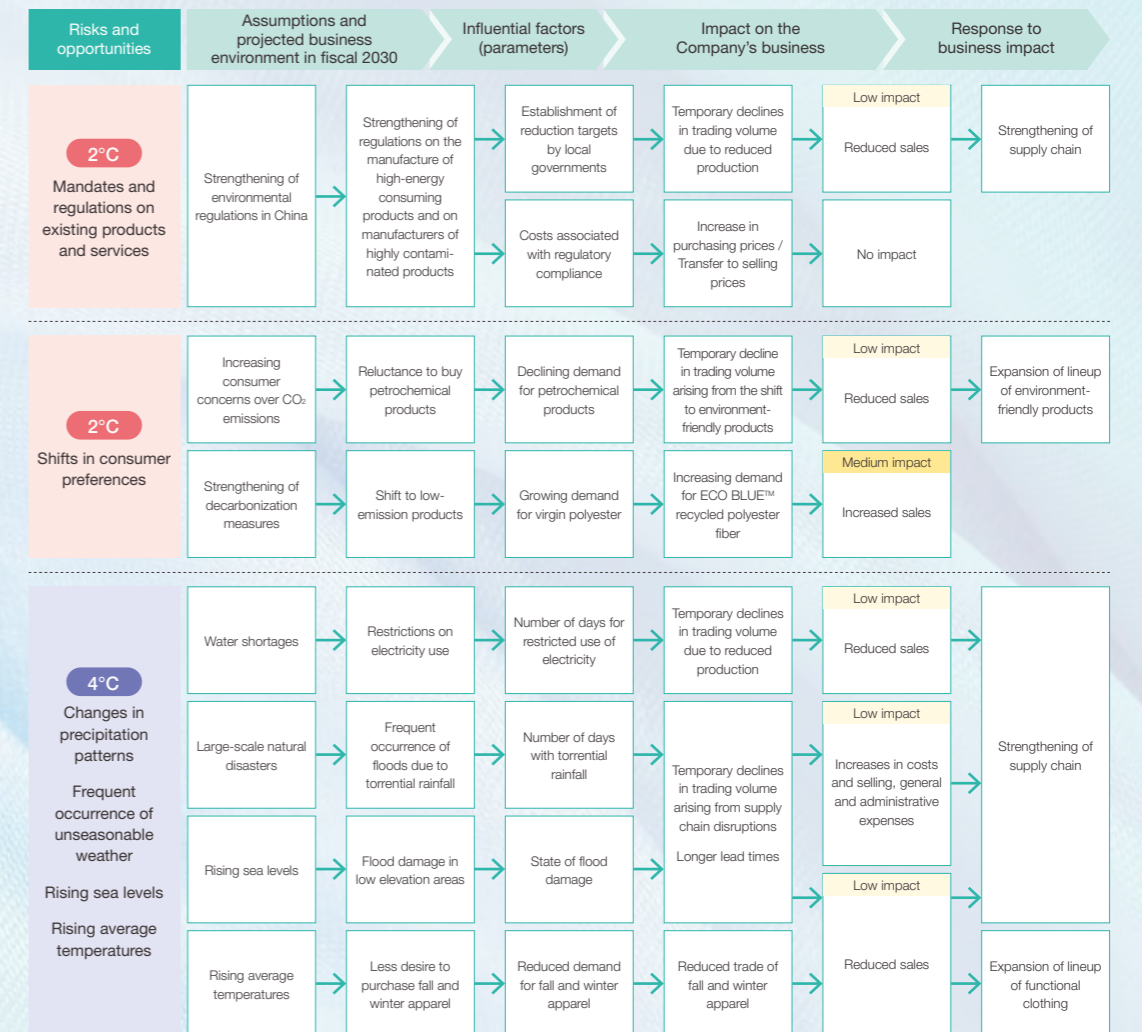


The analyses cover the period through to 2030. The world views of the scenarios to limit the increase in average temperature to below 2°C and 4°C by fiscal 2030 are assumed as follows. Under the Company's below 2°C scenario, we expect the increase in physical risk to be moderate and opportunities to 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

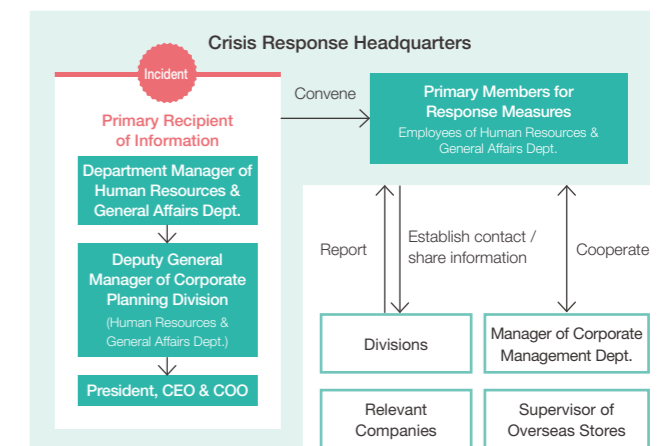
overseas offices and helps to identify the location of each employee at a particular point in time.

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.

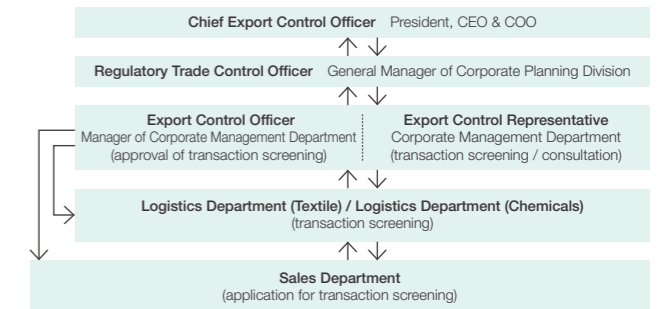
Security Trade Control

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

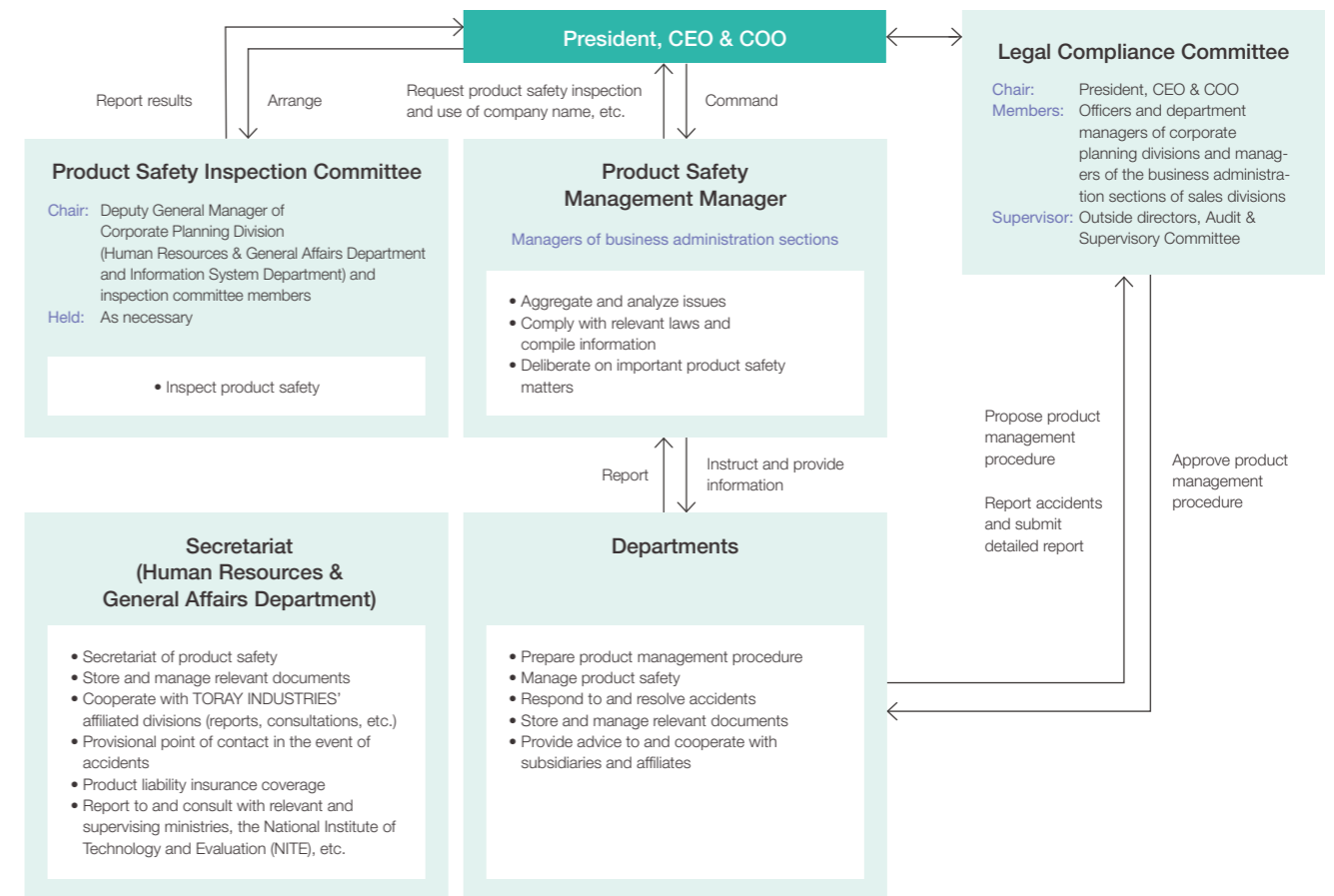
Once applications for list control and catch-all control are filed by Chori's Sales Department, the Corporate Management Department conducts final approval. In October 2020, we began implementing a system that integrates the management of information on export products and transactions, ensuring rigorous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

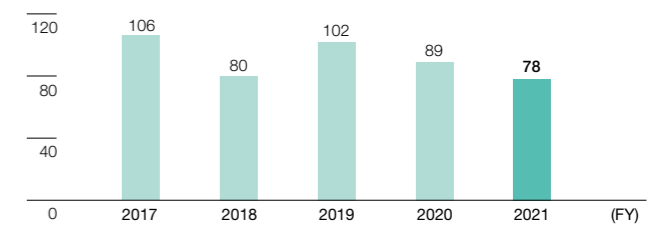
Chori has various childcare systems in place to promote the balance of work and family life. While the period of leave is relatively short, the number of male employees taking childcare leave has been on the rise, with nine taking time off in fiscal 2021. We also have a support system in place as a part 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.

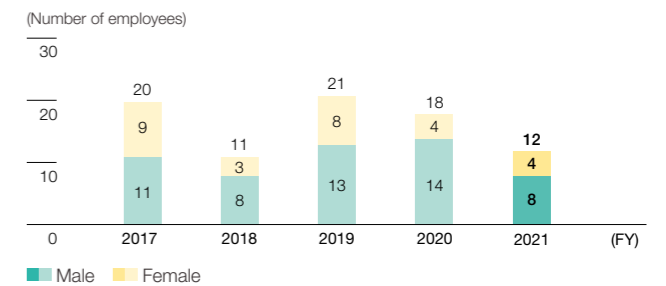
Number of Recipients of Self-Development Subsidy



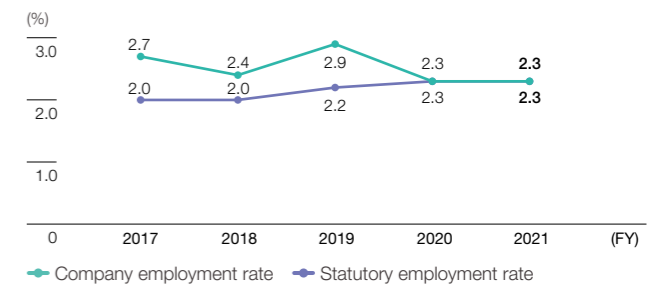
Recruiting Diverse Human Resources

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		
1. Enhancement of Awareness of the Health of Employees Chori believes that the health of its employees and their families is significant to the success of its business and that the vitality of its employees translates into the vitality of the Company. Based on this belief, we strive on an ongoing basis to enhance awareness of the health of our employees.	2. Approach to Health and Productivity Management Chori actively supports and promotes initiatives that help maintain and improve the health of its employees and their families with the goal of realizing health and productivity management.	3. Responsibility to Society and the Future Chori will do what is necessary to ensure the health of its employees and achieve sound corporate management. In so doing, we will make a difference to society and realize sustainable growth.

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.

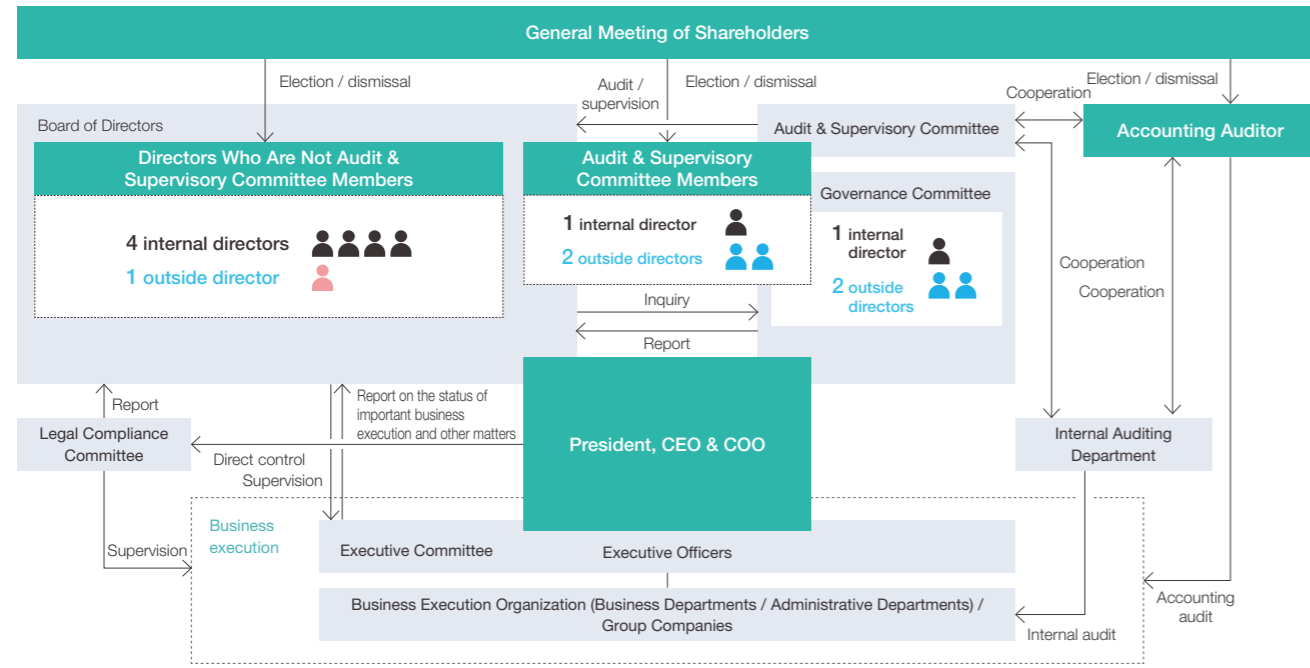


For more details, please refer to the "Health Promotion Activities" page (in Japanese only) of our corporate website.
<https://www.chori.co.jp/sustainability/social/health/activity.html>

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 Sakihamo	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
<u>Hiroko Noda</u> <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

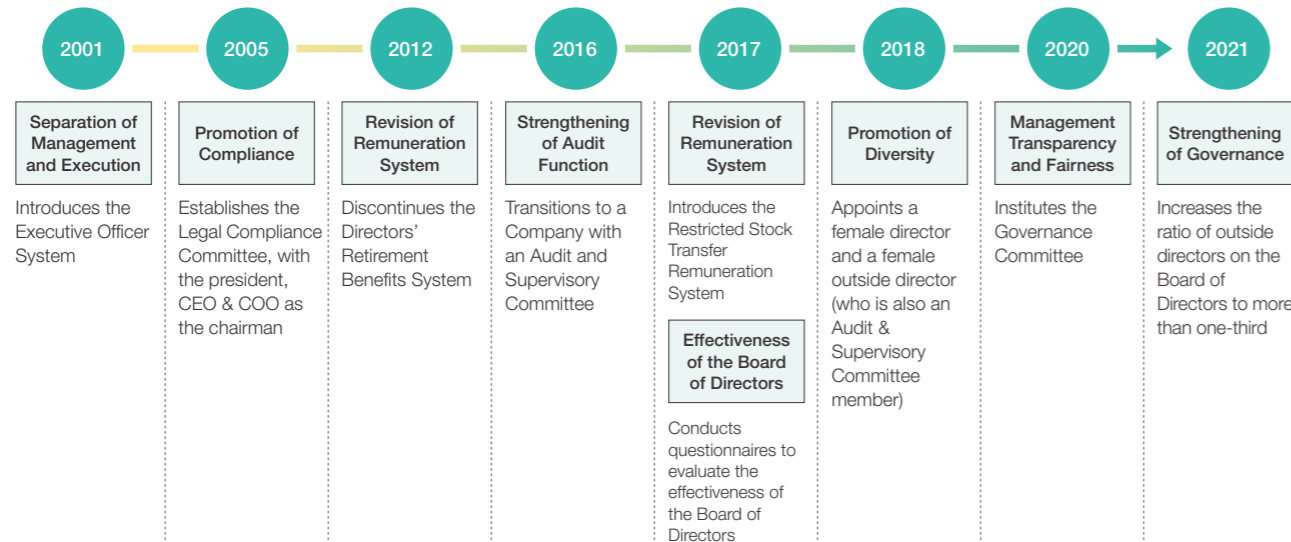
Classification	Total Amount of Remuneration (Millions of Yen)	Total Amount of Remuneration by Type (Millions of Yen)				Number of Directors Eligible
		Basic Remuneration	Restricted Stock Compensation	Bonuses	Non-Monetary Remuneration, etc., of Amounts Shown on the Left	
Directors (Excluding Audit & Supervisory 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

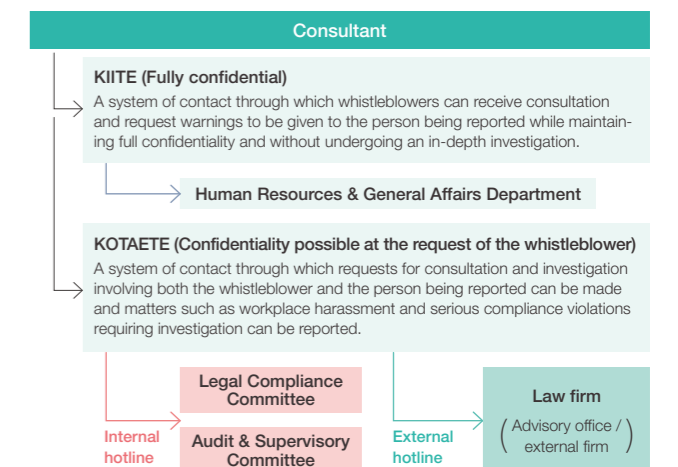
Ensuring of Thorough Compliance

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



Internal Control

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

Since then, this policy has been amended to reflect changes

in the Group's business environment and business activities.



For details on our internal control system, please refer to our Corporate Governance Report (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.