

Overview

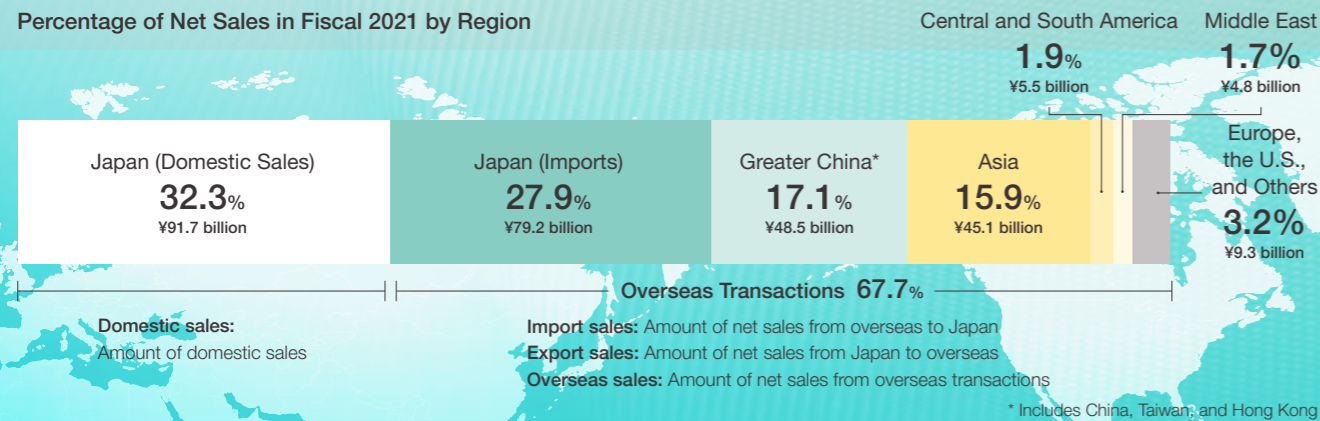
Group Structure

	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

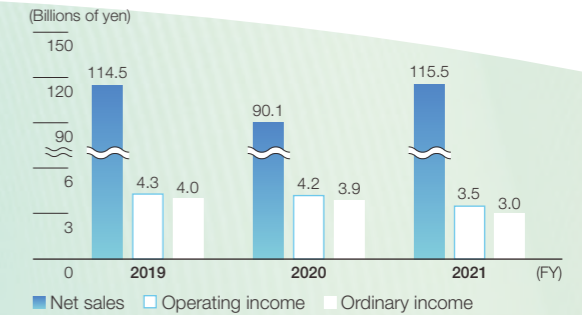


Percentage of Net Sales in Fiscal 2021 by Region



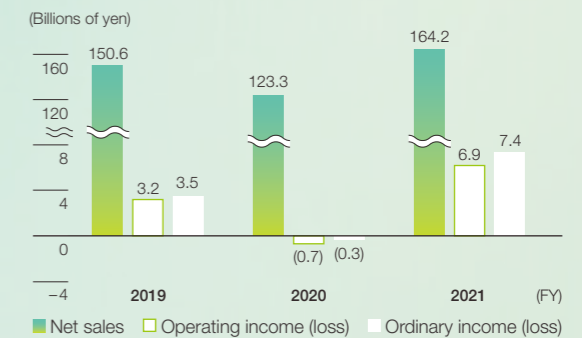
Fibers, Textiles, and Garments Business

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.



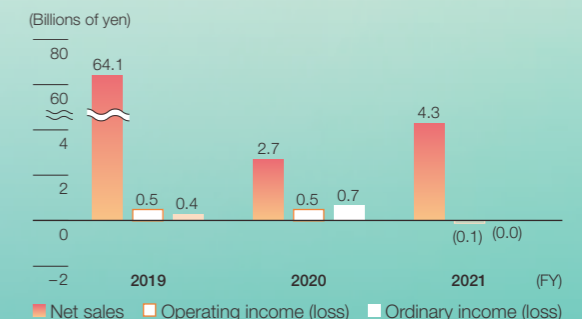
Chemicals Business

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

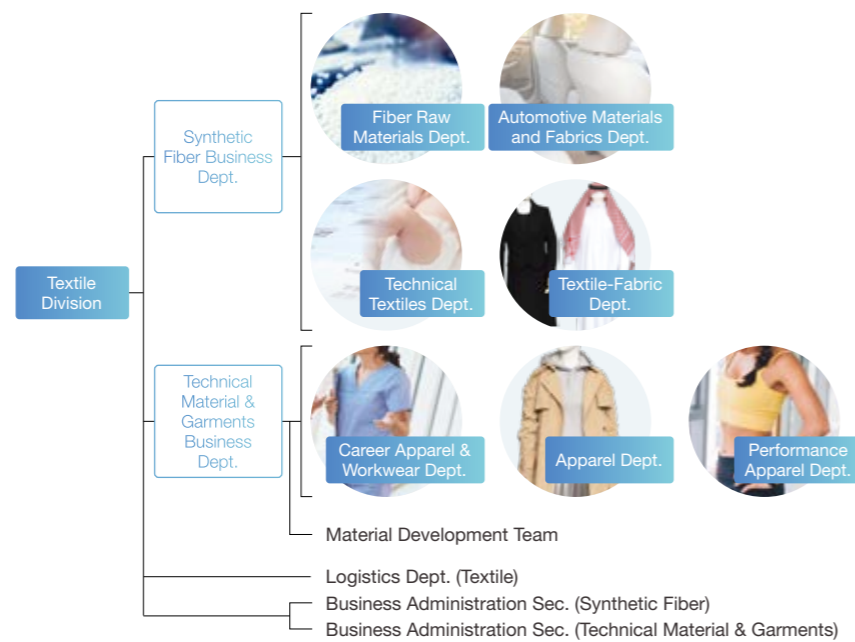
In the Machinery Business, sales soared 57.4% from the previous year, to ¥4.3 billion, due to the effects of the recovery in demand for automobiles in Europe, North America, and other regions. Meanwhile, despite achieving steady results, mainly due to the higher revenue, the segment posted an operating 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

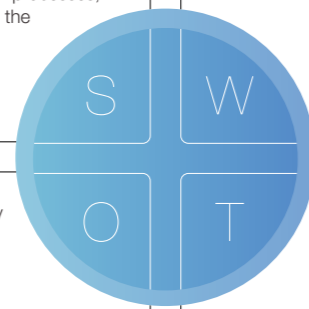
- Late start to globalization in downstream fields
- Digitalization measures
- Obsolescence of existing business fields

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

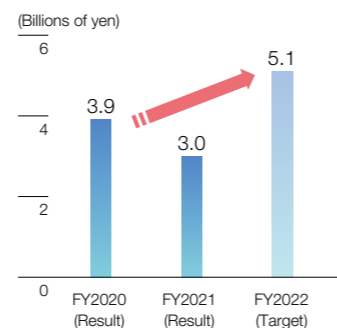
- ① Bolster collective strength in the business
- ② Enhance global supply chain management
- ③ Strengthen global proposals and marketing capabilities for Chori’s original products

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.

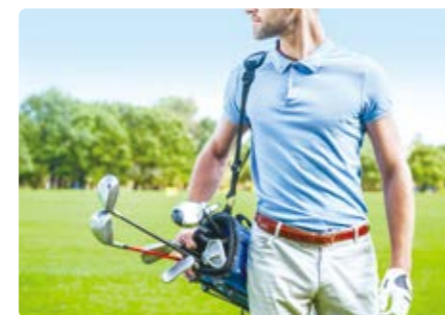
Summit Garment Saigon (SGS), a sewing factory in Vietnam operated by STX, proved to be the difference in our customer proposals due to the strong reputation it has built for production capacity. Despite a period in which operations were shut down due to the country’s lockdown, in fiscal 2022, SGS has 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



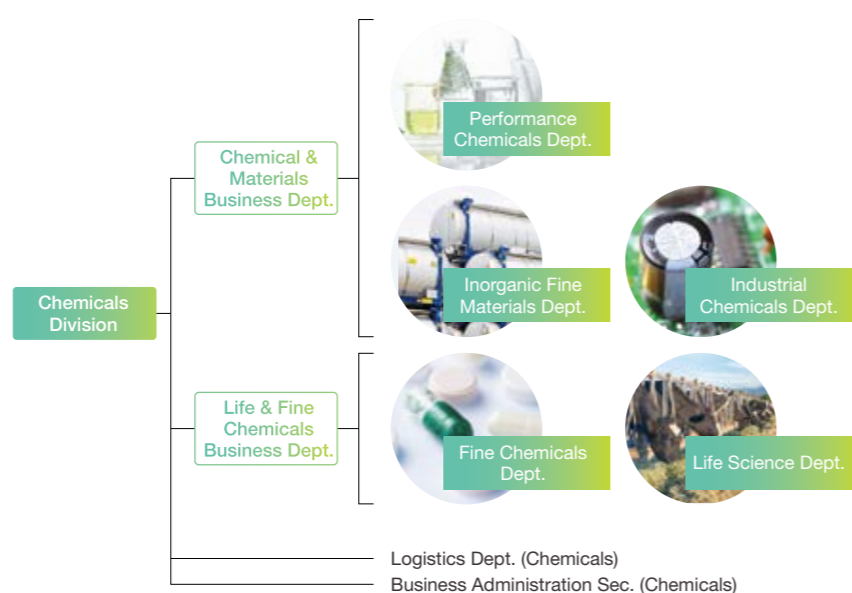
Chori produces and supplies fashionable and highly functional sportswear, outdoor wear, and sports casual products in Japan and overseas, mainly for golf and athletic use for the leading brands of major manufacturers. Many manufacturers are highly conscious of sustainability and are inclined to increase 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™.

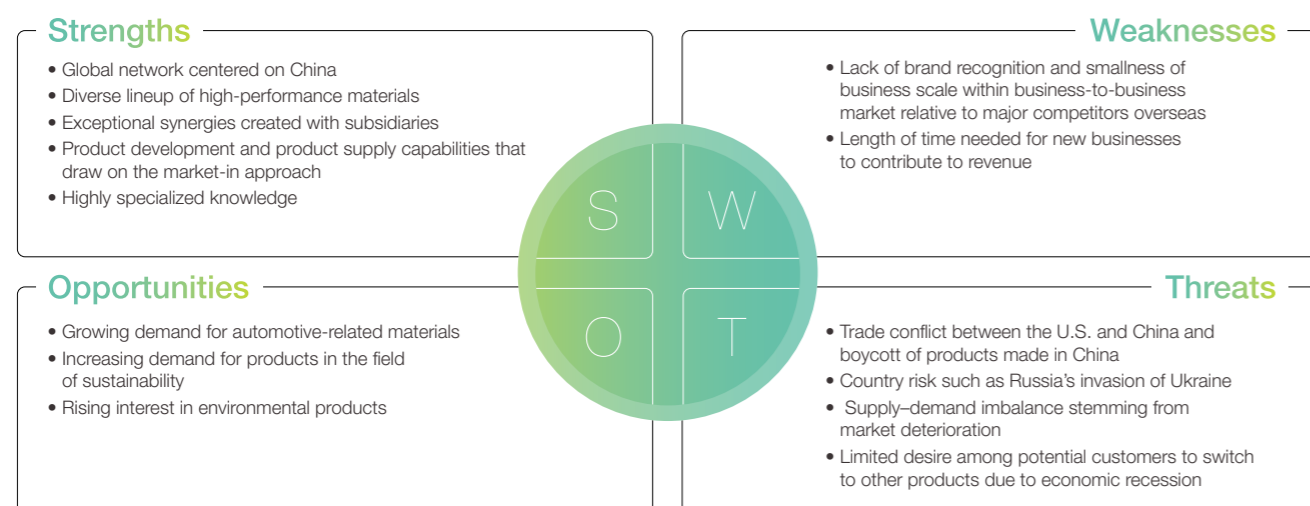
Chemicals Business

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

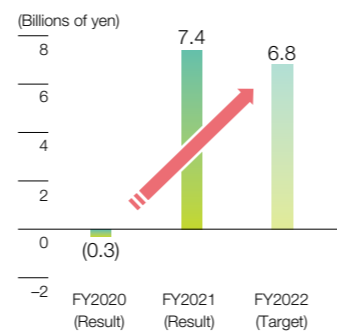
In the Chemicals Business, one of our weaknesses is the lack of brand recognition and smallness of business scale within the business-to-business market relative to major competitors overseas. While the business is more widely known nowadays relative to when it first emerged as part of Chori back in 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

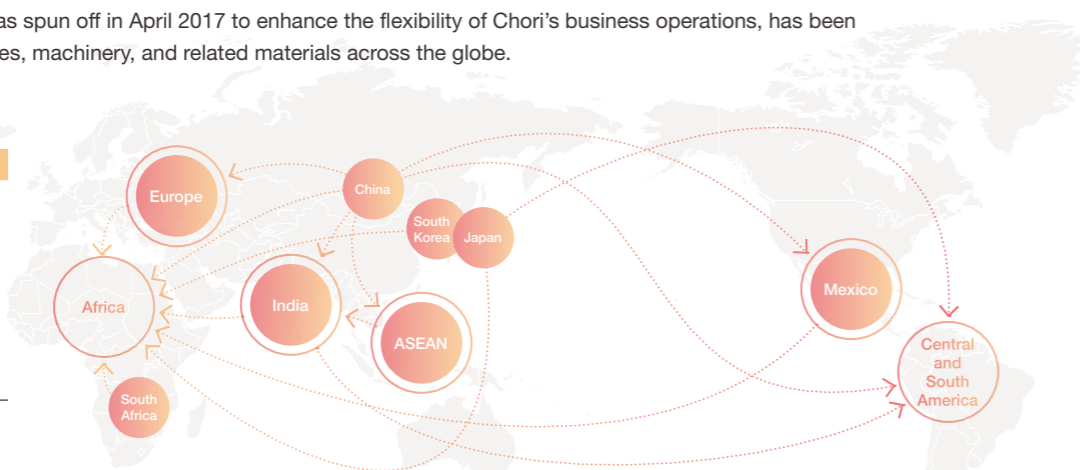
With the global population projected to reach approximately 10 billion by 2050, there are concerns over the potential imbalance between supply and demand for protein sources such as beef and pork. At Chori, we have been focusing on soybeans, wheat, and green peas as a source of ingredients; procuring 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

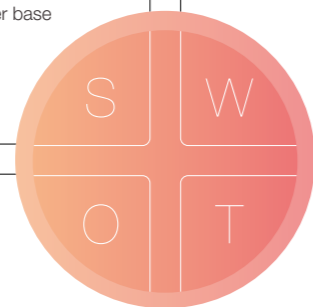
- Need for improvements to flexibility and organizational capabilities that draw on the strengths of each individual
- Timeliness of digital transformation measures

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

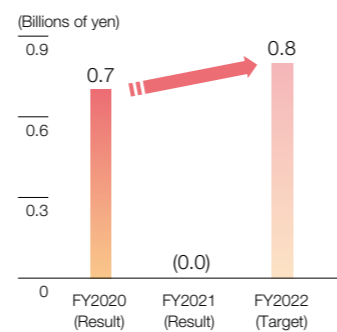
Toward the Achievement of Fiscal 2022 Targets

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



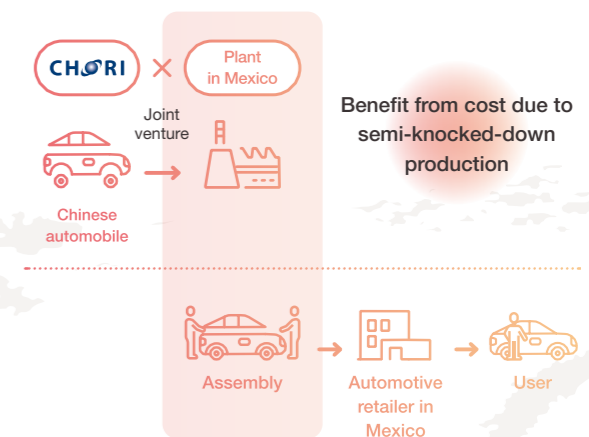
Core Initiatives of the Machinery Business

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.

