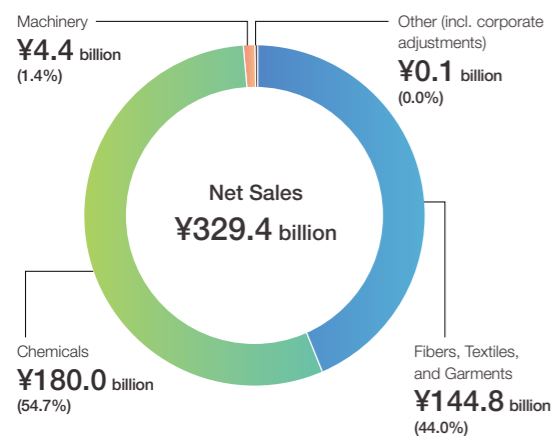


# Overview

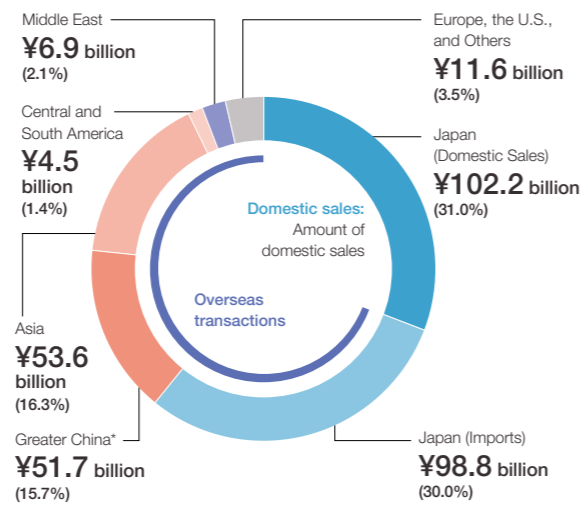
## Group Structure

	Major Subsidiaries	Main Business	(As of March 31, 2023)
CHORI CO., LTD.	<b>Fibers, Textiles, and Garments Business: 12 companies</b>	STX Co., Ltd. ASADA U CO., LTD.	Sale of textile-related products (including clothing and fabric materials) Sale of automotive interior and packaging materials
	<b>Chemicals Business: 8 companies</b>	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
	<b>Machinery Business: 1 company</b>	Chori Machinery Co., Ltd.	Sale of transportation equipment and other products
	<b>Other: 1 company</b>	Business Anchor Corporation	Outsourcing of administrative work
	<b>Overseas subsidiaries: 20 companies</b>	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 2022 Net Sales by Segment



## Net Sales in Fiscal 2022 by Region



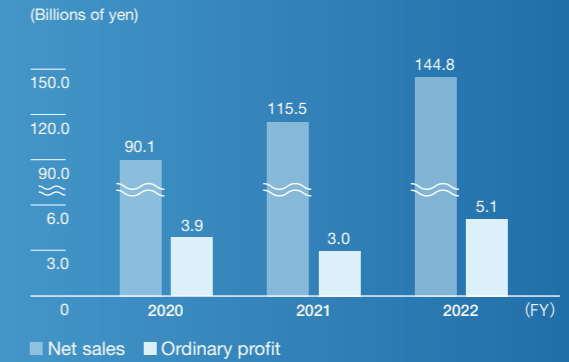
### Overseas Transactions 69.0%

Import sales: Amount of net sales from overseas to Japan  
 Export sales: Amount of net sales from Japan to overseas  
 Overseas sales: Amount of net sales from overseas transactions

\* Includes China, Taiwan, and Hong Kong

## Fibers, Textiles, and Garments Business

The business achieved profit growth as it accurately captured customer needs stemming from the recovery of demand in the apparel market in Japan, transactions increased due to the strong demand for SDG-oriented products, and the higher costs of raw materials were passed on to selling prices. As a result, sales increased 25.4% from the previous year to ¥144.8 billion and ordinary profit soared 71.2% to ¥5.1 billion.



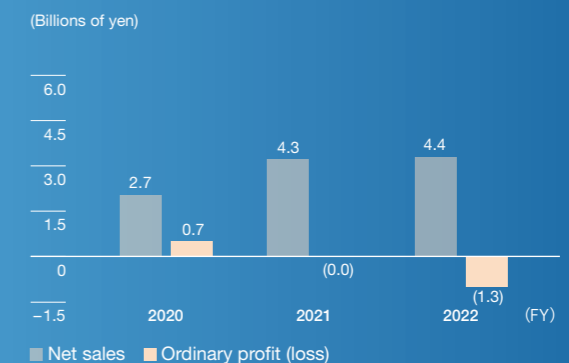
## Chemicals Business

Despite the effects of deteriorating market conditions in the fourth quarter, sales increased 9.7% from the previous year to ¥180.0 billion and ordinary profit climbed 18.4% to ¥8.8 billion, due mainly to an increase in overseas transactions as well as brisk results overall led by the performance of organic chemicals, agrochemical intermediates, and industrial chemicals.



## Machinery Business

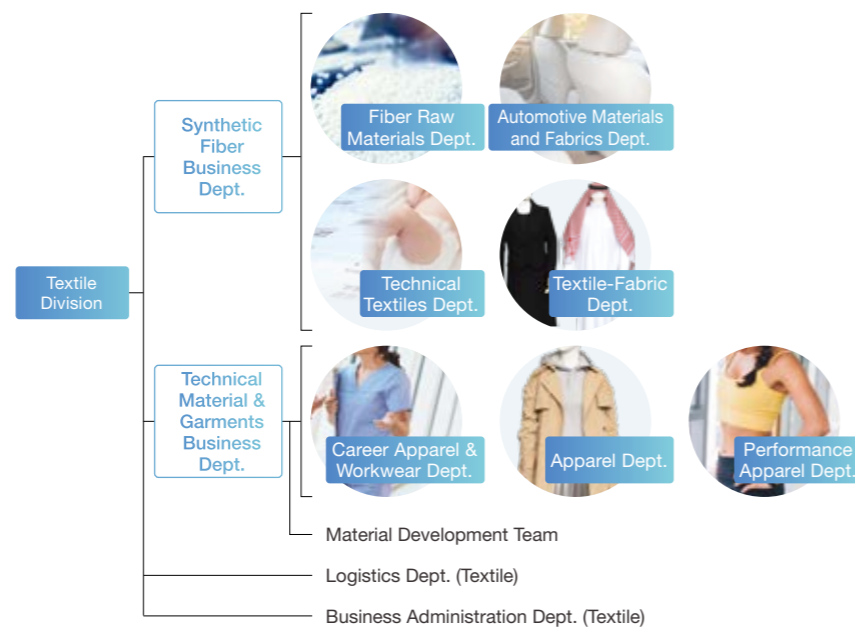
Sales improved 2.9% from the previous year to ¥4.4 billion due to the recovery of the automobile market in Europe and Central America, our core sales regions. On the profit side, however, the business posted an ordinary loss of ¥1.3 billion as the delay in collecting receivables from business partners in the United Arab Emirates (UAE) resulted in an additional recording of provision of allowance for doubtful accounts.



# 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. This action has improved our flexibility 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. In addition, we are expanding our business activities for materials, products, and resources in the growth sectors of the environment, health, and comfort, in addition to overseas.



## 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

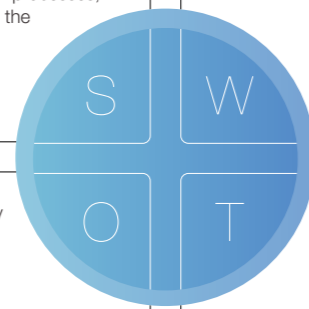
- Late start to globalization in downstream fields
- Digitalization measures
- Lack of low-pricing strategy

### 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
- 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 2025

We will leverage Chori's strengths to pursue new business ventures that cater to the needs of changing markets.

**Hiroshi Yoshida**  
Managing Executive Officer  
General Manager of Textile Division



## Overview of Fiscal 2022 Performance and Market Environment of the Fibers, Textiles, and Garments Business

In the first half of fiscal 2022, the business environment remained challenging due mainly to the sluggish apparel market in Japan resulting from the effects of COVID-19, global supply chain disruptions, and the soaring prices of raw materials. In the second half, however, we saw a recovery in demand for apparel and automotive materials, for which we were able to accurately meet the needs of customers, resulting in a year-on-year increase in both sales and operating profit to ¥144.8 billion and ¥5.1 billion, respectively. With respect to the soaring raw material prices, rather than just passing on the higher costs to selling prices, we focused on developing and proposing products that offer higher added value and increased our line of mid- to high-priced products, an area of strength for Chori, which improved our profitability. Moreover, Summit Garment Saigon (SGS), a sewing factory in Vietnam operated by STX Co., Ltd. that temporarily discontinued operations in fiscal 2021, nearly fully resumed operations in fiscal 2022. Also, we reduced costs through the strengthening of

cooperation and more timely sharing of information between the overseas branches of STX, contributing to a ¥2.1 billion increase in ordinary profit. Going forward, we will strive to develop new products by uniting Chori's strengths in synthetic fibers with STX's strengths in natural fibers.

In terms of the market environment, demand for highly functional and mid- to high-priced products is on the rise across the globe, and Chori will continue to focus on these areas in which it excels. While the supply chain in Asia and other textile producing regions is showing signs of recovery from the effects of COVID-19, we are keeping a close eye on the impact of geopolitical risks and unseasonable weather on the textile industry. In particular, the decoupling of the United States and China is spurring greater emphasis on local production for local consumption. Chori will continue to promote measures that are geared to the specific needs of each country by leveraging the global network it has cultivated over its long history.

## Business Strategies of Chori Innovation Plan 2025

Under our business strategy of "reinforce our proprietary business model" set forth in Chori Innovation Plan 2025 (CIP2025), we will continue to enhance the strengths of our GLOBAL ONE STOP CHORI supply chain development from upstream (materials) to

downstream (finished products). While many of its competitors are strengthening their downstream operations, over the years Chori has been handling and refining its expertise for high-quality, differentiated products in the upstream and midstream areas of the

	FY2021	FY2022	Difference	Ratio
Net Sales	115.5	144.8	+29.3	+25.4%
Ordinary Profit (Segment Profit)	3.0	5.1	+2.1	+71.2%

(Billions of yen)

Road to Achieving

Chori Innovation Plan 2025

supply chain with high entry barriers. Meanwhile, the demand for environment-friendly products has continued to grow in recent years. In order to develop business activities that are truly friendly to the environment, we must incorporate environmentally conscious solutions from the manufacturing stages of raw materials. Our knowledge of upstream and midstream manufacturing structures allows us to propose environment-friendly solutions that meet the specific needs of our customers. Through these and other measures, we will seek to differentiate ourselves even further from the competition. Another strength of Chori is its semi-industrial/semi-commercial business model. In addition to overseas trade, the Company has been working with manufacturers to create high-value-added products over its many years in business. Most notably, we have developed a relationship with the Hokuriku region of Japan that spans over 90 years, and a number of high-quality products from the region have been used by some of Europe's leading brands. While our transactions with the Hokuriku region amounted to ¥22.1 billion in fiscal 2022, we aim to increase this value to ¥25.0 billion by fiscal 2025 through not only the sale of materials but also the sale of fabric to businesses overseas and the expansion of our finished product business. In this way, under Chori Innovation Plan 2025 we will strive to achieve stable growth in each of the areas of materials, products, and resources, rather than focusing specifically on a single area. Under the business strategy of "ensure stable growth in the three areas of materials, products, and resources," we will strengthen our proposal-based sales for materials used in car seats and other automotive components in response to the rapidly advancing shift to electric vehicles (EVs) that is taking place across the globe.

Meanwhile, under the business strategies of "expand business in growth sectors (the environment, health, and comfort)" and "pursue exceptional levels of functionality and expertise and further set ourselves apart from the competition," we will promote our BLUE CHAIN™ initiatives, which aim to achieve sustainability throughout the supply chain. In addition to ECO BLUE™, a recycled

polyester fiber made of used plastic bottles, we will move ahead with the B-Loop™ recycling initiative by collecting around 300 tons of industrial waste per month in the Hokuriku region, which is reused in pavement materials for riverbeds and automotive materials, as well as recycling used clothing into new textile products. We will continue to expand our recycling efforts in such ways to develop a circular economy and increase our sales from BLUE CHAIN™ initiatives to ¥30.0 billion by fiscal 2025.

In order to continue to expand the Fibers, Textiles, and Garments Business over the medium to long term, we must execute our business strategy of "continue to grow the business across the globe." To that end, we will strengthen our response to the needs of Japanese manufacturers with which we have continued to do business with in China as well as the local needs of the Chinese markets. The demand for highly functional products used in sportswear and other apparel continues to grow in China. Going forward, we will steadily capture this demand through the proposal of Chori's differentiated highly functional products. While enhancing our presence in China not only as a production hub but also as a market, we will work to integrate the operations of our production sites in Thailand, Indonesia, Hong Kong, Taiwan, and other ASEAN countries as a measure to overcome geopolitical risk.

**CIP2025 Segment Strategy**

- (1) Reinforce our proprietary business model
- (2) Ensure stable growth in the three areas of materials, products, and resources
- (3) Expand business in growth sectors (the environment, health, and comfort)
- (4) Continue to grow the business across the globe
- (5) Pursue exceptional levels of functionality and expertise and further set ourselves apart from the competition

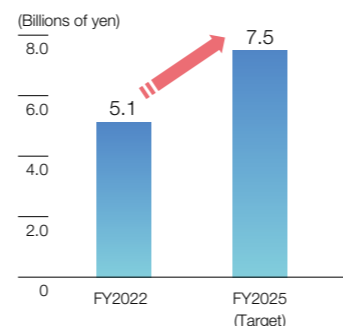
**Toward the Achievement of Fiscal 2025 Targets**

In response to the late start to globalization in downstream fields, which was identified as a weakness in the SWOT analysis, the Company established MCC Industry COMPANY LIMITED in Hong Kong in 2021. Through this move, we will expand our sales of apparel to the global market, mainly in China, Europe, and the United States, and strengthen our business with partner companies that specialize in overseas sales. With respect to digitalization measures, Chori is revamping its core system through the Companywide business transformation project CARAT. In fiscal 2022, we made preparations to begin full-scale operations of our new system from fiscal 2025. By streamlining operations, we will improve efficiency and lay the groundwork for the further growth of the Fibers, Textiles, and Garments Business.

In order to achieve our segment profit target of ¥7.5 billion by fiscal 2025, we must remain both progressive and unchanging in our approach going forward. In other words, we will create new value by pursuing new businesses that address the needs of changing markets and continuing to focus on our strengths of

mid- to high-priced products. Chori's high level of expertise in engaging in every stage of the supply chain, from upstream to downstream, and its semi-industrial/semi-commercial business model are both the source of growth and the strengths of the Fibers, Textiles, and Garments Business. The Textile Division is full of people who are fond of this kind of business. We will continue to harness these strengths and increase Chori's impact on the market through relentless pursuit with our sights set on long-term business growth.

**Segment Profit of Fibers, Textiles, and Garments Business**



**Major Group Companies in the Fibers, Textiles, and Garments Business**



**STX Co., Ltd.**

Became a wholly owned subsidiary in June 2021

With Chori specializing in synthetic fibers and STX Co., Ltd. specializing in natural fibers, this collective effort between two companies with their own specialties has improved our ability to propose solutions to customers. In June 2023, the two companies held an exhibition together.

Summit Garment Saigon (SGS), a sewing factory in Vietnam operated by STX, has played an integral role in our customer proposals through the strong reputation it has built for production capacity. Since joining the Group, STX has continued to increase the number of orders from sports brands, including golf-related products, and for new high-end brands. Going forward, STX will strive to ensure that SGS becomes the largest production plant in the ASEAN region.



**ASADA U CO., LTD.**

Became a wholly owned subsidiary in July 2017

Founded in 1950 as Asada Shoten in the Ozone area of Nagoya City, ASADA U CO., LTD. handles a wide range of textile products used in packaging and automotive interior materials.

The automotive interior materials business tailors its plans and proposals to diversifying lifestyles and various customer needs based on its years of achievements and experience. Having received ISO 9001 certification, the company is committed to maintaining high levels of quality. In addition, the functional materials business handles construction and automotive materials.



**MCC Industry COMPANY LIMITED**

In March 2021, MCC Industry COMPANY LIMITED was established in Hong Kong to serve as a sales hub for sportswear manufacturers in Europe. The company's headquarters is based in Hong Kong and its branch office is in Tokyo.

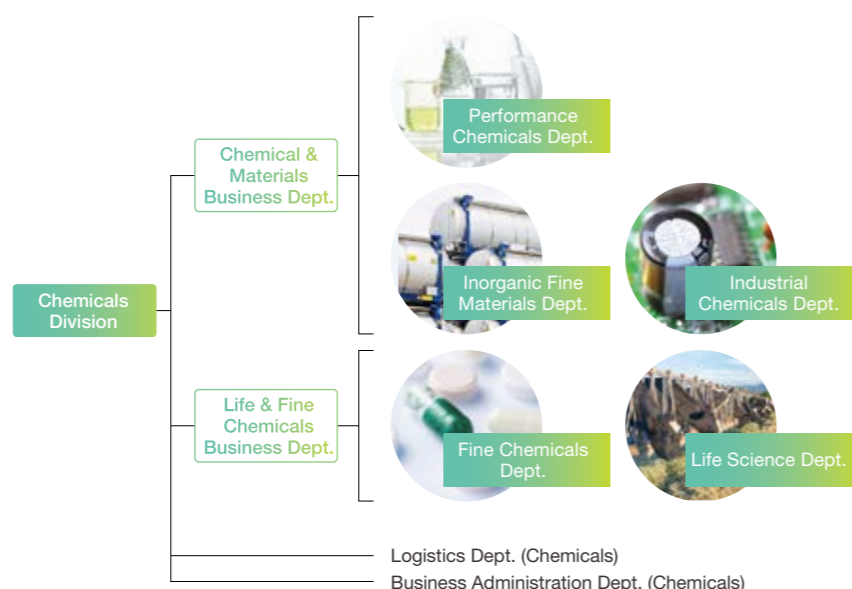
MCC Industry produces and supplies fashionable and highly functional sportswear, outdoor wear, and sports casual products in Japan and overseas, mainly for golf and athletic use for the leading brands of major manufacturers. Many manufacturers are highly conscious of sustainability and are inclined to increase the use of environment-friendly materials. Such manufacturers have therefore transitioned to the use of ECO BLUE™ recycled polyester fiber made of recycled plastic bottles, which is well-regarded as a raw material.



# 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

### Strengths

- Global network centered on China
- Diverse lineup of high-performance materials
- Exceptional synergies created with subsidiaries
- Product development and product supply capabilities that draw on the market-in approach
- Highly specialized knowledge

### Weaknesses

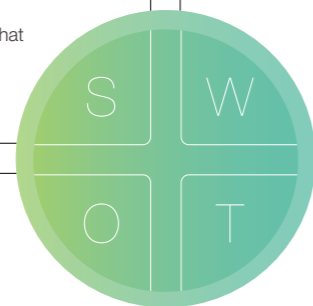
- Lack of brand recognition and smallness of business scale within business-to-business market relative to major competitors overseas
- Length of time needed for new businesses to contribute to revenue

### Opportunities

- Growing demand for automotive-related materials
- Increasing demand for products in the field of sustainability
- Rising interest in environmental products

### Threats

- Global supply chain management disruptions
- Country risk such as Russia's invasion of Ukraine
- Supply-demand imbalance stemming from market deterioration
- Limited desire among potential customers to switch to other products due to economic recession



## Road to Achieving Chori Innovation Plan 2025

We will expand our global network and build a foundation for our next stage of growth.

Yoshihiro Teratani

Managing Executive Officer  
General Manager of Chemicals Division



## Overview of Fiscal 2022 Performance and Market Environment of the Chemicals Business

In the first half of fiscal 2022, the Chemicals Business performed favorably in all areas owing to the soaring prices of raw materials. In this environment, we were able to improve earnings by securing and supplying products without delay. Despite a gradual decline in raw material prices and deteriorating market conditions from the second half of the fiscal year, we maintained the positive results of the first half, leading to increases in both sales and ordinary profit to ¥180.0 billion and ¥8.8 billion, respectively. In addition to the particularly strong performances of the fine chemicals segment (see "Chori's Strengths" on pages 21 to 22), which handles agrochemicals; the electronics and battery materials segment; and the semiconductor materials segment, the food additive business, which took a downturn in fiscal 2021 due to stay-at-home mandates set as a result of COVID-19, recovered in fiscal 2022 owing to higher demand for eating out that stemmed from the easing of COVID-19 restrictions. Because of this, we not only rode the wave of higher demand but also looked to increase our sales outlets in order to improve profitability. Although food additives were sold primarily to dealers in the past, we have expanded sales to food manufacturers and other end users, allowing us to offer a wider variety of products.

Although the sales of some products are showing signs of recovery from the effects of COVID-19, the market for chemical products, in general, has been on a downward trend since October 2022. Due to supply chain disruptions arising from the spread of COVID-19 and the conflict between Russia and Ukraine, manufacturers stocked up on inventory by ordering various products in larger quantities as a part of their business continuity plans until the end of the first half of fiscal 2022. From the second half, however, their inventory levels swelled as we began to see a gradual recovery in supply chain disruptions. For example, replacement demand for TVs, PCs, mobile phones, and other products, which remained high for a period of time, has subsided due to their increased durability, resulting in a stagnant market for flat panel displays. Although China has substantially eased its zero-COVID policy since December 2022, domestic demand has not reached the levels we had anticipated. Therefore, in fiscal 2023 we will focus on building a foundation and framework for our next stage of growth while steadily promoting the basic strategies of Chori Innovation Plan 2025 in response to our market conditions, which will likely begin to gradually recover from October 2023.

	FY2021	FY2022	Difference	Ratio
Net Sales	164.2	180.0	+15.9	+9.7%
Ordinary Profit (Segment Profit)	7.4	8.8	+1.4	+18.4%

(Billions of yen)

### Business Strategies of Chori Innovation Plan 2025

As one of the business strategies of the Chemicals Business, we will continue to “promote consolidated management centered on our global business” as set forth in Chori Innovation Plan 2025. During our previous medium-term management plan, we were unable to develop new businesses due to COVID-19 and fewer opportunities to engage in face-to-face sales as a result. During that time, however, we worked to establish an organizational structure that is conducive to creating new businesses. In addition to increasing our mid-career hires, who will have an immediate impact on our business, we have developed a global organizational structure in which our employees are assigned to overseas bases in Malaysia, Vietnam, and now India. Through these measures, we will address the rising demand for biodegradable resins, plant-based meats, and other SDG-oriented products and expand our product portfolio by devoting more attention to over-the-counter pharmaceuticals in the life sciences field, where ethical pharmaceuticals have traditionally been the mainstay.

With respect to our business strategy of “establish environmentally conscious businesses that offer high levels of functionality and profitability in place of existing substandard businesses,” we will transition from a product-out business model, which allows manufacturers to be in control, to a market-in business model, which enables Chori to take initiative. Chori’s strength lies in its proposal-based business, which makes use of its high levels of expertise. While some businesses are based on product output and others are based on market entry, we will promote the market-in approach for all areas of our business going forward. We will provide optimal products that cater to specific customer needs with a view to expanding profits. To that end, we will promote our outsourcing business, in which products desired by customers are produced and imported from overseas, in line with our business

### Toward the Achievement of Fiscal 2025 Targets

To address the lack of brand recognition and the smallness of business scale within the business-to-business market relative to major competitors overseas, which was identified as a weakness through the SWOT analysis of the Chemicals Business, Chori is working to enhance awareness of its brand through measures such as placing advertisements in publications for chemical products around the world. We also intend to engage in M&As to expand the scale of our business going forward. Meanwhile, the COVID-19 pandemic has also led to increased business opportunities. In response to the risk of changes in the supply chain, Chori has been able to gain new business opportunities with first-time customers. Accordingly, we will diversify our product portfolio so that Chori can serve as a second and third source of supply in a timely manner. In addition to such responsiveness, the promptness of our sales activities is a source of our competitiveness. At Chori, our sales activities are carried out in a prompt and thorough manner, even by our younger employees who gain practical experience through overseas business trips. We will continue to draw on this DNA of the Chemicals Business while aiming to remain a prominent presence in the market.

strategy of “develop frameworks and product domains that are resilient to changes in market and economic conditions.” In addition, for the inorganic fine chemicals and the chemical raw materials domains in particular, we will expand our business model, in which we meet the demands of customers by assuming the role of a manufacturer and securing products procured from overseas. In so doing, we will establish a system that is less susceptible to changes in the economy while working to mitigate geopolitical risk by diversifying our procurement sources overseas.

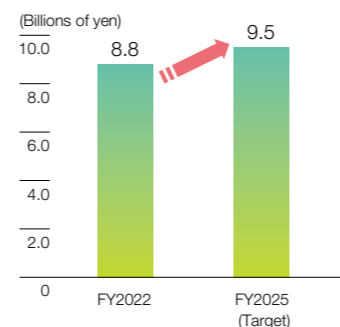
As for our basic strategy of “strengthen cooperative efforts with China, India, South Korea, and countries in Southeast Asia and South America,” we will step up our efforts with various countries that have the potential for further growth. We will respond to geopolitical risk and strive to achieve medium- to long-term growth by strengthening our measures in a number of countries, such as India, where the market will likely continue to expand; ASEAN countries, where the average age of the population is low and the market is flourishing; and South America, where the lithium compound production project is ongoing, in addition to leveraging our strong track record in pharmaceuticals.

#### CIP2025 Segment Strategy

- (1) Promote consolidated management centered on our global business
- (2) Establish environmentally conscious businesses that offer high levels of functionality and profitability in place of existing substandard businesses
- (3) Develop frameworks and product domains that are resilient to changes in market and economic conditions
- (4) Strengthen cooperative efforts with China, India, South Korea, and countries in Southeast Asia and South America

Fiscal 2023 is a period of preparation for our next stage of growth. We are investing even more in our human resources with an eye on the medium- to long-term growth of the Chemicals Business. We will continue to focus on securing, developing, and providing the most suitable opportunities to our employees, who are Chori’s greatest asset, while steadily seizing business opportunities in an effort to achieve the goals of Chori Innovation Plan 2025.

#### Segment Profit of Chemicals Business



## Major Group Companies in the Chemicals Business



### Miyako Kagaku Co., Ltd.

Became a wholly owned subsidiary in May 2015

Founded in Osaka City in 1921, Miyako Kagaku Co., Ltd. handles basic materials, various synthetic resin materials, food ingredients, pharmaceuticals, cosmetics materials, and packaging materials. The company also engages in the painting work business for petrochemical complexes in the areas of Yokkaichi and Chiba.

In fiscal 2022, despite the impact of the lockdown in China, sales and ordinary profit amounted to ¥45.9 billion (accounting for more than 10% of Chori’s consolidated net sales) and ¥1.2 billion, respectively. Over the course of Chori Innovation Plan 2025, we will expand the scope of this business in environment-related fields, such as bioplastics and microbial formulations; healthcare fields, such as lactic acid bacteria; and electronics materials fields and build an even stronger revenue base.



### KOZAKURA SHOKAI CO., LTD.

Became a wholly owned subsidiary in March 2018

Since its founding in 1949, KOZAKURA SHOKAI CO., LTD. has established itself as a trading company that specializes in chemical products through the supply of various additives, catalysts, solvents, and other chemical products, primarily to businesses in the petroleum industry and related industrial fields.

The company handles lubricant additives and other performance chemicals used in the automotive, construction machinery, and metal processing industries; industrial chemicals used in general chemical industries and petroleum refining processes; and oleo fine chemicals, such as raw materials for lifestyle-related products (including personal care and food products).



### CHORI GLEX CO., LTD.

Became a wholly owned subsidiary in February 2013

Founded in Nagasaki Prefecture in 1859 as Frazer Company, the first foreign-capitalized company in Japan, CHORI GLEX CO., LTD. introduced the steam locomotive, electric streetcar, and Ford Model T automobile to Japan. The company currently engages in the import and export of specialty chemical and industrial products.

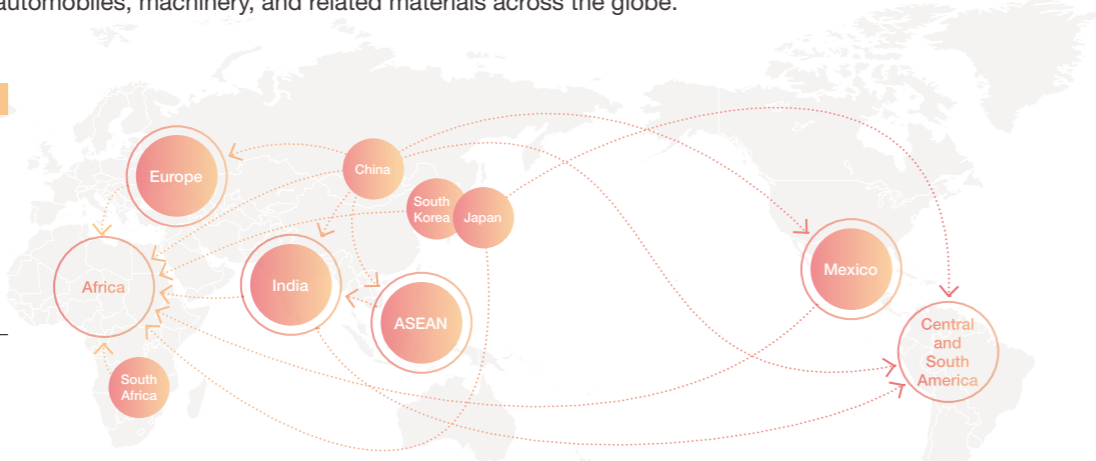
CHORI GLEX handles chemical products, such as epoxy resin and other thermosetting resin-related products; construction materials, such as stones and bricks; hearing device components, such as transducers and other electronic components and peripheral parts; and industrial products, such as organic and inorganic chemicals, paint materials, and rubber chemicals.



# 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.

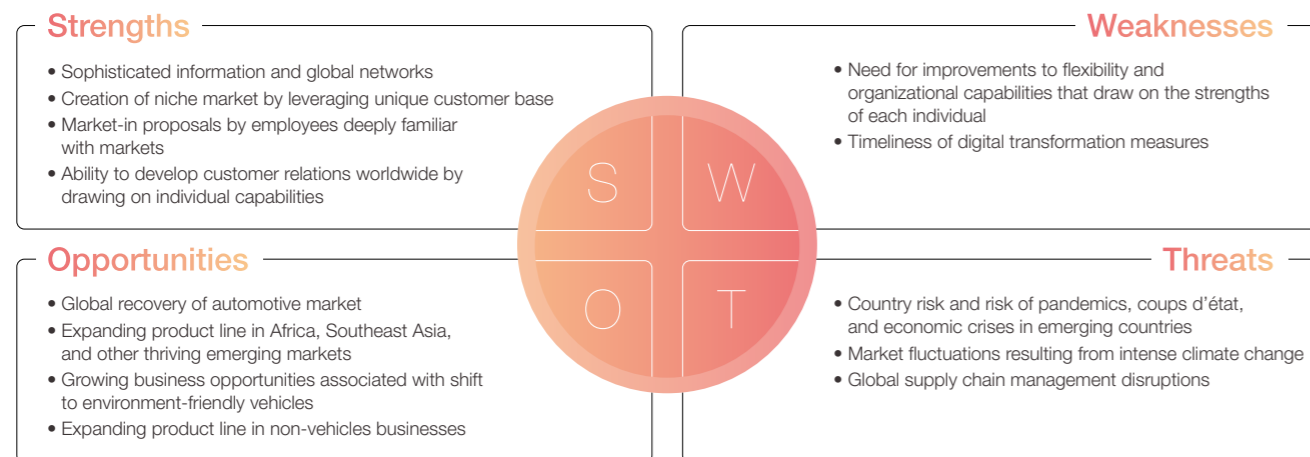
**Operating Company**  
**Chori Machinery Co., Ltd.**  
 Wholly owned consolidated domestic subsidiary  
 Four-wheeled vehicles, two-wheeled vehicles, and trucks; agricultural machinery; construction materials; and marine equipment



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



## Road to Achieving Chori Innovation Plan 2025

We will continue to expand our business by leveraging our sales expertise and adapting to the needs of each country.

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



## Overview of Fiscal 2022 Performance and Market Environment of the Machinery Business

In fiscal 2022, the Machinery Business posted sales of ¥4.4 billion and an ordinary loss of ¥1.3 billion. In Mexico and Italy, key sales regions of the business, the market recovered to a greater degree than anticipated as new and replacement demand for automobiles increased around the world on the back of pent-up demand and the easing of COVID-19 restrictions. Mexico in particular has benefited from the recovery of the U.S. economy, with which it is closely linked due to geographical factors, as the vehicles business demonstrated brisk results. On the other hand, the business recorded an additional allowance for doubtful accounts due to a delay in collecting receivables from business partners in the UAE. The delay is mainly due to a lack of foreign currency in the country stemming from monetary policies and cutbacks in the production of oil for sale to Nigeria. While the economy in the UAE is taking a while to recover due to delays in economic recovery measures, the new administration, which was introduced in August 2023, is focusing on stabilizing the foreign currency policy and establishing oil refining operations in the country. Although the future remains uncertain, we will continue to work to restore the situation as quickly as possible while keeping an eye on the state of the economy in Nigeria.

The flagship product of the Machinery Business is automobiles. Although the demand for automobiles can be

susceptible to economic changes, it is steady for the most part due to their importance as a means of transportation as well as in daily life. The automobiles handled by Chori Machinery are mainly those produced in China. Based on 2023 projections, China will account for approximately one-third of the 85 million automobiles that will be sold around the world throughout the year. It is also estimated that around four million units of the automobiles produced in China will be exported in 2023. Considering that the number of cars exported from China annually between 2006, when we began handling vehicles from China, and the years leading up to COVID-19 was around one million leads us to believe that the image and reputation of Chinese cars has dramatically improved over the past decade or so. The Chinese government is particularly focused on the development and sale of EVs as a part of its national policy, and demand for such vehicles is growing worldwide. In response to such changes in its business environment, Chori Machinery will address the demand for environment-friendly vehicles, which continues to increase particularly in Europe, as well as gasoline vehicles, which are still the mainstream in developing countries. Meanwhile, several new manufacturers are entering the EV scene, which is expected to intensify competition even more in the future. In view of this, we will do our utmost to seize every business opportunity by forming relationships with these new manufacturers as quickly as possible.

	FY2021	FY2022	Difference	Ratio
Net Sales	4.3	4.4	+0.1	+2.9%
Ordinary Loss (Segment Loss)	(0.0)	(1.3)	-1.2	-

(Billions of yen)

### Business Strategies for Fiscal 2023

While continuing to quickly and thoroughly adapt to the changes in our key markets of Mexico, Italy, and Central and South America, we are focusing on India as our second largest supplier next to China, due to its large population and diverse market. Motorcycle culture has been deeply ingrained in India over the years and our business in the country for two-wheeled vehicles continues to thrive. We are currently expanding our network of suppliers in India in an effort to develop a business structure for the intermediary export of electric two-wheeled vehicles produced by Indian manufacturers to developing countries.

In the Machinery Business, we aim to improve profitability by expanding our automobile business and our line of peripheral products. Specifically, we are developing an infrastructure for everything from telematics (a vehicle movement monitoring system that incorporates telecommunications and information processing), which will continue to evolve going forward, and devices centered on vehicle safety to after-sales services, such as repair parts. In this way, we will continue to propose products and other tangible solutions and also develop a proposal-based business model that allows us to utilize our sales know-how, an intangible asset that has been cultivated in Mexico and other markets.

### Our Approach Going Forward

One of the strengths of the Machinery Business is the market-in proposals made by its employees who have a profound knowledge of the market. To continue to make the most of the strengths of our employees, who are our greatest asset at Chori Machinery, we will focus on creating a workplace environment where each employee can work comfortably and gain a sense of fulfillment.

Although the Machinery Business has expanded over the years through the collective strengths of each employee, in order to grow even further going forward, it must continue to enhance its flexibility and organizational capabilities that draw on the strengths of each individual. We will continue to improve our organizational capabilities by enhancing internal communication to share ideas on projects and holding study sessions, in addition to establishing an organizational structure that facilitates timely responses to drastic changes in market conditions and country risks. From the viewpoint of digital transformation, we will standardize our sales support operations to further reduce the use of labor.

One example of the changes that are taking place in this industry is that although just a decade ago automobiles equipped with CD players and other car audio equipment were the mainstream, today these devices have been replaced with new technologies, such as the screen mirroring functions on smartphones. Given such extremely rapid changes in this industry, simply focusing on the trade of goods, which has been our approach to date, will become relatively risky. Therefore, we will also direct our attention to the sale of ideas and know-how. Seeing that Chori's efforts to date have been recognized by the automotive industry and are used as best practices, we believe there is demand for its platforms.

In fiscal 2022, we also achieved success in our joint initiative with a business partner in Italy. For this initiative, we developed environment-friendly vehicles that use natural gas, which earned the support of the local markets. Italy is unrivaled when it comes to its culture of being very particular about automobile design. Taking this into account, we have entrusted the customization of designs to our partner company in Italy, which is well aware of the local tastes and preferences and continues to enhance its presence in this market. In the future, this business will be expanded to neighboring countries in Europe.

In the Machinery Business, we developed the China-based automobile business ahead of our competitors. Accordingly, we will harness our strengths as a front-runner in this industry while continuing to build on our foundation to address new demands, such as for EVs.

The majority of the markets served by Chori Machinery Co., Ltd. are developing countries that offer tremendous future potential. In these countries, the population of young people is particularly large, and the economy is expected to continue to grow, albeit at different speeds, leading to even further demand for automobiles and electric two-wheeled vehicles. We will invest all of our management resources to fulfill the various demands that stem from the growth of each market with the aim of achieving stable growth over the medium to long term.



## Core Initiatives of the Machinery Business

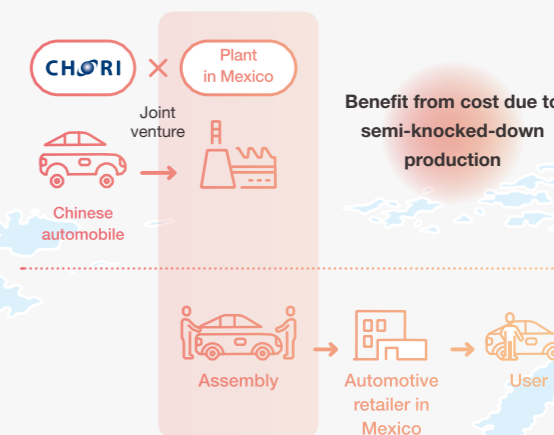
Initiative

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 and 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. Although it fell short of reaching the 4.0 million-unit mark that had been achieved prior to COVID-19, in fiscal 2022 Mexico's annual automobile production volume steadily recovered to the level of 3.3 million units due to the inevitable effects of the semiconductor shortage. Moving forward, Chori Machinery will continue to seek greater business opportunities centered on Mexico's mainstream automotive industry.



2

Initiative

### Enhancement of Our Presence in Italy and Other Parts of Europe

Chori Machinery has partnered with a company based in Italy to develop businesses in the country and other parts of Europe, including Spain. 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 1.3 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.

