



Kazuo Sakihama
 President, CEO & COO
 President and Executive Officer

Top Message

As a company that has continued to grow by adapting to the changing times, Chori will strive to further demonstrate its uniqueness while building a foundation for the next generation.

Chori's Uniqueness and Mission

Chori is a company with a long history that dates back more than 160 years. However, we are also a relatively young company in the sense that in 2003 we made a fresh start as a renewed Chori with the establishment of our Reborn Management Plan. In the past, Chori branched out into a wide range of business fields by accumulating significant debt through bank loans but failed to adapt to the changing times, resulting in substantial losses and succumbing to a financial crisis. From there, we changed our management approach to one that focuses on asset efficiency by selecting and concentrating on highly profitable businesses where we could demonstrate our expertise, leading to the establishment of the Fibers, Textiles, and Garments, Chemicals, and Machinery businesses that exist today. Under our Reborn Management Plan, we continued to steadily improve our business results year after year. As a result, in fiscal 2022 we posted net sales of ¥329.4 billion and ordinary profit of ¥12.4 billion and, as we did in fiscal 2021, achieved our highest results ever for both ordinary profit and net profit attributable to owners of parent. In addition, our ROA (ordinary profit basis), which demonstrates a company's earnings power, improved to 9.0% at the end of fiscal 2022. The main reason behind these achievements is the efforts of our employees, who have boldly taken on the challenge of developing new markets and expanding existing ones by leveraging our respective global networks in the Fibers, Textiles, and Garments, Chemicals, and Machinery businesses. Despite being a small yet highly skilled group, we have been able to identify growth areas in each business and expand these businesses by capitalizing on every business opportunity.

There have often been claims that trading companies are no longer necessary in times of change, such as during the period of high economic growth in Japan, when we saw substantial improvements in the business performances of automobile and consumer electronics manufacturers, and the 1990s, when the internet became widely used by the general public. However, trading companies have continued to exist and improve their business performances. Although the global supply chain was hit hard by COVID-19 in 2020, Chori continued to supply the products that were needed by customers without delay while meeting their demands by adding value that was unique to Chori. Coincidentally, the COVID-19 pandemic has reaffirmed Chori's role and mission as a company, and the confidence levels of our employees have increased as a result

of our experience in continuing to respond to customer needs in line with our mission of ensuring that our products are constantly delivered. Chori has adapted to the changes of each generation throughout its long history. Going forward, we will continue to draw on this responsiveness and flexibility to further expand our business in the next generation as a multifaceted specialized trading company.

Review of Chori Innovation Plan 2022

In fiscal 2022, the final year of Chori Innovation Plan 2022, the future of the economy in Japan and the rest of the world remained uncertain. Despite this, by demonstrating the strengths of Chori's business foundation, we were able to conclude our previous medium-term management plan by increasing revenues in every business segment and achieving all of our quantitative targets. In the Fibers, Textiles, and Garments Business, the business environment remained challenging from fiscal 2020 to the first half of fiscal 2022 due to the sluggish apparel market in Japan stemming from the effects of COVID-19. In light of this environment, we set out to further strengthen our business foundation by reorganizing the Textile Division into a single division, establishing a global business foundation, and optimizing our business portfolio, which led to an increase in ordinary profit over the three-year period of the previous plan. As we began to finally see improvements in the business environment from the second half of fiscal 2022, such as the increasing demand for SDG-oriented products, we were able to expand our business by distinguishing ourselves from the competition with high-performance products. As a result, our profit level in the final year of Chori Innovation Plan 2022 came within reach of our initial targets. In the Chemicals Business, we were able to maintain a high profit level by riding the wave of favorable market conditions from the second quarter of fiscal 2020, further enhancing our existing businesses, and building a new supply chain. Meanwhile, although the business has lost some momentum since the second half of fiscal 2022 due to sluggish demand overall and deteriorating market conditions, we acknowledge the fact that we were able to steadily raise our profitability to pre-COVID-19 levels. We will continue to carry out business investments and a variety of other measures to proceed even further in our transition to a highly profitable business model. In the Machinery Business, we are expanding business in Europe and Central and South America, where demand for automobiles is on the rise. On the other hand,

President's Message

despite an increase in revenue, we incurred an ordinary loss of ¥1.3 billion in fiscal 2022 due to an additional provision of allowance for doubtful accounts that was recorded for the delay in collecting receivables from business partners in the United Arab Emirates (UAE). We will do our utmost to collect these receivables and, as a measure to prevent recurrence, we will pay due consideration to country risk when making business investments as well as strengthen our risk management system.

From the viewpoint of strengthening our human resource development structure, we made substantial upgrades to our human resource system and worked to establish evaluation criteria and a remuneration system that enables employees to work with a sense of satisfaction. We will continue to make significant changes in order to remain a company that is selected by highly talented individuals in both our new-graduate and mid-career hires.

Awareness of the Business Environment

In China, where Chori has been building a business foundation over many years and established a robust supply chain, the zero-COVID policy was eased significantly from December 2022. As a result, domestic consumption in China was expected to increase from the latter part of January 2023, the time of Chinese New Year, but demand has not grown to the level we had anticipated. Globally, demand for consumer-related products remains sluggish due to the effects of inflation. The supply-demand balance in China is in disarray, and we are closely monitoring the deteriorating market conditions of chemicals and other products.

While paying close attention to global divides centered on the decoupling between the United States and China, we will continue to take measures to establish a stable supply chain in the ASEAN region and other Asian countries, particularly in India, and respond to diversifying needs, including risk aversion. Meanwhile, we will continue to focus on our business in China, where its factories and market have a significant impact on the global economy, while remaining keenly aware of the risks and expand our business globally centered on Tokyo, Osaka, and Shanghai.

VISION2030 and Basic Strategies of Chori Innovation Plan 2025

VISION2030 has been newly formulated as a vision of the company we aspire to be by 2030. In order to achieve sustainable growth, we at Chori must constantly bear in mind the importance of the health of our employees, who serve as the foundation of our business management; our coexistence with society; and the innovation of our business by adapting to changing times. To this end, we further clarified our vision of the company we aspire to be based on the three themes of "sustainability," "well-being," and "innovation" (see "VISION2030" on page 12). While bearing these themes in mind, we will strengthen those areas where we are lacking and further refine those where we are making progress in our efforts. In terms of quantitative targets,

we aim to achieve net sales of ¥400.0 billion and net profit before income taxes and other adjustments of ¥20.0 billion in fiscal 2030.

In April 2023, we formulated our new medium-term management plan Chori Innovation Plan 2025. Chori Innovation Plan 2025 represents the final stage of Chori Innovation Plan, under which we proceeded with measures to consistently deliver ordinary profit at the ¥10.0 billion level since fiscal 2017. Under our previous medium-term management plan, Chori Innovation Plan 2022, we took measures to "promote consolidated management centered on our global business" and improved our business performance starting with our overseas operations. We will continue this same strategy as one of our basic strategies under Chori Innovation Plan 2025 while diversifying our supply chain and adapting to changing markets. Under the basic strategy of "develop sustainable businesses that adapt quickly to the changing business environment," we will develop suppliers to meet diversifying customer needs and carry out business investments and M&As, which were put on hold during the COVID-19 era, in order to develop sustainable businesses. Although the lithium compound production project in Chile, which was postponed due to COVID-19, is still in the process of being completed, the direction of the project should be set by the end of fiscal 2023. In business fields that Chori can develop on its own initiative, we intend to make concrete plans to carry out business investments in growth areas, such as the health and environmental fields.

We will also "promote ESG management" as one of our basic strategies under Chori Innovation Plan 2025. From an environmental point of view, the Chori Group aims to become carbon neutral by 2050 and began disclosing information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. Under Chori Innovation Plan 2025, we will refine our scenario analyses, including the 1.5°C scenario, and continue to calculate results for Scope 1, Scope 2, and Scope 3 emissions. Chori will also play a key role in resolving environmental issues through its business activities. In the Fibers, Textiles, and Garments Business, we will continue to focus on our BLUE CHAIN™ initiatives and aim to achieve sustainability throughout the supply chain, while in the Chemicals Business we will expand our portfolio of SDG-oriented products, such as biodegradable resins and plant-based foods, with the aim of increasing our sales of SDG-oriented products to ¥50.0 billion (two and a half times fiscal 2022 levels) in fiscal 2025.

To promote the social aspects of our ESG management, we will strengthen our human resource initiatives. Specifically, we will increase employee engagement and promote health management so that our employees can engage in their daily work by gaining a sense of personal and professional growth and a sense of pride and accomplishment. For Chori to continue to grow into the future, it is especially important that we secure and develop highly skilled personnel. By recruiting talented individuals with the ability to make an immediate impact and professionals from various backgrounds for both new-graduate and mid-career positions, Chori will continue to expand the scope of its business. In addition, the Company will invest in redeveloping its human resource development system, such as



by enhancing the effectiveness of its training programs. From the viewpoint of respect for human rights, we conduct CSR-based procurement surveys regularly as a part of our measures to establish a sustainable supply chain. In the future, we will consider conducting human rights due diligence while expanding the scale of our measures to promote human rights.

In terms of the governance aspect of its ESG management, Chori will strengthen its measures against country and geopolitical risks, particularly in developing countries, and adopt return on invested capital (ROIC) as a management indicator from fiscal 2023 to proceed further ahead with a management approach that focuses on the cost of capital. Moreover, we will continue to diversify our management perspectives by placing greater emphasis on the lack of women in director and other management positions as an issue as well as appointing more women and taking other measures to increase the diversity of our management team.

Our digital transformation (DX) strategy will serve as the foundation for the three basic strategies I discussed previously. In April 2022, we launched the Companywide business transformation project Chori Accelerate Renovation Achievement Transformation (CARAT), in which we aim to begin full-scale operation of SAP in fiscal 2025 by moving on from our proprietary system that has been used for more than 20 years. Although this transformation will entail a lot of work, the adoption of SAP will allow us to standardize operations and thereby improve efficiency as well as accumulate data, thus strengthening our sales competitiveness through the use of data. In order to realize flexible management that can adapt to change, we will forge ahead with the implementation of SAP and develop a framework for Chori's transformation into a new organization.

Looking Ahead to Chori's Future Growth

In the eight short years since I became the Company's president and CEO in 2015, society has undergone significant changes. In recent years, there has been an increasing focus on climate change and the trend toward carbon neutrality, which stems from the commitment to mitigate climate change, as a megatrend. In order to achieve its CO₂ reduction targets by 2030 and carbon neutrality by 2050, Chori must adapt to a new society that is influenced by the SDGs, gender equality, rapidly advancing digitalization, the use of AI, and other factors. With the likelihood

of further growth in demand for SDG-oriented products and significant changes in the manufacturing industry, we will do what is necessary to adapt to these changes while aiming to achieve the sustainable growth of our business, particularly in the thriving region of Asia. In the 1970s and 1980s, Chori established local subsidiaries in Singapore, Thailand, and Malaysia as it embarked on the Southeast Asian market from early on. In 2016, we established a local subsidiary in Vietnam, where the sewing factory of STX Co., Ltd., which became a consolidated subsidiary in fiscal 2021, has resumed full-scale operations upon recovering from the effects of COVID-19. We will harness the strengths of these business sites to further expand our business in the ASEAN region, where the GDP is expected to become double the size of Japan by fiscal 2030. In India, a country that is experiencing remarkable growth, we have already dispatched a representative from Japan and will continue to develop a foundation for further growth.

In the 20 years since the introduction of its Reborn Management Plan, Chori has grown to what it is today by addressing the various changes and needs of society and continuing to evolve as a company. To continue to achieve sustainable growth in the future, we will aggressively implement new changes, such as restructuring the organization by promoting DX and expanding and utilizing our human capital, which includes promoting more active roles for women. Meanwhile, what will remain unchanged 20 and 30 years from now is Chori's DNA. We will continue to respond to the needs of our customers through not only our trading activities but also our provision of high-value-added products while continuing to make our customers' dreams come true by leveraging our expertise and responding meticulously to their needs and pursuing our own dreams in the process. This will remain a part of our DNA in the years to come. Our customers have high hopes for Chori's ability to take on new and difficult challenges. While responding to these expectations, we will turn the changes taking place in our world into business opportunities and build a foundation for our achievement of VISION2030.

Kazuo Sakihama
President, CEO & COO
President and Executive Officer

Financial Strategy



We will implement the basic strategies of Chori Innovation Plan 2025 and build a foundation for Chori's next generation of growth.

Tatsuyuki Sakoda

Director, Managing Executive Officer
General Manager of Corporate Planning Division

Review of Fiscal 2022 Results

In fiscal 2022, the final year of Chori Innovation Plan 2022, we recorded net sales of ¥329.4 billion, ordinary profit of ¥12.4 billion, ROA (ordinary profit basis) of 9.0%, and ROE (net profit* basis) of 11.8%, achieving all of the quantitative targets we had declared in our previous plan. Moreover, as it did in fiscal 2021, the Company achieved its highest results ever for both ordinary profit and net profit attributable to owners of parent. We credit this achievement to our efforts to "promote consolidated management centered on our global business," which has strengthened cooperation with business sites overseas through our business activities. Although Chori Innovation Plan 2022 turned out to be our medium-term management plan for the COVID-19 era, we believe we were able to harness Chori's ability to respond positively to changes in market conditions, such as global supply chain disruptions and soaring raw material costs, as well as its market expertise, which is a defining strength of the Company. In addition, the M&A strategy we are promoting under our Chori Innovation Plan has been a key factor in the steady growth of our business performance thus far.

Meanwhile, in the Machinery Business, an additional provision of allowance for doubtful accounts in the amount of

* Net profit attributable to owners of parent

¥1.7 billion was recorded in fiscal 2022 due to a delay in collecting receivables from a business partner in the UAE. While we had been expanding our business to Nigeria, which boasts the largest population and GDP in Africa, the supply chain disruptions arising from the effects of COVID-19 and the declining oil production resulted in a lack of foreign currency in the country, which led to the delay in collecting receivables. In addition, a further provision was recorded due to the ongoing restrictions on the transfer of funds from Nigeria, raising the cumulative amount of provision of allowance for doubtful accounts to ¥2.4 billion. The Company will continue to make every effort to collect these receivables, for which the accounting process has already been completed. Under Chori Innovation Plan 2025, we will take all the necessary measures to prevent a recurrence of such situations by keeping a close eye on not only the trends and developments of our business partners and markets but also the state of the countries in which we operate and funding streams while continuing to expand our business.

Consolidated Financial Results and Rate of Achievement of Chori Innovation Plan 2022 Targets

(Billions of yen)

	FY2021	FY2022	Difference	FY2022 Plan	Achievement Rate
Net Sales	284.1	329.4	+45.3	280.0	117.6%
Gross Profit	30.7	37.1	+6.4	—	—
Selling, General and Administrative Expenses	21.3	24.4	+3.1	—	—
Operating Profit	9.3	12.7	+3.3	10.8	117.2%
Ordinary Profit	10.3	12.4	+2.2	11.0	113.1%
Net Profit Attributable to Owners of Parent	6.8	8.1	+1.3	7.3	111.3%

Basic Strategies of Chori Innovation Plan 2025

Chori Innovation Plan 2025 is the final stage of our Chori Innovation Plan, which we introduced in fiscal 2017. Under the Chori Innovation Plan, we have increased profits beyond expectations and gained confidence in our ability to improve profitability. Based on this ability to continue to generate earnings, we established VISION2030, our vision as a company that will continue to achieve sustainable growth into the future by striking the right balance between the achievement of "sustainability," "well-being," and "innovation." While continuing to "promote consolidated management centered on our global business" as well as its other basic strategies, Chori will draw on its ability to adapt to changes that was put to the test during the pandemic and, in the process, aim to expand its business globally in each segment. Meanwhile, in order to continue to grow over the medium to long term, it is imperative that we take our business to new heights. To ensure that Chori continues to achieve sustainable growth into the future, one of the major themes of Chori Innovation Plan 2025 is to establish the foundation that it still lacks to this day. Specifically, we will focus on strengthening our governance structure as a company listed on the Prime Market of the Tokyo Stock Exchange and coexisting with local communities and society through our business activities. Moreover, in April 2022 we launched CARAT to proceed with our Companywide business transformation, and we aim to begin full-scale operations of our mission-critical system in fiscal 2025. Through the standardization of our business operations and the promotion of data-driven management, we will develop a DX management structure that will underpin the future of our business.

Meanwhile, we are concerned about the risks that the conflict between Russia and Ukraine and the polarization of the

global economy will have on our ability to achieve our fiscal 2025 targets. Although these risks currently do not have a significant impact on Chori's supply chain, many of our business partners are developing systems that do not rely on specific countries as a measure to ensure business continuity. In response, Chori is assigning more representatives from Japan to ASEAN countries and developing a new supply chain. We will continue to expand our business in key regions by capitalizing on the business opportunities presented by changes in market and global trends.

During the times of hardship up until the early 2000s, we poured our heart and soul into reviewing and restructuring our business portfolio. By selecting and concentrating on certain business areas, we formed the current Fibers, Textiles, and Garments, Chemicals, and Machinery businesses, which have continued to grow ever since as highly profitable businesses. In this sense, we believe our current business portfolio is strong, and we will strive to optimize our business portfolio by monitoring the profitability of each segment. We will also continue to aggressively engage in M&As to spur the further growth of our businesses.

Fiscal 2023 Performance Forecast

(Billions of yen)

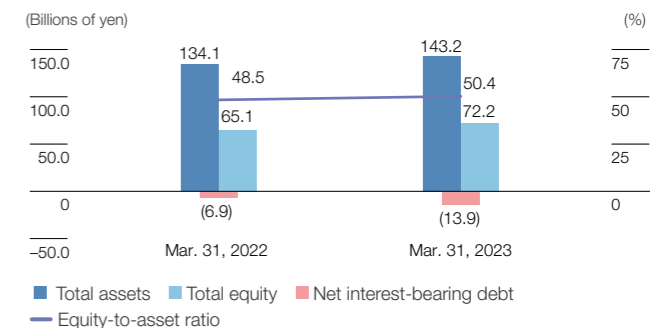
	FY2023 (Forecast)	Medium-Term Management Plan (Final Year Target)
Net Sales	340.0	360.0
Net Profit before Income Taxes	14.0	16.0
Net Profit Attributable to Owners of Parent	9.4	11.0
ROA (Net Profit Basis)	—	7% or more
ROE (Net Profit Basis)	—	12% or more
ROIC	—	Approx. 10%

Financial Position

As a result of increases in cash and deposits and trade receivables, total assets amounted to ¥143.2 billion and the equity ratio was 50.4% as of the end of fiscal 2022. Although our aim is to continue to maintain our equity ratio at around 50% over the medium to long term, we plan to carry out business investments and M&As, which we were forced to discontinue during COVID-19.

In terms of balance sheet management, in fiscal 2023 we adopted ROIC as a new management indicator in each business segment. After overcoming years of hardship, in 2003 we formulated our Reborn Management Plan, under which we promoted structural reforms to develop a more robust organizational structure by focusing on highly profitable business areas. Accordingly, in the past, each business segment promoted a management approach that placed emphasis on capital efficiency. By adopting ROIC as a management indicator once again, we will develop a system that enables our business segments to invest capital in more profitable business areas while focusing on Chori's medium- to long-term growth.

Financial Soundness



Profitability / Capital Efficiency

	Mar. 31, 2022	Mar. 31, 2023	Difference
ROA (Ordinary Profit Basis)	8.4%	9.0%	+0.6pt
ROA (Net Profit Basis)	5.6%	5.9%	+0.3pt
ROE (Net Profit Basis)	11.0%	11.8%	+0.8pt

Financial Strategy

Cash Allocation

During the three-year period of Chori Innovation Plan 2025, we expect to achieve net profit after taxes of approximately ¥30.0 billion. We plan to distribute around ¥10.0 billion of this amount as dividends to shareholders and allocate the remaining ¥20.0 billion to growth investments. To ensure that our shareholders feel secure about investing in Chori's shares, our dividend policy calls for a consolidated dividend payout ratio of at least 30% and a dividend on equity ratio (DOE) of 3.5% or more from fiscal 2023. In terms of investments, as described earlier, the Company will focus on business investments that were postponed as a result of COVID-19 and allocate resources into its human resources, who are the backbone of its business activities, as well as its DX efforts. For business investments and M&As, we will concentrate on the health and environmental fields, where demand has continued to grow in recent years. Specifically, we will identify the areas where we must expand our business and keep our eyes open for global business opportunities to ensure that Chori continues to grow over the medium to long term. Also, given that we are a trading company without manufacturing facilities, our human resources are all the more important. Chori will increase investments and strengthen its management foundation to secure and develop highly skilled personnel. Moreover, with respect to intellectual

property, the Company is devoting more attention to its branding strategies, particularly in the Fibers, Textiles, and Garments Business, and registering original brand names as trademarks. We have also obtained several patents on technologies developed together with our business partners and customers. We will continue to enhance awareness of Chori's original products and our ongoing BLUE CHAIN™ initiatives while promoting investments to protect intellectual property rights.

Cash Flows

	(Billions of yen)		
	FY2021	FY2022	Difference
Cash Flows from Operating Activities	(2.3)	9.6	+11.9
Cash Flows from Investing Activities	0.2	(0.3)	-0.5
Cash Flows from Financing Activities	(4.0)	(3.1)	+0.9
Effect of Exchange Rate Change on Cash and Cash Equivalents	0.6	0.6	+0.0
Total Cash Flows	(5.6)	6.8	+12.4
Cash and Cash Equivalents at End of Period	12.0	18.9	+6.8

Toward Chori's Medium- to Long-Term Growth

While Chori is a company with an extensive track record that spans more than 160 years, it is also a relatively young company in the sense that it made a fresh start in 2003 with the establishment of its Reborn Management Plan. In fiscal 2023, 20 years after the introduction of this plan, we introduced Chori Innovation Plan 2025 to serve as the final stage of our development of a foundation for the next stage of growth. In addition to achieving its coefficient target in fiscal 2023 by expanding its global business, Chori will forge ahead to become a company that continues to coexist with society through the contributions of its business activities.

The Company has expanded its business to date by extending its efforts beyond trading activities and continuing to develop the Fibers, Textiles, and Garments, Chemicals, and Machinery businesses. While continuing to grow in the years ahead, Chori will seek to further differentiate itself from the competition by refining its uniqueness as a company and ensuring that this vibrant uniqueness leaves an impression on all of its stakeholders.

Reference Material

Reasons for Changes in Ordinary Profit and Trends in Ordinary Profit

Reasons for Changes in Ordinary Profit

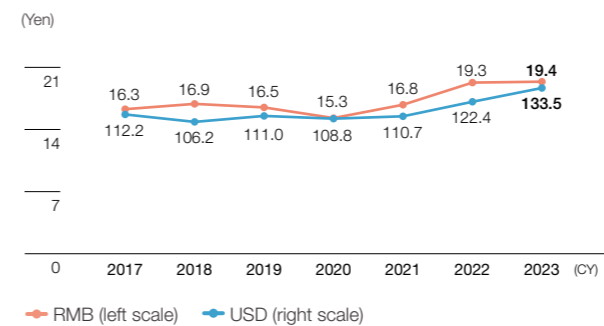


Trends in Business Performance

	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Full-year total	1Q	2Q	3Q	4Q	Full-year total
Net Sales	60.7	69.4	75.8	78.3	284.1	81.9	86.6	86.9	74.0	329.4
Operating Profit	2.6	2.3	2.6	2.0	9.3	3.2	3.6	4.2	1.7	12.7
Ordinary Profit	2.9	2.4	2.9	2.1	10.3	3.7	3.7	3.6	1.4	12.4
Net Profit Attributable to Owners of Parent	2.3	1.7	1.9	1.0	6.8	2.3	2.5	2.8	0.6	8.1

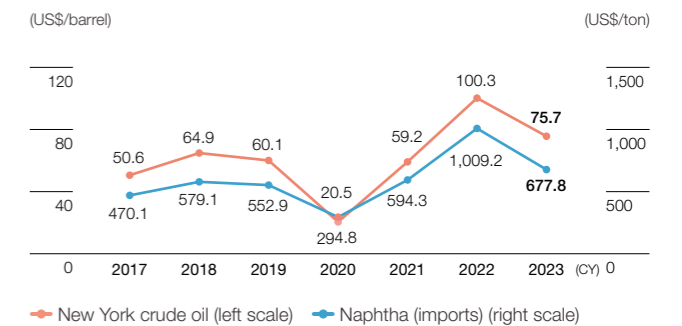
Market Trends

Foreign Exchange Rate



Note: As of March 31
Source: Rate as of the Company's term-end

Oil Prices

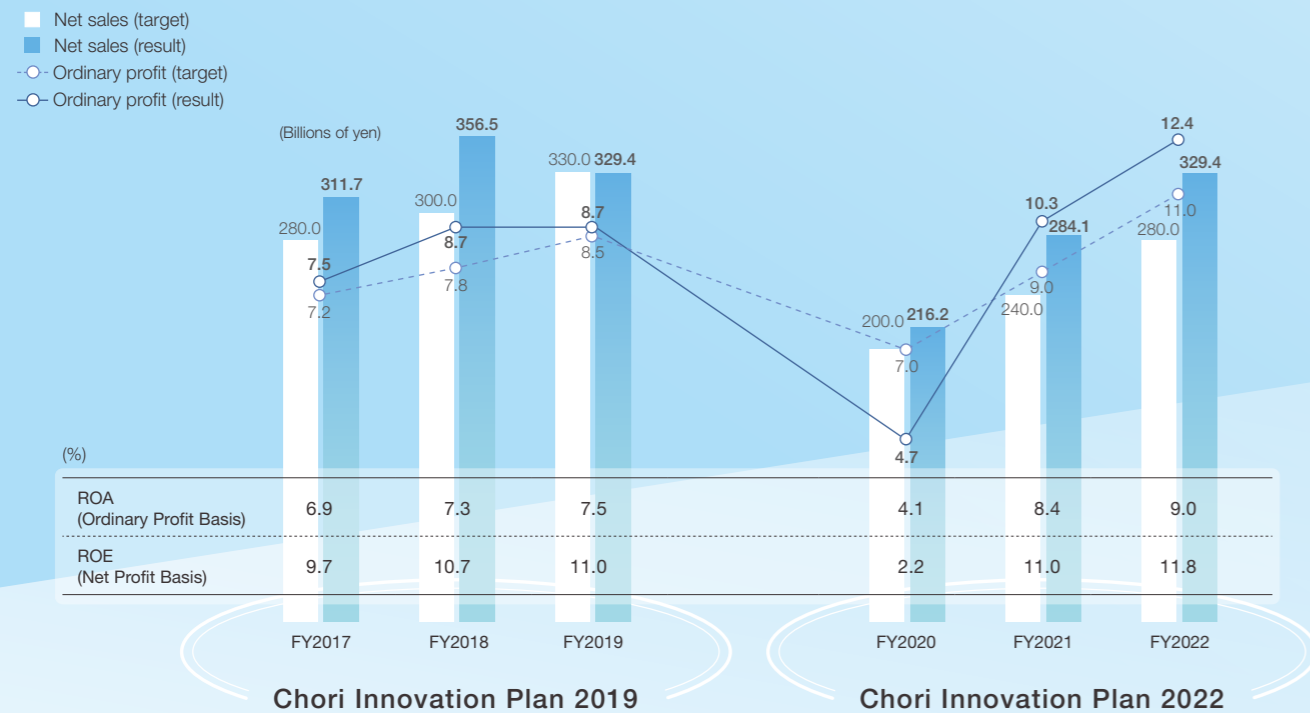


Note: New York crude oil is as of March 31; Naphtha is single-month average for March
Source: Company research

New Medium-Term Management Plan:

Chori Innovation Plan 2025

In April 2023, we established Chori Innovation Plan 2025, our new medium-term management plan covering the three-year period from fiscal 2023 to fiscal 2025. Chori Innovation Plan 2025 is a continuation of the Chori Innovation Plan, which we began promoting in fiscal 2017, and is the final stage of our commitment to achieving VISION2030. The Chori Group will strive to further increase corporate value based on its basic policy of becoming a corporate group that continues to evolve and change on a global scale, underpinned by its outstanding capabilities and expertise.



Note: Effective fiscal 2020, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018).

Review of Chori Innovation Plan 2022

In fiscal 2022, the final year of Chori Innovation Plan 2022, we posted our highest results ever for ordinary profit, at ¥12.4 billion, and net profit attributable to owners of parent, at ¥8.1 billion, and achieved all our numerical targets of the medium-term management plan. We reached the ¥10.0 billion level for ordinary profit two years in a row, in fiscal 2021 and fiscal 2022, despite the recording of provision of allowance for doubtful accounts in fiscal 2020 in relation to a chemical manufacturing group in China. As a result, we established a foundation for our new stage of consistently delivering ordinary profit at the ¥10.0 billion level.

- Fibers, Textiles, and Garments Business**: We moved ahead with the creation of synergies with STX Co., Ltd. and bolstered our collective strength in the Fibers, Textiles, and Garments Business by virtue of our BLUE CHAIN™ concept (a new concept for all aspects of our sustainability) and the expansion of our global supply chain management.
- Chemicals Business**: We accelerated our transformation to a business model based on business investments by strengthening our supply chain, making additions to our line of new products, reinforcing and promoting business investments and new product development, and expanding our business scale by strengthening subsidiaries and engaging in M&As.
- Machinery Business**: We proceeded with the development of markets in the four regions of Mexico and Central and South America, the Middle East and Africa, Southeast Asia, and Europe, as well as India. Moreover, in light of geopolitical and country risks, such as COVID-19 and the conflict between Russia and Ukraine, we dedicated our efforts to the automobile and automobile-related businesses and focused on our business in Europe and Central America.

Ongoing challenges

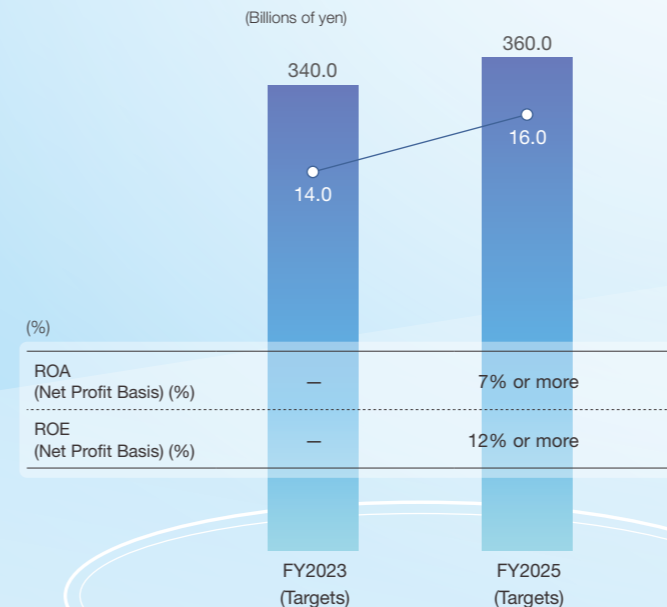
- Expansion of business revenue
- Sustainability response
- Management structure suited to the new stage (human capital and DX)
- Risk management

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

We aim to achieve our key performance indicators (KPIs) by transforming our business and management structures through the promotion of digital transformation (DX) while implementing our basic strategies of “promote consolidated management centered on our global business,” “develop sustainable businesses that adapt quickly to the changing business environment,” and “promote ESG management.”

For more details on our basic strategies, please refer to pages 13 to 14.

- Net sales (target)
- Net profit before income taxes (target)



Chori Innovation Plan 2025

A New Stage

The final stage of consistently delivering ordinary profit of ¥10.0 billion or more

Sustainability

A company that can coexist in harmony with society and contribute to the realization of its sustainable and prosperous future.

VISION2030: The Company We Aspire to Be

Net Sales ¥400.0 billion
Net Profit before Income Taxes ¥20.0 billion

Well-Being

A company that contributes to the well-being of each stakeholder and provides employees with a rewarding and enjoyable workplace environment.

Innovation

A company that can constantly generate higher levels of profit by developing new businesses through continuous innovation and investment in growth areas.

Priority Measures and KPIs	Chori Innovation Plan			
	FY2016	FY2019	FY2022	FY2025
Consolidated Management Centered on Global Business Overseas subsidiaries, trends in ordinary profit	¥1.2 billion	¥1.9 billion	¥3.2 billion	¥4.5 billion
M&A Effect** Subsidiaries through M&A	¥0.3 billion	¥0.6 billion ASADA U CO., LTD. and KOZAKURA SHOKAI CO., LTD.	¥2.5 billion STX Co., Ltd.	¥4.0 billion
Shareholder Returns Trends in dividend payout ratio	Around 20%	25% or more	30% or more	30% or more DOE of 3.5% or more
Trends in Ordinary Profit	¥7.0 billion	¥8.7 billion	¥12.4 billion	¥16.0 billion
Trends in Net Profit before Income Taxes	¥7.2 billion	¥9.3 billion	¥12.8 billion	¥16.0 billion

*1 Ordinary profit of M&A subsidiaries, amortization of goodwill, etc.

Chori Innovation Plan 2025 KPIs

Financial Targets

	FY2025 plan
Net Sales	¥360.0 billion
Net Profit before Income Taxes	¥16.0 billion
Net Profit Attributable to Owners of Parent	¥11.0 billion
ROA (Net Profit**2 Basis)	7% or more
ROE (Net Profit**2 Basis)	12% or more
ROIC**3	Approx. 10%

**2 Net profit attributable to owners of parent

**3 ROIC (return on invested capital) = Operating profit after income taxes / (Equity + Interest-bearing debt)

Non-Financial Targets

- Expand our line of environment-friendly SDG-oriented products
- Increase the percentage of women among career-track hires and employees who have transferred to career-track positions to over 30%
- Increase the percentage of male employees taking childcare leave
- Increase the percentage of women in management positions
- Continue to acquire certification as an outstanding organization under the Ministry of Economy, Trade and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program
- Invest approximately ¥5.0 billion in DX measures, including the adoption of SAP software

The Basic Strategies of

Chori Innovation Plan 2025

Chori will press ahead with the following three 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.

01. Promote Consolidated Management Centered on Our Global Business

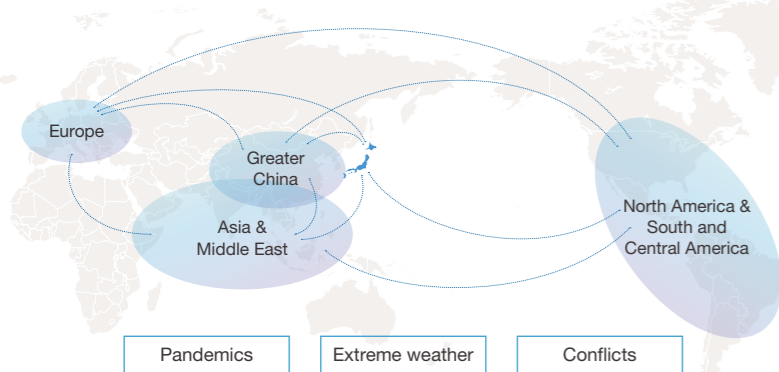
Chori will strengthen the operating bases of its major overseas business sites by implementing its mission-critical system and enhancing its overseas workforce while enhancing the profitability of its overseas operations. In addition, by reviewing and refining our business portfolio and promoting integrated operations as a specialized company through the leveraging of Group synergy, we will strive to develop next-generation products and expand our line of existing products.



02. Develop Sustainable Businesses That Adapt Quickly to the Changing Business Environment

We will respond to the drastic changes in this era of volatility, uncertainty, complexity, and ambiguity by taking a bird's-eye view of business risks and opportunities, diversifying our global supply chain, and actively undertaking business investments, new development projects, and M&As in growth sectors and regions.

⌚ Diversification of Global Supply Chains



- ✓ Develop suppliers to meet diversifying customer needs
- ✓ Turn changes in the global supply-demand balance into opportunities

⌚ Proactive Business Investment in Growth Areas and Regions



- ✓ Growth areas: environment, health and comfort, global
- ✓ Market entry
- ✓ Complement strengthened areas with business investment and M&A

03. Promote ESG Management

⌚ Climate Change

We are proceeding with a variety of measures based on the TCFD recommendations to ensure that the Chori Group becomes carbon neutral by 2050.

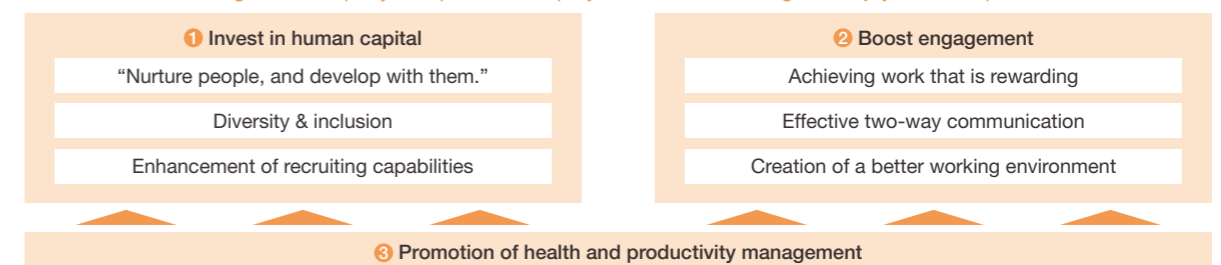
Category	Results of CIP2022	New Initiatives in CIP2025
Governance	Regularly reported and discussed at Board of Directors' meetings	Specialized committees to study and promote specific measures to be taken
Strategy	Analyzed under 2°C and 4°C scenarios	Brush up scenario analysis, including 1.5°C scenario
Risk Management	Organized risks related to climate change	Promote and strengthen establishment throughout the Group
Indexes and Targets	FY2020 emissions: 1,705 (t-CO ₂) (Scope 1, 2, 3 (Category 6: Business travel, 7: Employee commuting)). Small amount of emissions. Ongoing regular inspections	Continue calculation and disclosure of Scope 1, 2, and 3 results, aiming for carbon neutrality by 2050

⌚ More Environmentally Friendly Products

Expand sales of environment-friendly SDGs products such as ECO BLUE™, a recycled polyester fiber made from used plastic bottles, and biodegradable resin, etc. Aim for sales of ¥50.0 billion in FY2025 (2.5 times the FY2022 level)

⌚ Human Resource Development

Ensure well-being = Be company that provides employees with a rewarding and enjoyable workplace environment



⌚ Respect for Human Rights

In addition to conducting CSR-based procurement surveys on a regular basis, we are strengthening our initiatives with ESG-conscious companies with the aim of realizing a sustainable supply chain.

⌚ Strengthening of Governance

The Company is working to strengthen its governance system by enforcing an array of corporate governance, compliance, and risk management measures.

Corporate Governance	Compliance	Risk Management
Strengthening governance through the Governance Committee	Focus on reinforcing corporate ethics and zero compliance violations	Strengthening risk management capabilities
Awareness of cost of capital and stock price	Continuing to develop internal whistleblower system and conducting internal training sessions and surveys	Systematizing and managing risks and strengthening of risk sensitivity
Enhanced dialogue with shareholders and investors to improve PBR	Strengthening product safety and quality assurance systems	Strengthening response to emerging market risks and geopolitical risks

04. Business and Management Transformation through DX

For more details, please refer to pages 15 to 16.

CARAT: A Companywide Business Transformation Project

Based on the Renewal of Our Mission-Critical System

In April 2022, Chori launched its Companywide business transformation project Chori Accelerate Renovation Achievement Transformation (CARAT). Through this project, we aim to deploy our digital functions across the entire Group, streamline and standardize business operations, strengthen business management using data, and improve productivity while exploring the possibility of retraining our workforce and restructuring our organization.

Chori's Digital Management

In accordance with the basic policy of Chori Innovation Plan 2025, Chori will become "a corporate group that continues to evolve and change on a global scale, underpinned by its exceptional capabilities and expertise." Along with the three basic strategies we have established in order to realize this

basic policy, we are promoting "business and management transformation through DX." The Company plans to invest approximately ¥5.0 billion into its DX activities over the course of Chori Innovation Plan 2025.

Promotion of DX strategy: **defensive** and **offensive** perspectives
SAP introduction project CARAT launched in April 2022 (full-scale operation from fiscal 2025)



Project Outline

Our Companywide business transformation project was launched in April 2022 with the intention of completely rebuilding Chori as an organization. The project was named "CARAT" to liken Chori, which consists of the Fibers, Textiles, and Garments, Chemicals, and Machinery businesses, to a diamond with several facets and incorporate the meaning that the Company will continue to refine its attractiveness and shine even more brightly in the future. We aim to develop a next-generation mission-critical system (SAP S/4HANA Cloud ERP)

that facilitates our business and management transformation by standardizing and then automating and visualizing operations and further restructuring our operations and organization.

By deploying DX functions across the entire Group, streamlining and standardizing business operations, enhancing business management, and improving productivity, we aim to build a foundation that will enable us to continue to achieve sustainable growth.

Timeline for Implementation of New Mission-Critical System

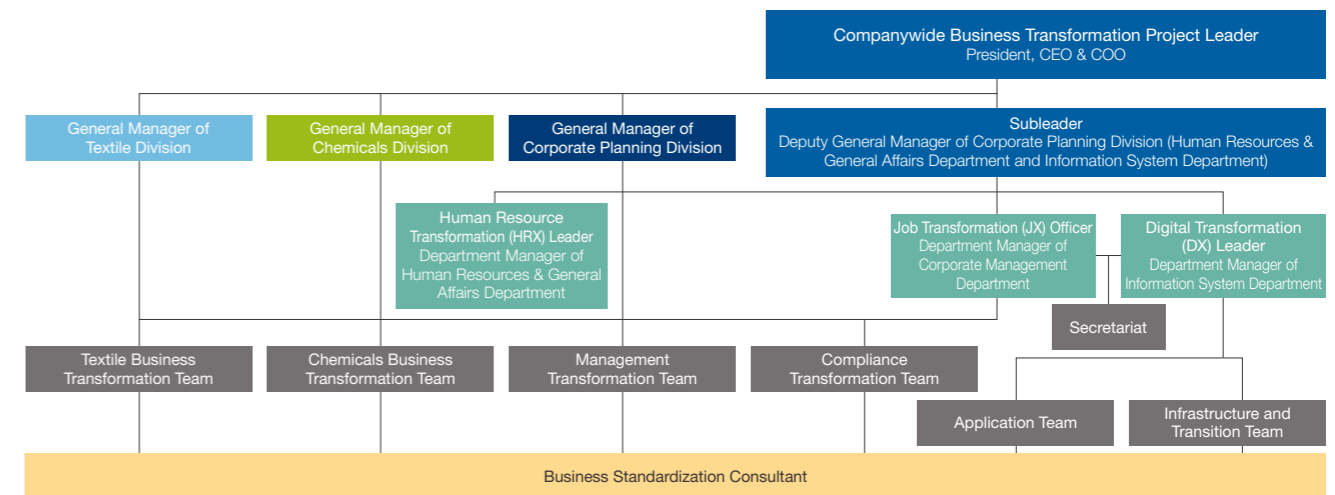
We aim to launch full-scale operations of our new mission-critical system in April 2025.



Promotion Structure

The project is conducted under the direction of the Company's president, CEO & COO, who assumes the role of the project leader, with the overall policy formulated mainly by members selected from each department and Chori's new business

model created through the participation of all employees. Discussions are held between project members and at each business site to create a framework that will serve as the foundation for Chori's further growth.



Development of Digital Experts

Chori will secure and develop the business unit personnel and systems personnel necessary to promote DX.

- Business unit personnel are well-versed in the Company's business activities and understand the role of digital technology. They are responsible for securing the human resources who will spearhead DX in each business segment and implementing DX throughout the organization.
- Systems personnel are well-versed in digital technology and the use of data. They are capable of designing and developing a Companywide platform for data use.

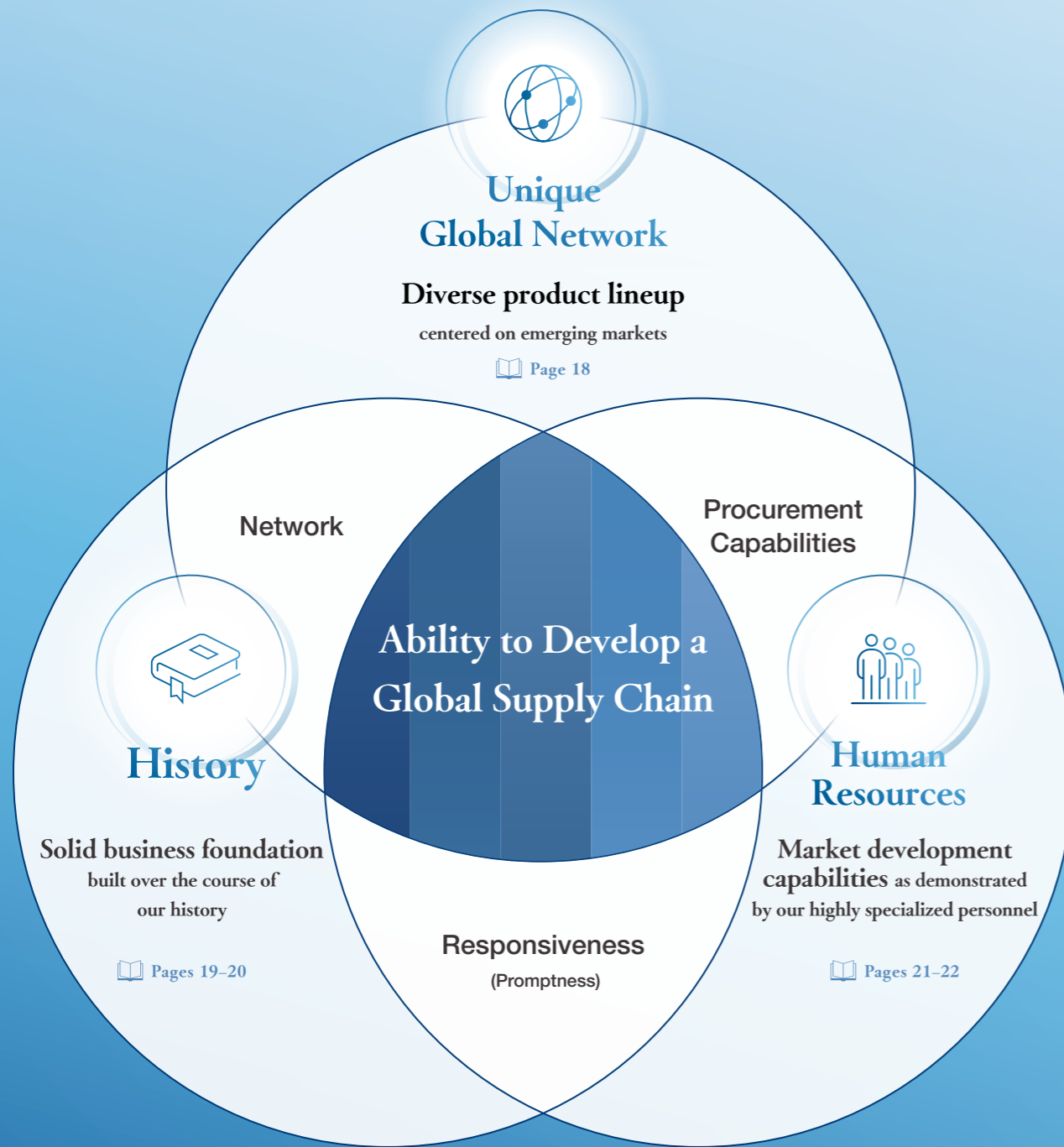
Goals



1. Establish a platform for data use, realize strategic management, and strengthen sales competitiveness to achieve increases in corporate value. Implement a management dashboard and make quick and accurate management decisions through the use of data.
2. Enhance productivity of administrative duties by standardizing, automating, and consolidating operations and transition to a more sophisticated human resource and organizational structure. Reduce the workload of data entry and other tasks and transition to a more sophisticated and strategic operational system for data analysis and other duties.
3. Standardize and automate business operations across the Group to mitigate internal control risks and ensure compliance. Ensure compliance by strengthening system controls and reduce the workload of internal control audits.
4. Promote new workstyles, such as remote work and paperless operations. Enhance productivity and quality of remote work through digitalization and improved workflow.

Chori's Strengths

Stemming from Its Commitment to Making a Variety of Dreams Come True



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 Southeast Asia, Europe, the United States, the Middle East, 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

Since the establishment of its first overseas subsidiary, Chori has developed a variety of product procurement routes centered on emerging markets through its more than 60 years of doing business outside of Japan. 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.

1948– 1975

A Period of Growth

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

- 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
- 1963 Establishes subsidiary Chori GmbH (currently Chori Europe GmbH)
- 1972 Develops a large-scale condominium
- 1973 Establishes subsidiary CHORI SINGAPORE PTE LTD
- 1974 Establishes subsidiary THAI CHORI CO., LTD.

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 regions 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.

2004–

1975– 2003

A Period of Setbacks

Selection and Concentration of Businesses Due to Significant Losses

- 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
- 1987 Establishes subsidiary CHORI CO., (HONG KONG) LTD.
- 1989 Establishes subsidiary CHORI TRADING (MALAYSIA) SDN. BHD.
- 1993 Establishes CHORI (SHANGHAI) CO., LTD. as first subsidiary in China
- 1995 Establishes PT. CHORI INDONESIA
- 1996 Secures order for railway project in Kazakhstan
- 1997 Establishes joint venture Chongqing Dazu Red Butterfly Strontium Industry Co., Ltd.
- 2001 Establishes Chori Middle East FZE
- 2002 Spins off the Synthetic Resin Business Division into a separate company
- 2003 Launches the Reborn Management Plan and undergoes sweeping structural reforms
- Holds Textiles Exhibition (currently CHORI Exhibition)

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 profit basis) has grown to 9.0% (as of March 31, 2023). 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.

A Period of Breakthrough Results

Four Consecutive Years of Record-High Ordinary Profit

- 2004 Becomes a consolidated subsidiary of Toray Industries, Inc.
Establishes subsidiaries CHORI (TIANJIN) CO., LTD. and CHORI (DALIAN) TRADING CO., LTD.
- 2005 Establishes CHORI (CHINA) CO., LTD., the first Japanese trading company subsidiary with the rights to sell and trade in China
- 2010 Establishes a representative office in Dhaka, Bangladesh
- 2012 Establishes subsidiary CHORI KOREA CO., LTD.
- 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
Establishes subsidiary CHORI VIETNAM CO., LTD.
- 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
Establishes subsidiary CHORI COMERCIAL DE MEXICO, S.A. DE C.V.
- 2018 Makes KOZAKURA SHOKAI CO., LTD., a trading company specializing in chemicals, a consolidated subsidiary
Establishes subsidiary TAIWAN CHORI MERCHANDISE COOPERATION LTD.
- 2019 Establishes joint project with Utsumi Recycle Systems Inc. for the sale of recycled pellets
- 2021 Makes STX Co., Ltd., a trading company specializing in textiles, a consolidated subsidiary
- 2022 Launches Companywide business transformation project CARAT

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 2023 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



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. In this section, we will discuss the strengths of the fine chemicals field, which played a major role in the success of the Chemicals Division in fiscal 2022.



Create new markets through Chori's ability to **innovate as a trading company**

Hiromasa Kondo
President of CHORI TRADING INDIA PRIVATE LIMITED

After joining the Company in 2010, Mr. Kondo was assigned to the Chemicals and Machinery Logistics Department in 2011. In 2013, he was reassigned to the Fine Chemicals Department, and in April 2021 he was appointed as the temporary president of CHORI TRADING INDIA PRIVATE LIMITED in India, where he has been stationed since April 2023. The Fine Chemicals Department handles a wide range of products from pharmaceutical and agrochemical ingredients and intermediates to raw materials for dyes, resins, and semiconductors, spanning 200 to 300 items in the Indian market alone.

1 Chori's Long-Cherished Strengths

It has been 10 years since I was assigned to the Fine Chemicals Department. The strength of the Fine Chemicals Department is the close relationships it has built with its customers, and the department has worked to develop new markets by leveraging Chori's meticulousness in making proposals, which has been passed on as part of the Company's DNA from generation to generation. This meticulousness means our ability to identify the suppliers that meet the niche needs of our customers and provide customers with the appropriate information on these suppliers. For example, when we find multiple suppliers that meet customer needs, we provide such information as differences in quality and price and the risks faced by each supplier. When we are unable to find a suitable supplier, we will propose that the manufacturing be outsourced by drawing on Chori's network of outsourcing partners. The most rewarding part of my job is seeing the smiles on the faces of our customers when, after three to five years, their new product has been completed using the raw materials we have procured from scratch. Although the products they handle are different, whether it be textiles, chemicals, or machinery, our sales representatives' meticulous responses to customer needs have, I believe, spurred the expansion of these businesses and the growth of Chori as a whole.

2 Strengths of the Fine Chemicals Department: Leveraging the Ability to Provide Meticulous Responses toward Becoming the Company of Choice for Customers

The Fine Chemicals Department caters to a wide range of customer needs by not only drawing on Chori's long-cultivated overseas network but also developing an outsourcing business in which products that are difficult to manufacture in Japan are outsourced to overseas manufacturers. Our ability to address the needs of customers for niche products and specific quality requirements, in particular, has led to the creation of added value and the development of new markets. Such meticulous responses require a high level of expertise in the chemicals field. For that reason, we conduct internal and external

seminars, provide chemistry textbooks, and hold on-the-job training led by senior staff in order to build a foundation that allows even sales representatives with non-science backgrounds to engage in discussions on an equal footing with customers. Another strength of Chori's Fine Chemicals Department is its highly reliable support system that includes the Pharmacovigilance & Quality Assurance Office, which is staffed by pharmacists, the Business Administration Department (Chemicals), which assists in legal proceedings, and an analysis center in Suzhou, China.



3 Expansion of Our Business in India, a Highly Promising Country with Distinctive Advantages

Along with Japan, South Korea, and China, India is one of the few countries in Asia where organic synthesis can be performed. The country has cemented its position as a fine chemical producing nation through its role as a supplier while doing business with manufacturers in Europe and the United States. In addition to the impact of population growth and the expansion of the middle class, the Indian market will likely continue to grow due to the current national policy to expand the proportion of its overall economy accounted for by the manufacturing industry from the current 18% to 25%. India's government is also taking measures to develop its electronics and semiconductor industries, which have lagged behind other countries, and has provided significant incentives to promote the local production of products that are largely imported from overseas, which is expected to increase the line of products handled by the Fine Chemicals Department.

4 Honing of Our Strengths in Pursuit of Our Customers' Dreams

In order to continue to reinforce Chori's strengths going forward, we must incorporate more digital tools into our information sharing. By integrating the knowledge that has been accumulated by each individual in our departments into a single system using digital tools, the knowledge of the entire department can be outputted to customers as if it was their own. We have high hopes for the impact that our adoption of SAP, which we are promoting under CARAT, will have, particularly on the Fine Chemicals Department due to the large number of products it handles.

Moreover, the development of our market-in approach being promoted by the Chemicals Division is also a matter of importance. Although CHORI TRADING INDIA's product sales are currently based mainly on the product-out approach, we will identify the needs of our customers in India and propose

and sell products that reflect their needs by seeking them from around the world. Having been assigned to and lived in India, I can sense how much the people in this country value their ethnic background, that there is a culture of being kind to those in need, and that they have a positive outlook on everything. For those reasons, I would like to build a business that contributes to the mutual growth of India and Japan. To this end, I will ensure that I am fully aware of my role as a leader and that we respond even more meticulously to customer needs and strengthen our ability to develop new markets while continuing to expand the scale of CHORI TRADING INDIA, which is still relatively small in scale. In so doing, we aim to pass on a successful business to our younger generation of employees who will shape the future of our company.