

President's Message



Kazuo Sakihama

President, CEO & COO,
President and Executive Officer

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

Leveraging of Chori's Strengths toward Further Growth

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

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

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

Chori's Vision for the Future

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

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

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

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

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

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

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

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

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

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

Chori's Approach to ESG

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

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

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

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

A Trading Company That Helps Make Dreams Come True

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

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

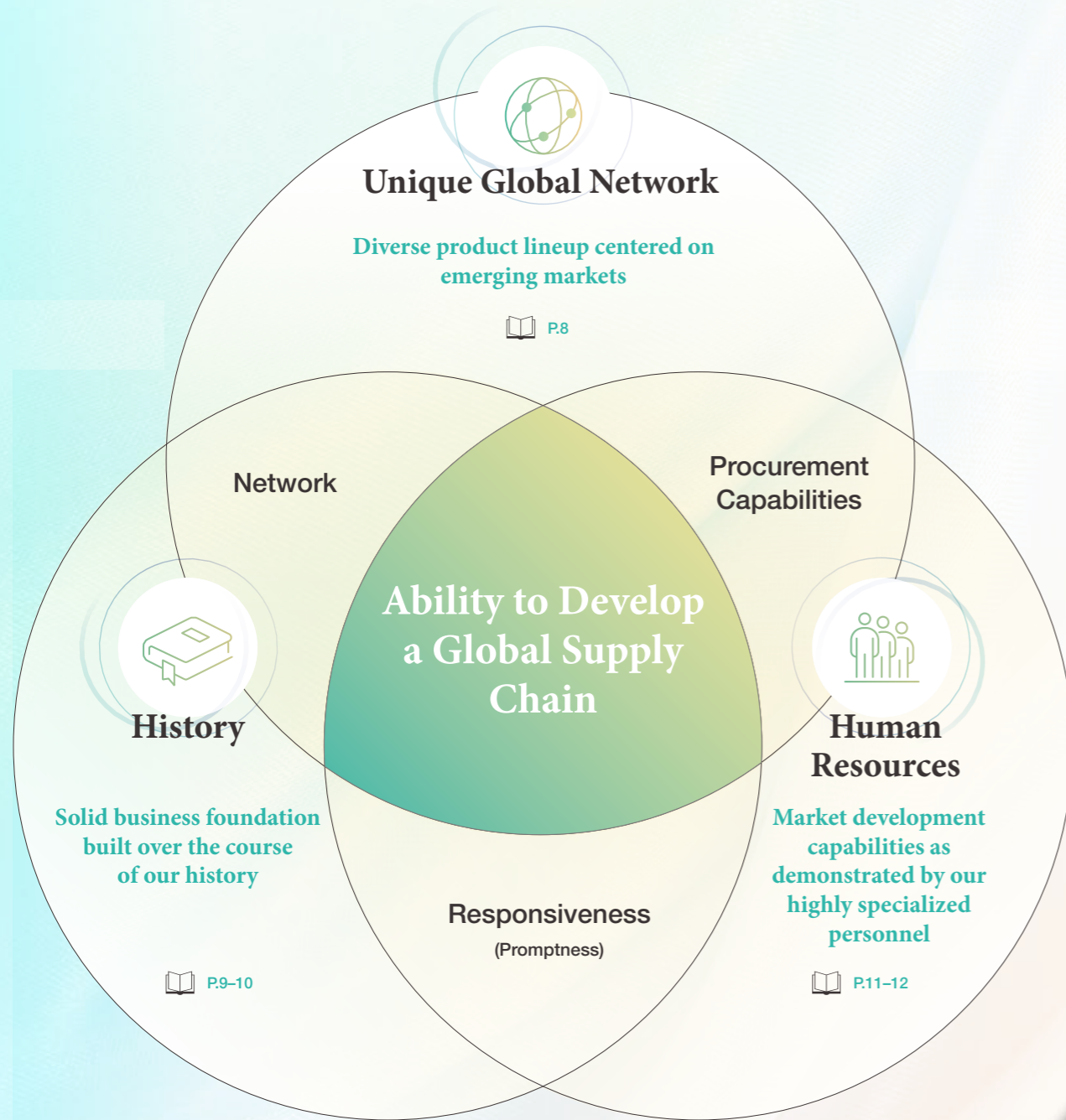
In fiscal 2021, we were able to achieve the targets of Chori Innovation Plan 2022 well ahead of schedule. Riding the wave of this success, we are also working to streamline our business through the implementation of ERP toward our further growth in the next generation. At Chori, we will remain a company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



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



Chori's Strengths



Diverse product lineup centered on emerging markets

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



Handling of Products with High Import Barriers

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

Lithium Salt

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



Examples of Products Handled by Chori



Pharmaceutical Ingredients / Food Additives

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



Solid business foundation built over the course of our history

1861 Founded in the Nishijin District of Kyoto, Japan

Chori was founded as a raw silk wholesaler during a turbulent time when Japan was transitioning from the Edo Period to the Meiji Era. Moreover, the name "Chori" originates from the combination of the Japanese characters "蝶" (cho), derived from the image of a moth creating raw silk, and "理" (ri), stemming from the first name of Chori's first president, Riichiro Ohashi.



- 1929 Establishes branch office in Fukui Prefecture
- 1934 Establishes branch office in Ishikawa Prefecture
- 1948 CHORI CO., LTD. established
- 1952 Moves head office to Osaka
- 1953 Commences exclusive sales of woolly nylon through the establishment of a joint venture for the manufacture of woolly nylon with Toyo Rayon Co., Ltd. (currently TORAY INDUSTRIES, INC.)
- 1956 Launches the Chemicals Business
- 1957 Establishes Chori New York Co., Ltd. (currently CHORI AMERICA, INC.), Chori's first overseas subsidiary
- 1959 Stock listed on Osaka Securities Exchange
- 1961 Stock listed on Tokyo Stock Exchange Designated as one of the first friendly trading companies by China
- 1972 Develops a large-scale condominium

- 1975 Begins company restructuring with drastic streamlining and downsizing of management
- 1976 Establishes Fukui Chori Committee and Kanazawa Chori Committee (currently Hokuriku Chori Committee) with twisted yarn manufacturers and other business partners in the Hokuriku region
- 1993 Establishes CHORI (SHANGHAI) CO., LTD. as first subsidiary in China
- 1995 Establishes PT. CHORI INDONESIA
- 1996 Secures order for railway project in Kazakhstan
- 1997 Establishes joint venture Chongqing Dazu Red Butterfly Strontium Industry Co., Ltd.
- 2001 Establishes Chori Middle East FZE
- 2002 Spins off the Synthetic Resin Business Division into a separate company

- 2004 Becomes a consolidated subsidiary of TORAY INDUSTRIES, INC.
- 2005 Establishes CHORI (CHINA) CO., LTD., the first Japanese trading company subsidiary with the rights to sell and trade in China
- 2012 Engages in capital participation in manufacture of electrode foil for aluminum electrolytic capacitors
- 2013 Makes PTI Japan Limited (currently CHORI GLEX CO., LTD.), a trading company specializing in chemicals, a consolidated subsidiary
- 2014 Relocates Tokyo head office to Shinagawa
Establishes subsidiary CHORI TRADING INDIA PRIVATE LIMITED
- 2015 Makes Miyako Kagaku Co., Ltd., a trading company specializing in chemicals, a consolidated subsidiary
- 2016 Holds first annual Hokuriku Yarn Fair

- 2017 Participates in lithium compound production project in Chile
Splits off the Machinery Business and establishes Chori Machinery Co., Ltd.
Makes ASADA U CO., LTD., a sales company of automotive interior and packaging materials, a consolidated subsidiary
- 2018 Makes KOZAKURA SHOKAI CO., LTD., a trading company specializing in chemicals, a consolidated subsidiary
Participates in First China-Japan Forum on Third-Party Market Cooperation
- 2019 Establishes joint project with Utsumi Recycle Systems Inc. for the sale of recycled pellets
- 2021 Makes STX Co., Ltd. a consolidated subsidiary



2003–2020s A Period of Breakthrough Results

Four Consecutive Years of Record-High Ordinary Income

Point Our Supply Chain in China

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

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

* Consisting of China, Taiwan, and Hong Kong

1948–1975 A Period of Growth

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

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

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

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

1975–2003 A Period of Setbacks

Selection and Concentration of
Businesses Due to Significant Losses

Point Our Commitment to Niche Markets

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



Chori's Strengths



Market development capabilities as demonstrated by our highly specialized personnel

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

Creating new markets through innovation as a specialized trading company



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

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

1 Establishing a New Supply Chain and Realizing Cost Benefits

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

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

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

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

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

Chori will realize its corporate slogan,

“Making your dreams come true.”



Toshiya Sakaki
Section Manager, Synthetic Fiber Business Department, Section 1

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



Takuro Tamura
Section Manager, Apparel Department, Section 1

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



Suguru Hirano
Section Manager, Inorganic Fine Materials Department, Section 1

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



Shutaro Hamakawa
Section Manager, Fine Chemicals Department, Section 1

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



Sakae Takahashi
Section Manager, Pharmacovigilance & Quality Assurance Office

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



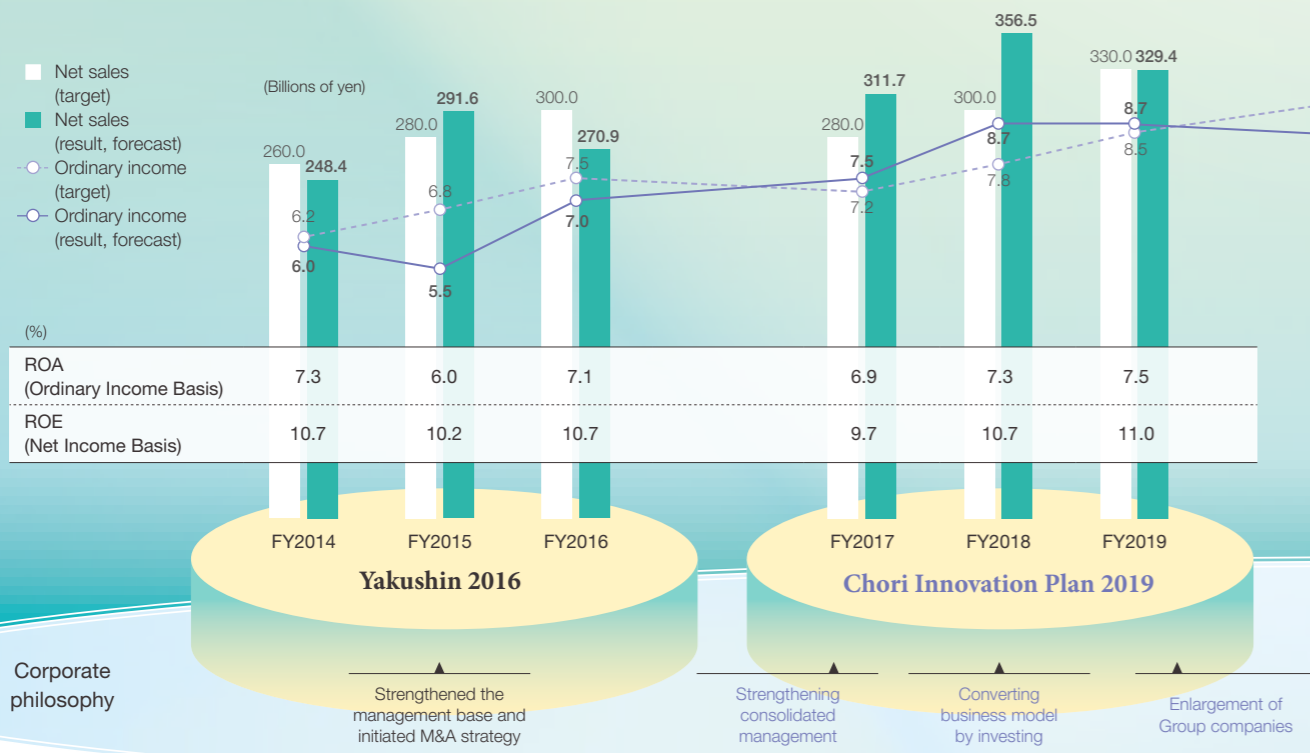
Wenye Yu
General Manager, CHORI (DALIAN) TRADING CO., LTD.

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

Medium-Term Management Plan

Chori Innovation Plan 2022

Under Chori Innovation Plan 2022, our current medium-term management plan covering the period from fiscal 2020 to fiscal 2022, Chori will rigorously enforce risk management and other defensive measures in order to position itself to respond quickly to the drastic changes taking place in its social and economic environments. We will forge ahead with our basic strategies of “reinforcement of consolidated management structure,” “creation of next-generation business models,” “corporate governance,” “compliance,” and “strengthening of human resource development structure,” with the aim of realizing sustainable growth. By doing so, the Chori Group will become a corporate group that continues to evolve and change on a global scale, underpinned by its exceptional capabilities and expertise, and continue to enhance its corporate value.



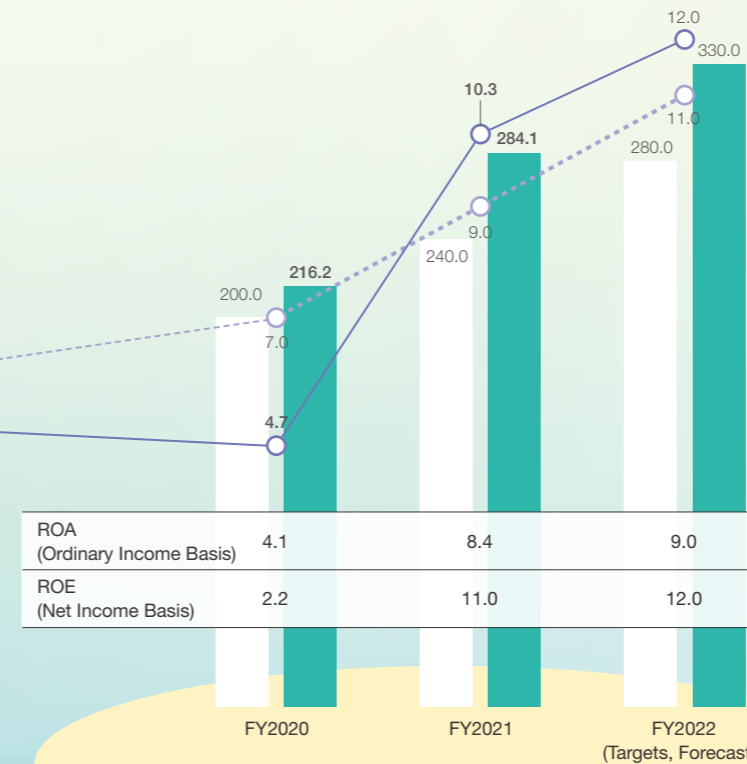
Under Yakushin 2016, our previous medium-term management plan covering the period from fiscal 2014 to fiscal 2016, we fell short of our targets due to the decline in overseas trade precipitated by the impact of the appreciating Japanese yen in fiscal 2016. Nonetheless, our results fared well overall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

Under Chori Innovation Plan 2019, our previous medium-term management plan covering the period from fiscal 2017 to fiscal 2019, we reinforced our consolidated management structure by making ASADA U CO., LTD. and KOZAKURA SHOKAI CO., LTD. consolidated subsidiaries. This culminated in the achievement of

our highest-ever results for ordinary income and net income attributable to owners of the parent in fiscal 2018 and of our management plan targets one year ahead of schedule.

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

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



Chori Innovation Plan 2022

Lay a solid foundation for a new stage

Consistently deliver ordinary income at the ¥10.0 billion level

Enhancing corporate governance

Continuing to implement CHORI Innovation Activities (Companywide activities)

AFTER COVID-19
To a new normal

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

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

Awareness of External Business Environment (Fiscal 2021)

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

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

The Basic Strategies of Chori Innovation Plan 2022

Chori will press ahead with the following five basic strategies in its bid to become a corporate group that continues to evolve on a global scale, underpinned by its exceptional capabilities and expertise, while addressing the drastically changing social environment.

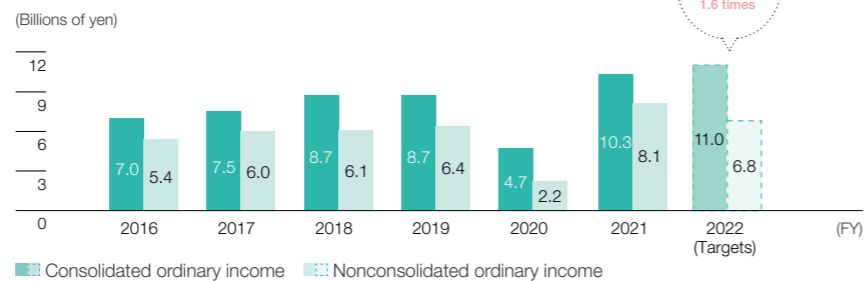
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Reinforcement of Consolidated Management Structure

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

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

Strengthening of Consolidated-to-Nonconsolidated Ordinary Income Ratio



2

Creation of Next-Generation Business Models

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

We will maintain the Business Investment Committee and proactively invest in growth fields and areas. In particular, we will proceed with the business investments outlined below centered on the themes of the environment, health, sustainability, and cutting-edge technology.

Focusing on Investment in Growth Fields and Areas

	Fibers, Textiles, and Garments Business	Environmental and recycling, health, hygiene, and materials fields
	Chemicals Business	Environmental, 5G-related, electronics and battery materials, healthcare, and agricultural fields
	Machinery Business	Global market development

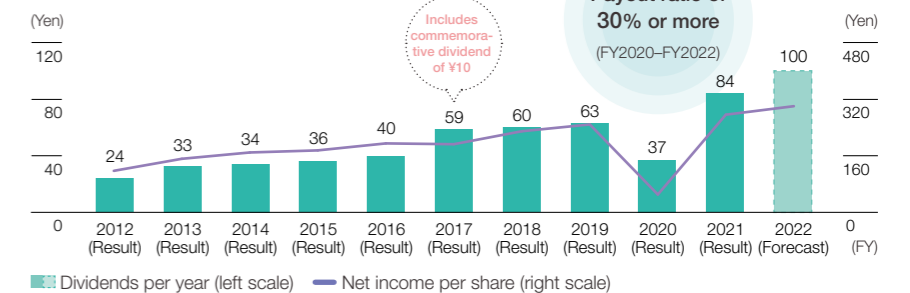
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Corporate Governance

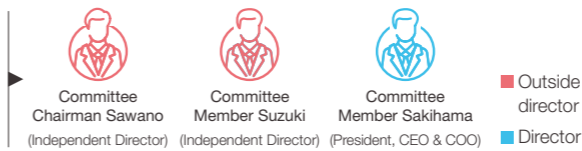
- Establishment of Governance Committee
- Improvement of dividend policy
- Continuation of stock-based compensation and enhancement thereof
- Group governance
- Enhancement of Chori's brand value
- CHORI Innovation Activities (Companywide activities)

At Chori, we have established the Governance Committee, which mainly consists of outside directors and serves as an advisory body to the Board of Directors. Through the enhancement and strengthening of corporate governance, we will pursue further increases in corporate value, while delivering performance-based dividends of 30% or more. Meanwhile, our basic dividend policy is to provide performance-based dividends in accordance with the standards for net income attributable to owners of the parent from the perspectives of flexibly returning profits to shareholders and ensuring stable operations and finances while securing appropriate funds for investments in growth strategies.

Trends in per-Share Dividend (Annual)



Governance Committee



Appointment or dismissal of directors and executive officers
Successor planning and training

Compensation of directors and executive officers
Compensation made individually

Assessment of transactions and other dealings with the parent company group

4

Compliance

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

Through the reinforcement of corporate ethics, elimination of legal violations, and strengthening of supervisory functions at consolidated subsidiaries, we ensure thorough compliance throughout our operations. As we continue to evolve our business globally, we will adhere to the laws, regulations, and customs of Japan and other countries and instill such awareness in our employees through internal training sessions and legal compliance manuals for the purpose of preventing legal violations.



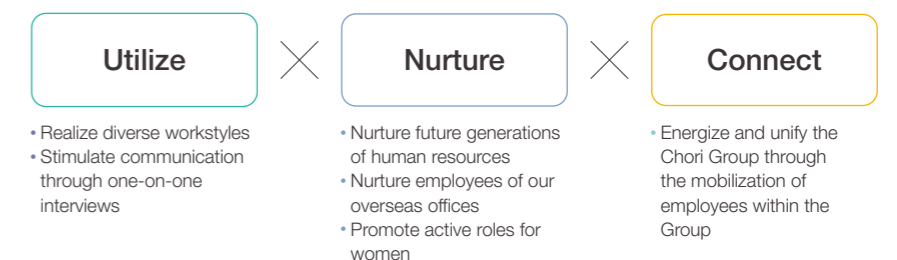
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Strengthening of Human Resource Development Structure

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

Guided by its vision for human resources, "Utilize people, and be useful to them. Nurture people, and develop with them. Connect people, and join together with them," Chori regards each and every one of its Group employees as its most valuable management resource and strives to ensure their health and well-being. Further, by promoting the following measures in line with the key principles of "utilize," "nurture," and "connect," we will cultivate our human resources for the next generation.

Nurturing of Human Resources for Next Generation



Financial Strategy



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

Tatsuyuki Sakoda
Director,
Managing Executive Officer

Inaugural Message and Reflection on Fiscal 2021 Performance

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

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

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

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

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

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

Toward the Achievement of Our Medium-Term Management Plan

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

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

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

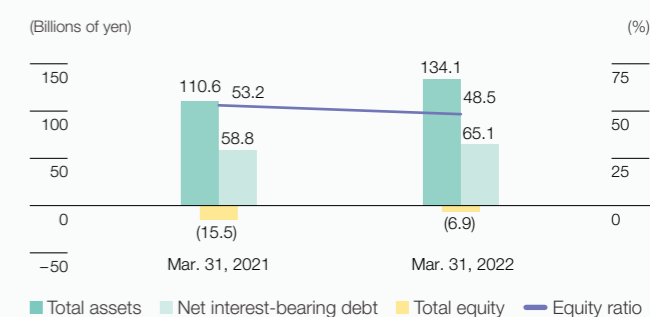
Fiscal 2022 Performance Forecast

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

Financial Position

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

Financial Soundness



Profitability / Capital Efficiency

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

Financial Strategy

Cash Allocation

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

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

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

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

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

Our Approach Going Forward

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

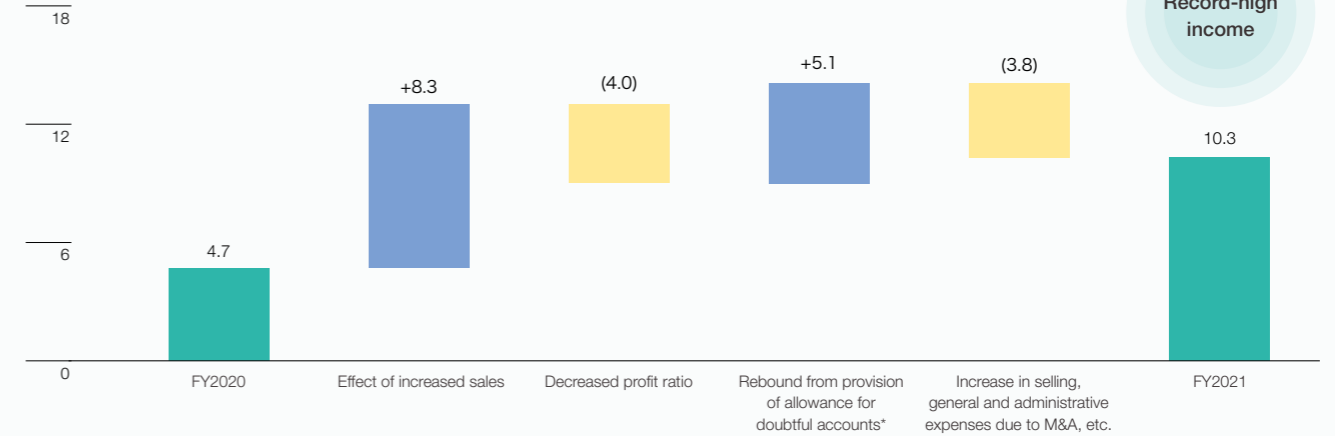
with consolidated management centered on our global business. In order to steadily grow its businesses, Chori will expand its global operations, raise the level of its intellectual infrastructure as a company, and enhance its presence in the market as an integrated and specialized trading company that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

Reference Material

Reasons for Changes in Ordinary Income and Trends in Ordinary Income

Reasons for Changes in Ordinary Income

(Billions of yen)



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

Trends in Ordinary Income

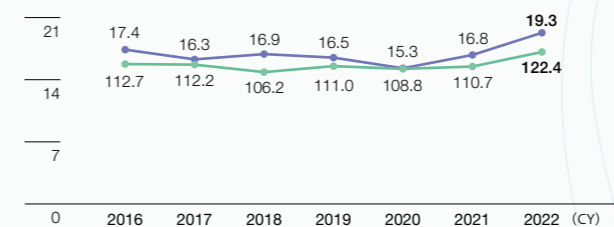
(Billions of yen)

	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Full-year total	1Q	2Q	3Q	4Q	Full-year total
Net Sales	49.0	53.2	55.2	58.9	216.2	60.7	69.4	75.8	78.3	284.1
Operating Income (Loss)	(0.9)	2.5	2.4	(0.3)	3.7	2.6	2.3	2.6	2.0	9.3
Ordinary Income (Loss)	(0.7)	2.5	2.5	0.3	4.7	2.9	2.4	2.9	2.1	10.3
(Excluding the Provision of Allowance for Doubtful Accounts)	1.8	2.5	2.5	2.9	9.7					
Net Income (Loss) Attributable to Owners of the Parent	(1.2)	1.4	1.6	(0.6)	1.2	2.3	1.7	1.9	1.0	6.8

Market Trends

Foreign Exchange Rate

(Yen)



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

Note: As of March 31

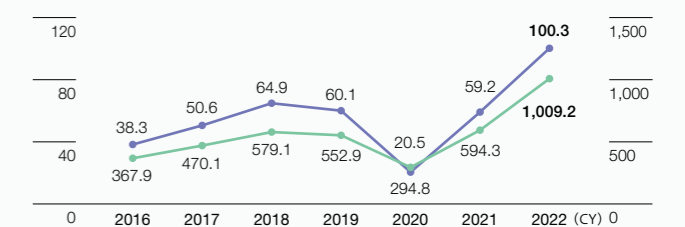
Source: Rate as of the Company's term-end

Oil Prices

(Yen)

(US\$/barrel)

(US\$/ton)



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

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

Naphtha is single-month average for March

Sources: Company research