

蝶所は人間力

もしかすると、あなたの商社のイメージを変えてしまうかもしれないし、
もしかすると、あなたがずっと待ちつづけたビジネスパートナーかもしれない。
枠にとらわれず、既成概念を飛び超えていく。
無限に広がる繊維・化学品・機械の可能性の中から、
あなたにとって、社会にとって、そして世界にとって、
最高の価値を提供していきます。

私たちは蝶理です。



Making your dreams come true

Tsumugu Report 2024

Making your dreams come true

CHORI CO., LTD.

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Printed in Japan
Issued in December 2024

CHORI CO., LTD.

CHORI

Corporate Slogan

Making your dreams come true

Incorporating the voices of its employees, Chori's corporate slogan was formulated in 2008 to commemorate its 60th anniversary. It expresses Chori's will and ability to take on challenges to help realize the dreams of its stakeholders. The slogan was created in multiple languages and has become a representation of Chori's passion and determination across the Group.



Corporate Philosophy

As members of the global community, we will work for the betterment of society. We take pride in being fair and sincere, and in continuing to offer superb service in order to deliver superior customer satisfaction.

Regarding the Name of the Report

Since its establishment as a raw silk wholesaler in 1861, Chori has been weaving ("Tsumugu") a variety of connections and bonds with stakeholders in the same manner as it has been weaving silk over the years. The report's name "Tsumugu Report" reflects our corporate stance that has remained intact since our founding. With a track record spanning more than 160 years, Chori will continue to remain a company that weaves dreams into reality by cherishing its relationships with all stakeholders.



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Editorial Policy

The Tsumugu Report was issued to provide all readers, including shareholders, investors, and all other stakeholders, with information on Chori's management vision, corporate philosophy, strengths, and businesses in order to broaden their understanding of the Company. The report also functions as a tool for engaging in new dialogues with stakeholders. The Tsumugu Report is issued in both Japanese and English, and it is also available for viewing on our corporate website.

 <https://www.chori.co.jp/english/>



Scope of Reporting

CHORI CO., LTD. and its Group companies; however, certain information applies only to CHORI CO., LTD.

Period of Reporting

The information contained in this report is primarily for fiscal 2023 (April 1, 2023 to March 31, 2024); however, certain sections of the report contain information on fiscal 2024 and thereafter.

Cautionary Notice regarding Forward-Looking Statements

Performance forecasts and other forward-looking statements contained in this report are based on Chori's judgments and information available as of the issuance of this report and are subject to change due to a variety of factors. Accordingly, such forward-looking statements are not guarantees of any achievement of targets or forecasts or future performance. In addition, the information contained in this report may change without prior notice. For this reason, we hope that readers make their own judgment when utilizing the information and materials contained in this report with the use of other information that may be available. Chori does not take responsibility for any losses or damages incurred through the use of this report.



Tatsuyuki Sakoda

President, CEO & COO
President and Executive Officer

We will aim to be the company of choice by enhancing our frontline capabilities and leveraging our exceptional capabilities and expertise.

Drawing on Our Experience in Times of Hardship

My name is Tatsuyuki Sakoda, and I was appointed as president in June 2024. First, please allow me to talk briefly about my background. I joined the Company in 1989 and was assigned to the Finance Department, where I was in charge of dealing with banks. Since I had joined a trading company, I kept expressing my willingness to work overseas, and in 1995 I was transferred to the United States, where I worked for around seven years. When I returned to Japan in 2003, the Company was going through a period of setbacks. Under these circumstances, I was pressed to implement the Reborn Management Plan, which had been announced in the same year, pursuing a strategy of selection and concentration in order to create a structure that can generate profits by reorganizing our businesses and inventory. Although Chori has been in business for over 160 years, it is essentially a 20-year-old company because it was largely reborn through this strategy of selection and concentration. Under the Reborn Management Plan, our business scale was reduced to half the size of what it was at the peak of our success, leaving only our core businesses, which have become the foundation of our business today.

Once the reorganization had settled down, I expressed my desire to utilize my previous experience from the sales division and began working in the business planning section of the Fibers, Textiles, and Garments Business. Then, in 2017, I returned once again to the Corporate Management Division. At that time, I felt that society's expectations for companies had changed dramatically over the seven-year period in which the Stewardship Code and the Corporate Governance Code were enacted. It also became clear that Chori needed to change as well.

In 2020, I was appointed as president of Miyako Kagaku Co., Ltd. This trading company, which became a Group subsidiary in 2015, is well respected in the chemical industry. I was convinced that it would be a good experience for me, but my contributions were unfortunately limited due to the overlap in timing with the COVID-19 pandemic. Most recently, as general manager of the Corporate Planning Division, I have been working to enhance Chori's corporate value as the project leader for the formulation of our medium-term management plan Chori Innovation Plan 2025 and as the chairman of the Sustainability Promotion Preparatory Committee.

I am proud to say that my life as a company employee has been an extraordinary experience. I have seen the Company experience setbacks on several occasions, such as the decline in the number of nonconsolidated employees, from around 1,200 when I joined the Company to roughly 400 at present, as well as the downsizing of our business, from a company that once consisted of several business segments to one that now consists of only three business segments. Our executives and employees over a certain age who experienced the period of setbacks together engage in business knowing full well that they cannot continue to do so unless they generate profits in their respective lines of business. The hard work of this generation of employees is the main reason why Chori has been able to revive and grow to its current level of profitability. Chori's strength lies in its human resources who are respected and knowledgeable with exceptional capabilities and expertise, and this strength must be passed on to the next generation. When I announced the change in presidency internally, I told the executives and employees gathered in the conference room that I wanted Chori to become the company of choice. By ensuring that we remain a company that is chosen by potential employees with the qualities to take on Chori's strengths as well as our current employees, we will dedicate ourselves to becoming the company of choice for society.

President's Message

Fiscal 2023: A Year of Steady Growth

Under the lead of our former president Kazuo Sakihama, the Company continued to grow and achieved record profits in fiscal 2023. To maintain this growth, we will enhance our frontline capabilities to ensure that our products continue to be chosen, capitalize on our exceptional capabilities and expertise, and create a virtuous cycle in which we continue to be the company of choice for our stakeholders. In doing so, we will aim to achieve net sales of ¥400.0 billion and profit before income taxes of ¥20.0 billion, as we have declared in VISION2030.

Looking at our fiscal 2023 performance by segment, the Fibers, Textiles, and Garments Business posted record-high profits owing to the relaxation of restrictions following the reclassification of COVID-19 to Class 5 and demand for apparel-related products in Japan, which increased beyond our expectations. Meanwhile, the Chemicals Business faced a setback due to the impact of declining raw material prices. Fortunately, because some of our chemical related businesses involve processing steps in which Chori can capitalize on its expertise and these businesses performed favorably, the Chemicals Business was not affected as significantly as we had anticipated.

It is a given that the market will always fluctuate and there will be both good times and bad. We have been doing what we can to prepare for our next period of setbacks, by virtue of which we have caught the tailwind of the market and continued to achieve steady growth.

A Promising Start to Chori Innovation Plan 2025

As set forth in our management policy, "We aim to transform the Chori Group into a constantly evolving company of exceptional competence and expertise." To that end, we have enhanced profitability by developing differentiated and high-value-added products. These products include ECO BLUE™ recycled polyester fiber made from used plastic bottles, SPX™ polyester stretch yarn produced using traditional techniques in the Hokuriku region, and other products that align with the goals of the Sustainable Development Goals (SDGs). Chori Innovation Plan 2025 is off to a great start, with profits exceeding our targets at each stage since the completion of its first year.

In terms of our overseas business, we believe there is still room for growth. Although overseas transactions account for roughly 70% of our total net sales, domestic sales and import sales combined account for around 60%, and therefore sales to the Japanese market represent more than half of our total net sales. With its declining birth rate and aging population,

the Japanese market is not expected to grow anytime soon. We have fallen slightly behind in the overseas market, which will likely continue to expand, but we believe that increasing our sales outside of Japan will drive the future growth of our business. We have declared the goal of increasing our trade volume to ¥260.0 billion during the period of Chori Innovation Plan 2025. While our trade volume and trade ratio declined from the previous year to ¥206.5 billion and 67.1%, respectively, profits from our overseas business increased in fiscal 2023. Going forward, we will steadily enhance profitability by continuing to showcase our high functionality as a selling point, rather than simply increasing sales.

Building a Management Foundation and Structure by Doing All We Can Now

Under Chori Innovation Plan 2022, we established the foundation for our new stage of consistently delivering ordinary profit at the ¥10.0 billion level. During the three years of Chori Innovation Plan 2025, we will focus on building a management foundation and structure that will serve as the basis for our strategies and improvements to business performance, thereby laying the groundwork for future growth. One of these strategies is the Companywide business transformation project Chori Accelerate Renovation Achievement Transformation (CARAT), established in fiscal 2022 (See page 21), in which we are implementing SAP, the global standard for mission-critical systems, and reforming our corporate structure.

Prior to the introduction of the Sustainability Promotion Committee in fiscal 2023, we established and began operating the Sustainability Promotion Preparatory Committee. The Chori Group's material issues, basic policy on sustainability, and human rights policy announced in April 2024 were all studied by this preparatory committee and mark our first step in creating a foundation for sustainable growth (See page 39). In addition to holding dialogues with experts and investors, we conducted a Companywide survey on proposed material issues. Through this survey, we were able to obtain votes for or against proposals and the views of many executives and employees. We adopted proposals that reflect the interests of not only the secretariat or a few people but of many executives and employees, with a focus on contributing to a sustainable society.

Although views are being shared more frequently on a number of matters than in the past, when I consider the level of information disclosure of companies that are recognized as excellent companies, I feel that Chori still has a number of issues to address. However, rather than jumping straight into the problem at hand, we will steadily proceed with what we can do now.

Initiatives for Future Business Growth

In April 2024, we declared four material issues. The first material issue is "promote businesses that contribute to the realization of a sustainable and prosperous society." Its key themes embody Chori's commitment to addressing the issue of climate change, resolving social issues, and creating value through activities that go beyond trading. Recognizing the importance of focusing on people's health and the environment in our business development, we established the Sustainable Business Management Team under the Sustainability Promotion Committee to define and manage our SDG-oriented products (See page 49). SDG-oriented products are gaining increasing attention from customers, and the market is expected to continue to expand. Chori will remain committed to strengthening and expanding its line of SDG-oriented products with a view to further growing its business in the years ahead.

Our second material issue is "promote human resource development and diversity." We believe its key themes are essential to becoming the company of choice for our stakeholders. In Chori Innovation Plan 2025, we declared our aim to become a company that "provides employees with a rewarding and enjoyable workplace environment." We are working to create an environment in which each employee can engage ambitiously in their day-to-day work while demonstrating their creativity and skills. As part of these measures, we relocated our Osaka Head Office and are working to enhance our training programs on compliance, digital transformation, business knowledge, and a variety of other areas. In fiscal 2023, we also conducted an employee engagement survey for the first time. The results showed varying trends in each department, so we began conducting interviews and other Companywide efforts to improve employee engagement.

Our third material issue is "strengthen supply chain management." It is our duty to fortify the supply chain so that it is resilient against geopolitical risks. However, risk and opportunity are inextricably linked in that while our business may take a hit, opportunities may arise for new projects as manufacturers become increasingly aware of supply chain restructuring. We are focusing on the ASEAN region as a new procurement location (See the Special Feature section on page 37). We aim to expand our business by working alongside suppliers we have established close relationships with. At the same time, recognizing that human rights issues in the supply chain are an important risk, we will continue to respect the human rights of all stakeholders in accordance with the newly established Chori Group Human Rights Policy.

Our fourth material issue is "strengthen governance and ensure compliance." The Sustainability Promotion Committee declared that risk management is its most important theme to address in fiscal 2024. Since fiscal 2020, Chori has been involved in two cases in which it recorded a significant



allowance for doubtful accounts. Although we have always taken on challenges by assessing the risks involved, I have personally raised the need to visualize risks with more precision and established the Risk Management Team as a result. We are constantly monitoring changes, maintaining awareness of and addressing the risks involved, and putting ourselves in a position to move our business forward.

Growing toward Realizing Our Corporate Vision

Our corporate slogan is "Making your dreams come true." I decided to take on the major responsibility of becoming president upon reflecting on what I can and should do to create a foundation that enables our employees, young people in particular, to ambitiously pursue their dreams. I want Chori to become a company that continues to achieve sustainable growth, not only in the short term, such as three to five years, but also in the long term, of a decade and beyond. At Chori, our employees are the source of our competitiveness. We will not become a company that achieves sustainable growth unless we continue to develop our employees and refine our exceptional capabilities and expertise. We will continue to compete in areas where we can leverage our expertise, such as fibers, textiles, and garments and chemicals. I hope we can extend this focus to outside of Japan and become a company that shines brightly all over the world.

In addition to becoming the company of choice, I have another message for our executives and employees. That is, we must all share the same end goal. As a company, we will not succeed all the time. This message expresses my desire to overcome the wave of highs and lows of our business by working happily together to make the journey as great as possible. We will continue to solidify our systems and structures to facilitate Chori's further growth, so we hope that investors look forward to our continued success in the years to come.

Tatsuyuki Sakoda
President, CEO & COO
President and Executive Officer

We aim to achieve unprecedented growth through a management approach that focuses on capital efficiency.

Appointment as General Manager of the Corporate Planning Division

We are in a world full of increasing uncertainty as a result of such factors as the multipolarity of geopolitical power and the fragmentation of the global economy, and the speed at which things change has only accelerated. Under these circumstances, I was appointed as the general manager of the Corporate Planning Division based on the judgment that in order for Chori to continue to grow, our business divisions and the Corporate Planning Division must work together to create new value. It is uncommon for Chori to appoint a managing executive officer with a sales background. In the 34 years since I joined the Company, I have experienced almost all aspects of the textile business, from upstream to downstream, and contributed to business growth through reforms in Japan and overseas. This made me realize that it was time to move on to my next challenge. I will continue to utilize my years of experience in the field to further enhance Chori's corporate value from the perspective of business operations and management.



Hiroshi Yoshida
Director, Managing Executive Officer
General Manager of Corporate Planning Division

Review of Fiscal 2023 Performance

In fiscal 2023, net sales decreased to ¥307.7 billion while profit before income taxes increased to ¥14.7 billion from the previous fiscal year. Despite the decline in net sales due to lower overseas sales in the Chemicals Business resulting from a slowdown in overall demand and sluggish market conditions, we performed favorably as a Group owing to the increase in profit before income taxes, mainly due to improved profitability. The addition of ROIC as a management indicator has enhanced awareness of capital efficiency in each business division, ensuring that capital is invested in more profitable areas. This has led to the development of more efficient businesses, which is reflected in our overall performance.

Meanwhile, due to significant fluctuations in foreign exchange rates, the Machinery Business recorded a foreign exchange loss from outstanding receivables denominated in foreign currency. Although we have had to endure this issue for

about two years, it will no longer affect our business from fiscal 2024 as we have claimed payments for trade insurance. To prevent recurrence of such a situation, the Accident Investigation Committee exchanged views on this issue and took countermeasures including conducting thorough investigations of country risks at export destinations, formulating initial protocols in the event of delayed payments, and obtaining trade insurance to minimize foreign exchange risks. In addition to using forward exchange contracts for foreign currency denominated transactions, we negotiate prices with customers on a case-by-case basis, so foreign currency denominated transactions generally do not have a significant impact on profitability. While profits in our import business will deteriorate as a result of the weak Japanese yen, we have been offsetting this impact through the expansion of exports and business overseas.

Consolidated Financial Results

(Billions of yen)

	FY2022	FY2023	Amount Change	Percentage Change
Net Sales	329.4	307.7	-21.7	-6.6%
Gross Profit	37.1	38.7	+1.7	+4.5%
Selling, General and Administrative Expenses	24.4	23.7	-0.7	-2.9%
Operating Profit	12.7	15.0	+2.4	+18.8%
Ordinary Profit	12.4	14.5	+2.0	+16.4%
Profit before Income Taxes	12.8	14.7	+1.9	+14.9%
Net Profit Attributable to Owners of Parent	8.1	9.6	+1.5	+18.5%

Progress of Chori Innovation Plan 2025 and Strategies Going Forward

We have demonstrated solid progress in achieving our targets for fiscal 2025, the final year of our medium-term management plan Chori Innovation Plan 2025. However, we must continue to solidify Chori's position in the marketplace by leveraging our exceptional capabilities and expertise and responding quickly to the drastic changes in market and social conditions.

We continue to focus on expanding our range of products and differentiating products in our existing businesses while aggressively investing in businesses and engaging in M&As. Throughout its history, Chori has utilized its unique supply chain to expand business in its areas of expertise and secure new sources of revenue. In the Fibers, Textiles, and Garments Business, we will promote leveraged, aggressive investments in growth sectors, such as the environment, health, and comfort. We will also develop our market-in business globally and expand our high-value-added businesses in the pharmaceutical and agrochemical fields in the Chemicals Business.

We are actively taking measures to address the changes in our external business environment, such as prolonged inflation, exchange rate fluctuations, commodity price fluctuations due to market conditions, and geopolitical risks. These measures include leveraging the strengths of our human resources in supply chain management, developing a supply chain that is

resilient against geopolitical risks, and dispatching the human resources necessary to achieving such a supply chain.

Chori Innovation Plan 2025 is merely one step in the direction of realizing VISION2030 and achieving sustainable growth. We will steadily develop a foundation for future growth, evolve our mission-critical system, improve our human resource development system, and prepare for organizational reform, not only to achieve our numerical targets but to grow as an organization.

Fiscal 2024 Performance Forecast

(Billions of yen)

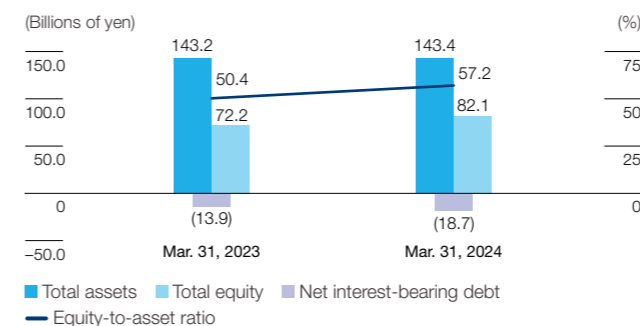
	FY2024 (Forecast)	Chori Innovation Plan 2025 (Final Year Target)
Nat Sales	320.0	360.0
Profit before Income Taxes	15.0	16.0
Net Profit Attributable to Owners of Parent	10.0	11.0
ROA*1	6.8%	7% or more
ROE*1	11.7%	12% or more
ROIC*2	11.4%	Approx. 10%

Current Financial Position

Total assets were ¥143.4 billion and total equity was ¥82.1 billion as of March 31, 2024. Meanwhile, ROA,*1 ROE,*1 and ROIC*2 all improved from the previous year to 6.7%, 12.5%, and 12.4%, respectively. Although we have already achieved the targets of Chori Innovation Plan 2025 for ROE and ROIC, we will aim even higher. In order to continuously improve ROIC

and other indicators, we must expand our business through aggressive business investments and M&As. Our frontline employees are becoming increasingly aware of this need, and we will carry out major reforms, such as establishing a supply chain for a wide range of business areas and regions.

Financial Soundness



Profitability/Capital Efficiency

	Mar. 31, 2023	Mar. 31, 2024	Difference
ROA*1	5.9%	6.7%	+0.8pt
ROE*1	11.8%	12.5%	+0.7pt
ROIC*2	10.8%	12.4%	+1.6pt

*1 Net profit attributable to owners of parent basis

*2 Return on invested capital (ROIC) = Operating profit after income taxes / Invested capital (Equity + Interest-bearing debt, Avg. of beginning and end of fiscal year)

Cash Allocation

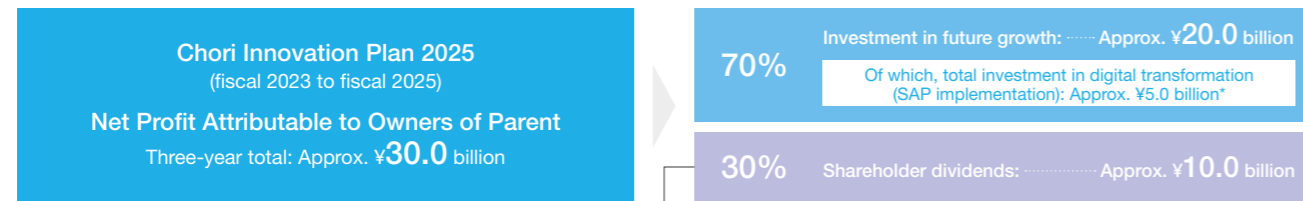
We expect net profit attributable to owners of parent to amount to approximately ¥30.0 billion over the three-year period of Chori Innovation Plan 2025. Approximately 30% of this amount, or ¥10.0 billion, will be distributed as dividends to shareholders while the remaining ¥20.0 billion will be used for investments in future growth and retained as cash necessary for business operations.

While we were able to generate nearly ¥10.0 billion in cash from operating activities in fiscal 2023, part of that cash was used to acquire intangible assets for the implementation of SAP, our new mission-critical system. For the remainder of Chori Innovation Plan 2025, we will continue to invest in the implementation of this system to strengthen our business foundation while continuing to invest in human capital, including recruitment activities, based on our commitment to employees as our most important management resource. In terms of business investment, we will analyze each business

portfolio and aggressively invest funds in growth areas and regions. Currently, we are aggressively promoting business investments that we were forced to put on hold as a result of COVID-19, such as the leasing of equipment in the Hokuriku region to expand product sales to overseas markets. We will continue to promote business investments and M&As with a focus on creating synergies with our existing businesses.

With regard to shareholder returns, we aim to provide stable dividends to shareholders based on our dividend policy, which calls for a consolidated dividend payout ratio of at least 30% and a dividend on equity (DOE) ratio of 3.5% or more from fiscal 2023. We will return profits to shareholders through steady business growth.

We understand the importance of cash management and capital efficiency improvements on capital allocation. By using equity as a foundation and promoting leveraged business investments, we aim to achieve unprecedented business growth.

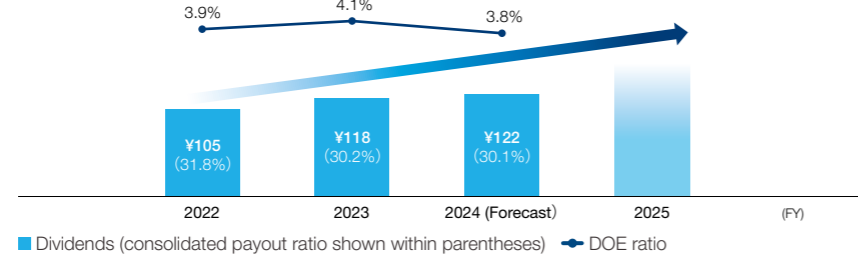


Shareholder Returns

Dividend Policy

- The Company regards the return of profits to shareholders as an important management priority, and from the viewpoint of ensuring continuous and stable dividends and operational and financial stability, distributes performance-linked dividends based on the level of net profit attributable to owners of parent.
- Dividend amount: Consolidated dividend payout ratio of at least 30% and DOE ratio of 3.5% or more

Dividends per Share (Annual)



Note: Includes certain investments made in fiscal 2022

Chori's Medium- to Long-Term Growth

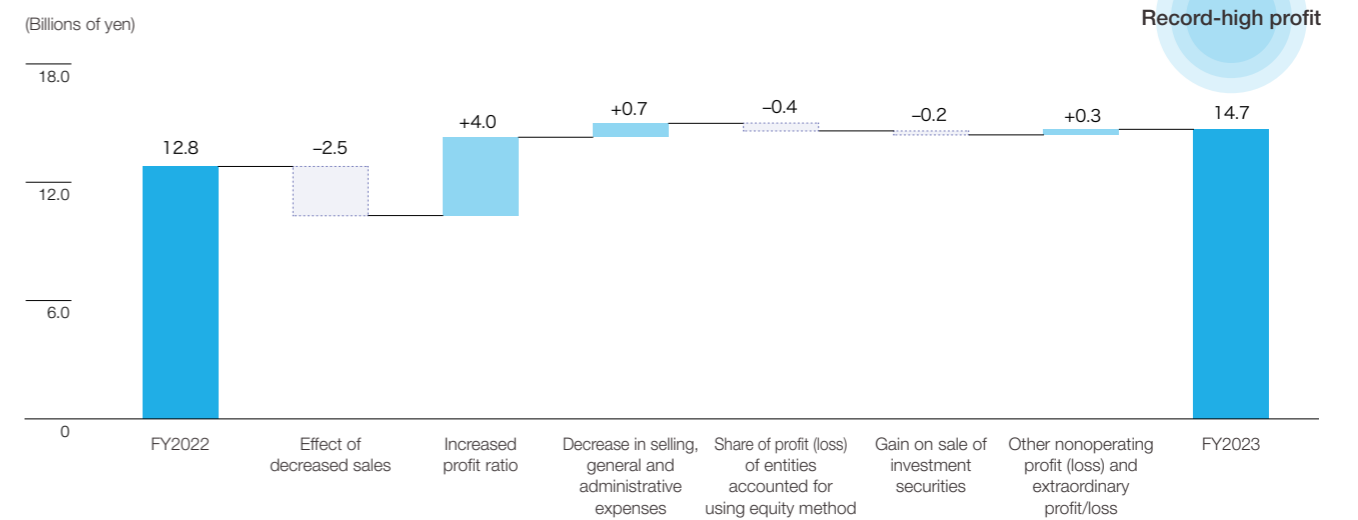
Although we have gone through a period of setbacks on many occasions in our 163-year history, we are now on a growth track owing to steady improvements in our business results that began with the introduction of the Reborn Management Plan in 2003. We aim to further grow our business by focusing on ROIC in our business management and financial leverage in our business strategy. In line with our spirit of coexistence and

co-prosperity that has been passed down since our founding, which is "to develop our business for the benefit of the world and people and to always strive to grow together with our customers," we aim to become a company that earns our customers' appreciation and works for the benefit of people and society, not only in Japan but all over the world. In doing so, we strive to be the company of choice for all of our stakeholders.

Reference Material

Year-on-Year Change and Reasons for Increase in Profit before Income Taxes

Reasons for Increase in Profit before Income Taxes



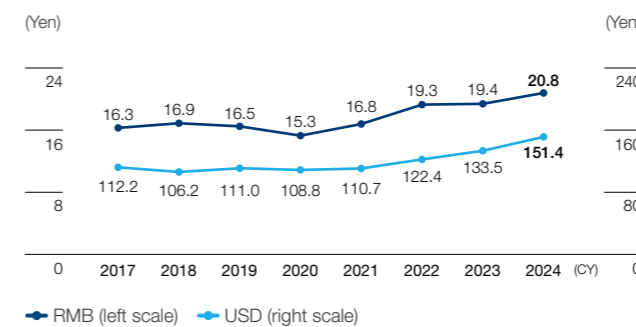
Trends in Business Performance

	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Full-year total	1Q	2Q	3Q	4Q	Full-year total
Net Sales	81.9	86.6	86.9	74.0	329.4	75.8	77.1	80.5	74.3	307.7
Profit (Loss) before Income Taxes	3.7	4.1	3.6	1.4	12.8	3.6	4.2	4.2	2.7	14.7
Fibers, Textiles, and Garments	0.8	1.2	1.7	1.4	5.1	1.9	2.4	2.1	1.6	8.0
Chemicals	2.5	2.8	2.2	1.6	9.1	2.1	2.1	1.9	1.5	7.6
Machinery	(0.0)	0.3	(0.2)	(1.4)	(1.3)	(0.5)	(0.3)	0.4	(0.2)	(0.6)
Other*	0.4	(0.2)	(0.1)	(0.2)	(0.2)	0.0	(0.0)	(0.3)	(0.1)	(0.4)
Net Profit Attributable to Owners of Parent	2.3	2.5	2.8	0.6	8.1	2.2	2.8	3.0	1.6	9.6

* Other includes income taxes

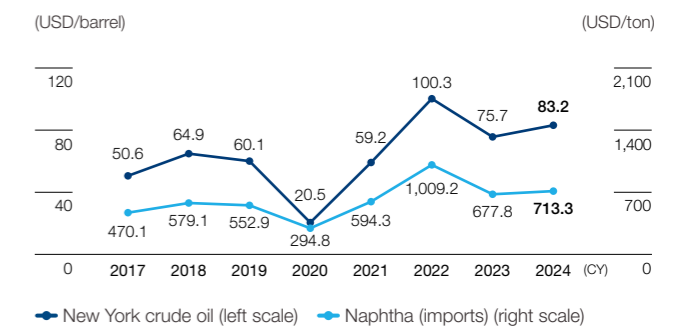
Market Trends

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

Chori's History

Transformation of Business Portfolio

Chori has continued to expand its business portfolio centered on the Fibers, Textiles, and Garments Business, its founding business.

Through the lessons learned from diversification and setbacks over the years, we are constantly working to optimize our business portfolio.

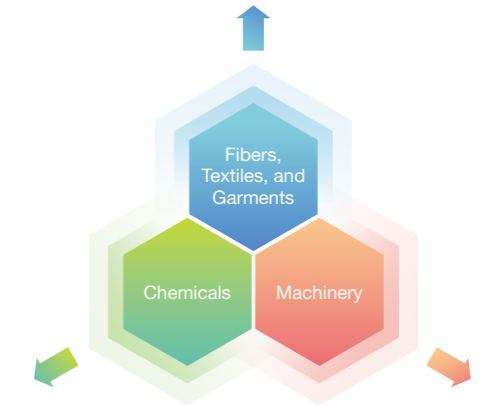
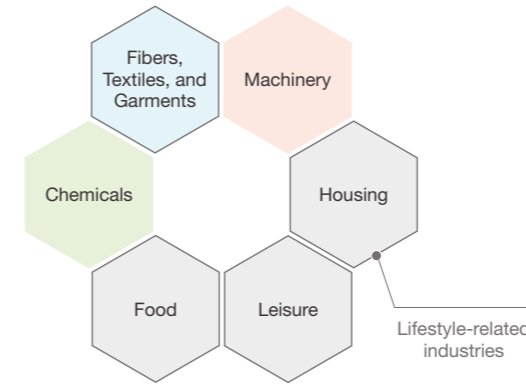
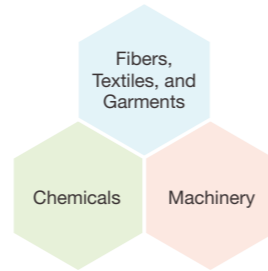
Branching Out into the Chemical and Machinery Fields on the Strength of Our Fibers, Textiles, and Garments Business

Diversifying Our Business to Become a Major Specialized Trading Company

Selecting and Concentrating on Promising Businesses

Evolving from a Raw Silk Wholesaler to a Trading Company Specializing in Fibers, Textiles, and Garments

Fibers, Textiles, and Garments



Since its establishment in 1861, Chori has continued to conduct business as a raw silk wholesaler for nearly half a century and has been handling rayon yarn since 1926. Chori's handling of rayon yarn expanded as a result of the widening use of this man-made fiber, becoming the foundation of its synthetic fiber, which has become a strength of its business today.

Since establishing a branch office in Fukui Prefecture in 1929, we have been working closely for over 90 years with businesses in the Hokuriku region, one of the world's leading textile producing regions, forming an important supply chain foundation for the Fibers Textiles, and Garments Business, which handles a wide range of high-performance, high-quality materials.

In 1933, Chori Shoten was established, and by transforming this general partnership from a traditional, privately owned business in Japan to a more modern business, we expanded our sales channels in not only Japan but also China, India, Mexico, and other areas overseas to coincide with the expanding sales of rayon yarn.

By 1937, Chori accounted for approximately 30% of rayon yarn production in Japan, establishing a solid foundation as a trading company specializing in fibers, textiles, and garments.

In 1948, after World War II, Chori Shoten was restructured, resulting in the establishment of CHORI CO., LTD.

By this time, the Company had formed a network of 20 overseas branch offices, primarily in China and other countries in Asia.

In 1953, the Fibers, Textiles, and Garments Business began handling woolly nylon, a material used in a variety of products, leading to steady growth of the business. In 1956, we entered the field of synthetic resins, which use the same raw materials as synthetic fibers. This was the beginning of our expansion of the Chemicals Business through the supply of textile auxiliaries to textile processing plants. While demand for synthetic resins grew steadily owing to their widening range of applications, other areas of the Chemicals Business continued to go through a period of trial and error. We also began handling textile machinery with the aim of enhancing business efficiency, which led to the establishment of the Machinery Business and the accumulation of our knowledge of machinery.

In 1961, prior to the normalization of Japan-China diplomatic relations, Chori was designated as one of the first friendly trading companies by China, paving the way for the launch of its China business ahead of competitors. Chori has established a robust supply chain in China through the extensive ties it has developed with the country over the years. Despite the expansion of our business fields, the Fibers, Textiles, and Garments Business still represented 90% of our net sales in the fiscal year ended March 31, 1967.

In addition to the synthetic resin business, inorganic chemicals grew into a pillar of the Chemicals Business through the launch of the phosphoric acid business, while new businesses such as the animal and plant extract and feed additives businesses were introduced. The Chemicals Business later expanded to include chemical raw materials and urethane raw materials, and various attempts were made to build on the business's current foundation, including the development of the food and organic intermediates businesses, the launch of electronic equipment related products, and the handling of pharmaceutical ingredients.

Meanwhile, in addition to textile machinery, the Machinery Business expanded its handling of machinery to various types of industrial machinery in Japan and overseas, began exporting vehicles to Central and South America, and entered the field of information equipment and electronic devices.

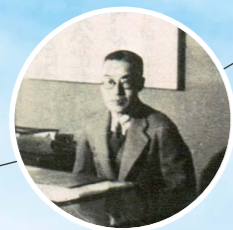
Aiming to become a major trading company that specializes in the lifestyle-related industries of food, clothing, housing, and leisure, we launched a fast-food business, constructed large-scale recreation centers, created new communities, invested in real estate, developed golf courses, began operating a hotel business, and developed a wide range of other businesses.

In 1997, when the Company advocated itself as a trading company that contributes to the betterment of lifestyles and culture, it received an order for the construction of a railroad in Kazakhstan. The Company then focused on the natural resource and construction businesses and invested a large amount of capital in promoting the development of various other businesses, but was ultimately unable to withstand the challenges of the unstable Japanese economy after the collapse of the bubble economy, becoming trapped in a state of financial dependency.

Under the Reborn Management Plan, announced in 2003, we analyzed our businesses from the perspectives of function, capital, and profitability and classified them based on priority. The Company also sold its synthetic resin and kimono businesses and focused on selecting and concentrating on promising businesses. This led to the creation of the prototype for our current business portfolio as a multifaceted specialized trading company consisting of the Fibers, Textiles, and Garments, Chemicals, and Machinery businesses.

Optimization of Business Portfolio

In the period that followed the Reborn Management Plan, we established and strictly enforced exit rules for business withdrawal. In addition, we invested in growth fields and regions to further optimize our business portfolio and tied this to improvements in our ROA and ROIC.



1861

Founded in the Nishijin District of Kyoto, Japan

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

1929 Establishes branch office in Fukui Prefecture

1934 Establishes branch office in Ishikawa Prefecture

1948 ————— 1974

A Period of Growth

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

- | | |
|---|---|
| <p>1948 CHORI CO., LTD. established</p> <p>1952 Moves head office to Osaka</p> <p>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.)</p> <p>1956 Launches the Chemicals Business</p> <p>1957 Establishes Chori New York Co., Ltd. (currently CHORI AMERICA, INC.), Chori's first overseas subsidiary</p> | <p>1959 Stock listed on Osaka Securities Exchange</p> <p>1961 Stock listed on Tokyo Stock Exchange</p> <p>Designated as one of the first friendly trading companies by China</p> <p>1963 Establishes subsidiary Chori GmbH (currently Chori Europe GmbH)</p> <p>1973 Establishes subsidiary CHORI SINGAPORE PTE LTD</p> <p>1974 Establishes subsidiary THAI CHORI CO., LTD</p> |
|---|---|

1975 ————— 2003

A Period of Setbacks

Selection and Concentration of Businesses Due to Significant Losses

- | | |
|--|---|
| <p>1975 Begins company restructuring with drastic streamlining and downsizing of management</p> <p>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</p> <p>1987 Establishes subsidiary CHORI COMPANY, (HONG KONG) LIMITED</p> <p>1989 Establishes subsidiary CHORI TRADING (MALAYSIA) SDN. BHD.</p> | <p>1993 Establishes CHORI (SHANGHAI) CO., LTD., Chori's first subsidiary in China</p> <p>1995 Establishes P.T. CHORI INDONESIA</p> <p>2001 Establishes Chori Middle East FZE</p> <p>2002 Spins off the Synthetic Resin Business Division into a separate company</p> <p>2003 Launches the Reborn Management Plan and undergoes sweeping structural reforms</p> |
|--|---|

2004 —————

A Period of Breakthrough Results

Steady Improvements in Business Performance and Expansion of Business

- | | |
|---|---|
| <p>2004 Becomes a consolidated subsidiary of Toray Industries, Inc. Establishes subsidiaries CHORI (TIANJIN) CO., LTD. and CHORI (DALIAN) TRADING CO., LTD.</p> <p>2005 Establishes CHORI (CHINA) CO., LTD., the first Japanese trading company subsidiary with the rights to sell and trade in China</p> <p>2010 Establishes a representative office in Dhaka, Bangladesh</p> <p>2012 Establishes subsidiary CHORI KOREA CO., LTD.</p> <p>2013 Makes PTI Japan Limited (currently CHORI GLEX CO., LTD.), a trading company specializing in chemicals, a consolidated subsidiary</p> <p>2014 Relocates Tokyo Head Office to Shinagawa Establishes subsidiary CHORI TRADING INDIA PRIVATE LIMITED</p> <p>2015 Makes Miyako Kagaku Co., Ltd., a trading company specializing in chemicals, a consolidated subsidiary</p> <p>2016 Holds first annual Hokuriku Yarn Fair Establishes subsidiary CHORI VIETNAM COMPANY LIMITED</p> | <p>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.</p> <p>2018 Makes KOZAKURA SHOKAI CO., LTD., a trading company specializing in chemicals, a consolidated subsidiary Establishes subsidiary TAIWAN CHORI MERCHANDISE COOPERATION LTD.</p> <p>2019 Establishes CHORI (DALIAN) COMMERCIAL IMPORT EXPORT CO., LTD.</p> <p>2021 Makes STX Company Limited, a trading company specializing in textiles, a consolidated subsidiary</p> <p>2022 Launches Companywide business transformation project CARAT (based on SAP mission-critical system)</p> |
|---|---|

Contributing to a Sustainable Society

Create a sustainable virtuous cycle of capital expansion and value creation through our business activities

Capital (as of March 31, 2024)

Financial Capital

- Total equity ¥82.1 billion
- Net interest-bearing debt ¥(18.7) billion
- Investment Approx. ¥5.0 billion*1

*1 Total amount invested in digital transformation (SAP implementation). Includes certain investments made in fiscal 2022.

Intellectual Capital

- Expertise and know-how
- Branding of BLUE CHAIN™ and other products
→ Number of registered trademarks: Approx. 300

Human Capital

- Consolidated employees 1,304
- Nonconsolidated employees 343
→ Of whom, female employees 104 (30%)
- Employees of domestic and overseas subsidiaries 961
→ Of whom, locally hired employees overseas 473 (49%)

Social and Relationship Capital/ Manufacturing Capital

- Suppliers Approx. 1,600 companies
- Customers Approx. 1,400 companies
- Business sites*2
→ Japan 4
→ Overseas 31

*2 As of September 2024

Value Creation

Suppliers and Customers

- Create value through activities that go beyond the import and export of goods
- Further expand our line of sustainable materials
- Ensure ability to procure safe, high-quality products and raw materials
- Strengthen and ensure stability of supply chains (maintain a stable business continuity plan)
- Make effective use of resources and ensure their stable procurement and supply in line with global demand
- Address the human rights, labor, and health and safety concerns of suppliers

Employees

- Provide employees with a rewarding and enjoyable working environment
- Invest in human capital
- Increase employee engagement and promote health and productivity management

Shareholders and Investors

- Maximize shareholder value

Local Communities

- Help reduce the impact of climate change in order to achieve carbon neutrality by 2050
- Establish a circular economy by further expanding our line of carbon-free, recycling-oriented products
- Resolve social issues through business activities

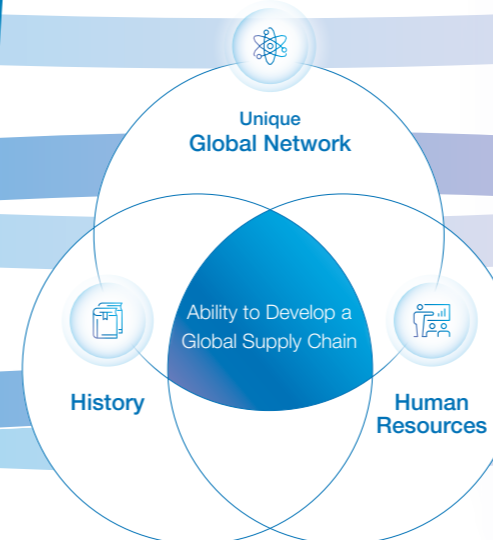
Chori Innovation Plan 2025
Become a corporate group that continues to evolve and change on a global scale, underpinned by its exceptional capabilities and expertise

VISION2030
Become the company of choice

2061
Become a 200-year-old company

Overview and Strategies by Business Segment
Page 23

Chori's Strengths
Page 15



1861
Founding

Chori was founded on the spirit of coexistence and co-prosperity "to develop our business for the benefit of the world and people and to always strive to grow together with our customers."

Material Issues



Promote businesses that contribute to the realization of a sustainable and prosperous society



Promote human resource development and diversity



Strengthen supply chain management



Strengthen governance and ensure compliance

Corporate Slogan

Making your dreams come true

Corporate Philosophy

As members of the global community, we will work for the betterment of society. We take pride in being fair and sincere, and in continuing to offer superb service in order to deliver superior customer satisfaction.

Chori's Strengths

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



Years since founding

163

Since our founding as a raw silk wholesaler, we have expanded our customer base and business know-how while broadening our business domain to synthetic fibers and chemicals to evolve by responding quickly to changes in society.



Overseas Network

31 locations*¹

We have continued to expand our overseas network since the establishment of our first overseas subsidiary in the United States in 1957. We conduct procurement, production, and sales activities at the most suitable locations by drawing on our business networks centered on China and the ASEAN region.



Subsidiaries and Affiliates

39 companies*²

The Chori Group consists of 33 subsidiaries and six affiliates. We will continue to expand the Group through M&As of companies in the same industry or related industries that offer the potential for synergies.



Suppliers

Approx. 1,600 companies

We acquire a wide range of raw materials from various manufacturers in Japan and overseas. Taking into account the needs of our customers, we work with suppliers to develop new products through our market-in approach.



Customers

Approx. 1,400 companies

We maintain a steady supply of products by meeting the needs of our customers through efforts that include securing raw materials, ensuring the transparency of the supply chain, and responding to issues when they arise. We have also been receiving an increasing number of inquiries for SDG-oriented products.



Consolidated Employees

1,304*²

We create added value through our extensive range of know-how and expertise cultivated over many years. Leveraging our versatility, we nurture employees who can respond quickly and flexibly to customer needs.

*¹ As of September 30, 2024 *² As of March 31, 2024

Differentiating Chori's Supply Chain through the Collective Efforts of Employees across the Group

Yoko Kotani

General Manager
TAIWAN CHORI MERCHANDISE COOPERATION LTD.



Owing to the strength of our textile-related businesses, we have continued to develop stronger ties with people and companies with diverse backgrounds, experiences, and perspectives, including sewing factories, various suppliers, and customers. Even in countries I visited for the first time, there were many cases in which the support and cooperation of the Chori Group's overseas business sites led to new business opportunities, and I have come to realize the strength of Chori's global supply chain, which is backed by its history of over 160 years.

TAIWAN CHORI MERCHANDISE COOPERATION LTD., where I currently serve as general manager, has been developing close relationships with manufacturers in Taiwan for many years,

mainly in the yarn, textile, and chemical businesses. Our main business is the supply of functional materials to customers. TAIWAN CHORI MERCHANDISE COOPERATION has been positioned as an important strategic base for the continued development of the Company's already extensive business reach in Asia and the further growth of the Group's business. In light of Japan's rapidly changing external business environment and the need for further globalization of Chori's production sites and sales network, I believe we can differentiate our supply chain through the collective efforts of employees across the Group, including overseas bases, and their ability to develop new markets.

Chori's Value Creation History of Evolution and Change



Though we have endured long periods of hardship over our more than 160 years in business, we made a fresh start in 2003 with the establishment of our Reborn Management Plan and have since continued to evolve and change while enhancing our corporate value.

As a part of this regrowth, we have focused on ROA as a key management indicator in order to fulfill the needs of all stakeholders, including shareholders, business partners, employees, and society as a whole.

Reborn Management Plan Fiscal 2003 to Fiscal 2005

- Basic Strategies**
- Strengthen financial base
 - Strengthen corporate governance
 - Ensure business profitability

Results
Improved financial position through our efforts to select and concentrate management resources on certain businesses with the aim of maximizing ROA. Targets for total assets, net interest-bearing debt, and ROA were achieved ahead of schedule.

Net Sales (Yen)			
FY	Plan	Result	
2003	286.9 billion	299.5 billion	
2004	255.3 billion	242.2 billion	
2005	261.0 billion	223.3 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2003	2.8 billion	2.9 billion	
2004	4.1 billion	3.4 billion	
2005	4.7 billion	4.5 billion	

ROA (Net Profit Basis)*3			
FY	Plan	Result	
2003	2.1%	0.9%	
2004	3.1%	4.0%	
2005	3.4%	5.2%	

Yakushin 2006 Fiscal 2005 to Fiscal 2006

- Basic Strategy**
- Rapidly increase business profitability
 - Further improve operational efficiency

Results
Continued to strengthen financial position as the steady improvement in profitability led to a turnaround in revenue growth and record ordinary profit.

Net Sales (Yen)			
FY	Plan	Result	
2005	240.0 billion	223.3 billion	
2006	255.0 billion	232.1 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2005	5.0 billion	4.5 billion	
2006	6.0 billion	4.9 billion	

ROA (Net Profit Basis)*3			
FY	Plan	Result	
2005	5.0%	5.2%	
2006	6.0%	4.8%	

Yakushin 2008 Fiscal 2007 to Fiscal 2008

- Basic Strategy**
- Establish a high-profit structure conducive to sustainable growth
 - Further promote open and honest compliance management

Results
Aggressively developed business centered on China, achieved record ordinary profit for the fourth consecutive year, and purchased and redeemed preferred shares, resuming dividend payments for the first time in 17 and a half years.

Net Sales (Yen)			
FY	Plan	Result	
2007	240.0 billion	252.1 billion	
2008	270.0 billion	223.0 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2007	5.1 billion	5.7 billion	
2008	5.5 billion	6.0 billion	

ROA (Net Profit Basis)*3			
FY	Plan	Result	
2007	4.3%	4.0%	
2008	4.4%	5.9%	

Yakushin 2010 Fiscal 2009 to Fiscal 2010

- Basic Strategy**
- Reorganize business structure in response to changes in the business environment
 - Develop and inspire employees
 - Further promote open and honest compliance management

Results
Successfully reorganized business structure in response to changes in the business environment as a result of the global financial crisis of 2007 to 2009 and achieved our planned goals despite the impacts of the stagnant Japanese economy.

Net Sales (Yen)			
FY	Plan	Result	
2009	200.0 billion	191.1 billion	
2010	230.0 billion	222.1 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2009	4.0 billion	4.7 billion	
2010	5.0 billion	5.3 billion	

ROA (Net Profit Basis)*3			
FY	Plan	Result	
2009	4.0%	5.1%	
2010	4.5%	8.3%	

Yakushin 2013*1 Fiscal 2012 to Fiscal 2013

- Basic Strategy**
- Promote consolidated global management
 - Strengthen management foundation
 - Develop new businesses, conduct business investments, and engage in M&As

Results
Continued to review existing businesses while establishing new businesses, increased the ratio of nonconsolidated to consolidated ordinary profit through the expansion of business overseas, and carried out business investments of approximately ¥4.0 billion, including M&As.

Net Sales (Yen)			
FY	Plan	Result	
2012	230.0 billion	221.8 billion	
2013	260.0 billion	224.3 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2012	6.3 billion	5.5 billion	
2013	7.0 billion	5.8 billion	

ROA (Ordinary Profit Basis)*4			
FY	Plan	Result	
2012	9.0%	7.6%	
2013	9.0%	7.5%	

*1 The formulation of this medium-term management plan was postponed in fiscal 2011 due to the effects of the Great East Japan Earthquake.

Yakushin 2016 Fiscal 2014 to Fiscal 2016

- Basic Strategy**
- Reinforce consolidated management structure
 - Strengthen human resource development structure
 - Develop new businesses and engage in M&As

Results
Strengthened the foundation of our overseas businesses and carried out business investments of approximately ¥9.0 billion, including a large-scale M&A in the Chemicals Business (Miyako Kagaku Co., Ltd.).

Net Sales (Yen)			
FY	Plan	Result	
2014	260.0 billion	248.4 billion	
2015	280.0 billion	291.6 billion	
2016	300.0 billion	270.9 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2014	6.2 billion	6.0 billion	
2015	6.8 billion	5.5 billion	
2016	7.5 billion	7.0 billion	

ROA (Ordinary Profit Basis)*4			
FY	Plan	Result	
2014	8.0%	7.1%	
2015	8.0%	5.6%	
2016	8.0%	7.1%	

Chori Innovation Plan 2019 Fiscal 2017 to Fiscal 2019

- Basic Strategy**
- Reinforce consolidated management structure
 - Develop new businesses, conduct business investments, and engage in M&As
 - Strengthen corporate governance
 - Strengthen human resource development structure

Results
Carried out business investments of approximately ¥6.0 billion, including M&As; improved overall profitability; and achieved record ordinary profit in two consecutive years through the contributions of subsidiaries acquired through M&As.

Net Sales (Yen)			
FY	Plan	Result	
2017	280.0 billion	311.7 billion	
2018	300.0 billion	356.5 billion	
2019	330.0 billion	329.4 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2017	7.2 billion	7.5 billion	
2018	7.8 billion	8.7 billion	
2019	8.5 billion	8.7 billion	

ROA (Ordinary Profit Basis)*5			
FY	Plan	Result	
2017	7.2%	6.9%	
2018	7.3%	7.3%	
2019	7.5%	7.5%	

Chori Innovation Plan 2022 Fiscal 2020 to Fiscal 2022

- Basic Strategy**
- Reinforce consolidated management structure
 - Create next-generation business models
 - Strengthen corporate governance
 - Promote compliance
 - Strengthen human resource development structure

Results
Established the foundation for our new stage of consistently delivering ordinary profit at the ¥10.0 billion level through the expansion of our overseas business and the contributions of subsidiaries acquired through M&As, in addition to engaging in a large-scale M&A in the Fibers, Textiles, and Garments Business (STX Company Limited).

Net Sales*2 (Yen)			
FY	Plan	Result	
2020		216.2 billion	
2021		284.1 billion	
2022	280.0 billion	329.4 billion	

Ordinary Profit (Yen)			
FY	Plan	Result	
2020		4.7 billion	
2021		10.3 billion	
2022	11.0 billion	12.4 billion	

ROA (Ordinary Profit Basis)*5			
FY	Plan	Result	
2020		4.1%	
2021		8.4%	
2022	8.0% or more	9.0%	

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

Strengthen financial base and select and concentrate management resources on certain businesses Strengthen management foundation and launch M&A strategy Evolve and transform business model and strengthen corporate governance
Advance to a new stage of consistently delivering ordinary profit at the ¥10.0 billion level

*3 ROA = Net profit attributable to owners of parent / Total assets × 100 *4 ROA = Ordinary profit / Total assets × 100 *5 ROA = Ordinary profit / Total assets (Avg. of beginning and end of fiscal year) × 100

Chori Innovation Plan 2025

Chori Innovation Plan 2025, our medium-term management plan covering the three-year period from fiscal 2023 to fiscal 2025, marks the final stage of the Chori Innovation Plan, which we have been promoting since fiscal 2017. Under the Chori Innovation Plan, we are transforming businesses and management structures to achieve further growth and expansion to achieve VISION2030. Aiming to further enhance corporate value, the Chori Group will move forward as a corporate group that constantly evolves and changes on a global scale, underpinned by our exceptional capabilities and expertise.

Financial Targets		Non-Financial Targets	
	Fiscal 2025 Plan		
Net Sales	¥360.0 billion	✓ Expand our line of environment-friendly SDG-oriented products	
Profit before Income Taxes	¥16.0 billion	✓ Increase the percentage of women among career-track hires and employees who have transferred to career-track positions to over 30%	
Net Profit Attributable to Owners of Parent	¥11.0 billion	✓ Increase the percentage of male employees taking childcare leave	
ROA*1	7% or more	✓ Increase the percentage of women in management positions	
ROE*1	12% or more	✓ 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	
ROIC*2	Approx. 10%	✓ Invest approximately ¥5.0 billion in digital transformation (DX) measures, including the adoption of SAP software	

*1 Net profit attributable to owners of parent basis
 *2 Return on invested capital (ROIC) = Operating profit after income taxes / Invested capital (Equity + Interest-bearing debt, Avg. of beginning and end of fiscal year)

VISION2030:
The Company We Aspire to Be

Net Sales ¥400.0 billion

Profit before Income Taxes ¥20.0 billion

Sustainability

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

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

Material Issues



Promote businesses that contribute to the realization of a sustainable and prosperous society



Promote human resource development and diversity



Strengthen supply chain management



Strengthen governance and ensure compliance

We will continue to create value beyond the period of Chori Innovation Plan 2025 through our approach to material issues.

Promote Consolidated Management Centered on Our Global Business

Basic Strategy

01

Chori will strengthen the operating bases of its major overseas business sites by enhancing its mission-critical system and expanding its overseas workforce while improving 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 synergies, we will strive to develop next-generation products and expand our line of existing products.

Develop Sustainable Businesses That Adapt Quickly to the Changing Business Environment

Basic Strategy

02

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.

Promote ESG Management

Basic Strategy

03

We strive to strengthen ESG management by addressing climate change and expanding our line of environment-friendly products, developing a diverse workforce and promoting respect for human rights to ensure the well-being of stakeholders, and continuing to strengthen and promote corporate governance, compliance, and risk management.

Business-Specific Strategies to Achieve the Goals of Chori Innovation Plan 2025

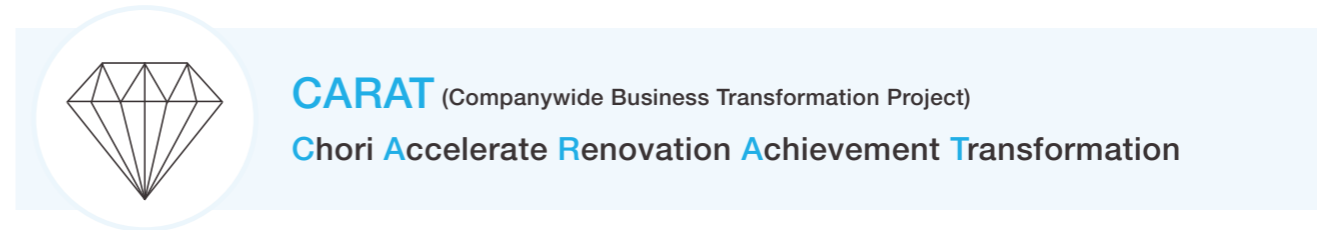
POINT 1	Strengthen consolidated management centered on our global business, including overseas subsidiaries and Group companies			
	<table border="0"> <tr> <td style="background-color: #0070C0; color: white;">Fibers, Textiles, and Garments</td> <td>Pursue and optimize Group synergies with STX Company Limited, ASADA U CO., LTD., and MCC Industry COMPANY LIMITED</td> </tr> <tr> <td style="background-color: #0070C0; color: white;">Chemicals</td> <td>Accelerate creation of new businesses by strengthening collaboration with overseas subsidiaries and Group companies</td> </tr> </table>	Fibers, Textiles, and Garments	Pursue and optimize Group synergies with STX Company Limited, ASADA U CO., LTD., and MCC Industry COMPANY LIMITED	Chemicals
Fibers, Textiles, and Garments	Pursue and optimize Group synergies with STX Company Limited, ASADA U CO., LTD., and MCC Industry COMPANY LIMITED			
Chemicals	Accelerate creation of new businesses by strengthening collaboration with overseas subsidiaries and Group companies			
POINT 2	Expand our line of environment-friendly SDG-oriented products			
	<table border="0"> <tr> <td style="background-color: #0070C0; color: white;">Fibers, Textiles, and Garments</td> <td>Strengthen development of BLUE CHAIN™ products</td> </tr> <tr> <td style="background-color: #0070C0; color: white;">Chemicals</td> <td>Strengthen development of SDG-oriented products and expand scope of mobility and eco-friendly solutions</td> </tr> </table>	Fibers, Textiles, and Garments	Strengthen development of BLUE CHAIN™ products	Chemicals
Fibers, Textiles, and Garments	Strengthen development of BLUE CHAIN™ products			
Chemicals	Strengthen development of SDG-oriented products and expand scope of mobility and eco-friendly solutions			
POINT 3	Expand business areas through growth investments and M&As			
	<table border="0"> <tr> <td style="background-color: #0070C0; color: white;">Fibers, Textiles, and Garments</td> <td>Accelerate business growth through M&As and investments, in addition to expanding our business of automotive, hygienic, construction, and lifestyle-related materials in the Industrial Textiles Business Department</td> </tr> <tr> <td style="background-color: #0070C0; color: white;">Chemicals</td> <td>Promote product development through a market-in approach that allows Chori to take initiative, including for business investments</td> </tr> </table>	Fibers, Textiles, and Garments	Accelerate business growth through M&As and investments, in addition to expanding our business of automotive, hygienic, construction, and lifestyle-related materials in the Industrial Textiles Business Department	Chemicals
Fibers, Textiles, and Garments	Accelerate business growth through M&As and investments, in addition to expanding our business of automotive, hygienic, construction, and lifestyle-related materials in the Industrial Textiles Business Department			
Chemicals	Promote product development through a market-in approach that allows Chori to take initiative, including for business investments			

Fiscal 2023 Progress

- ✓ Management focused on capital efficiency as a measure of ROIC (Page 7)
- ✓ Steadily expanding our line of SDG-oriented products (Page 47)
- ✓ Steady progress of CARAT, the Companywide business transformation project for the development of a DX management structure (Page 21)
- ✓ Steady progress in each business: Fibers, Textiles, and Garments (Page 25), Chemicals (Page 29), and Machinery (Page 33)

DX Strategy

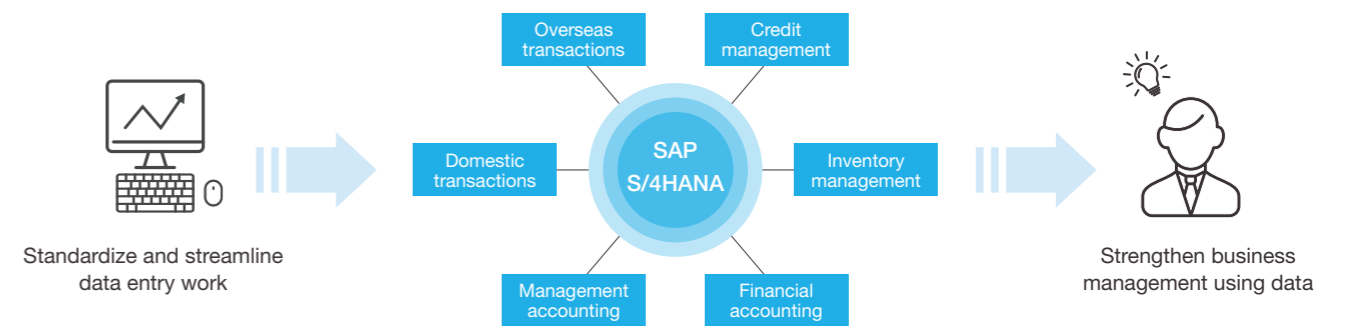
Chori is promoting digital transformation (DX) from both defensive and offensive perspectives. To solidify its defensive DX strategy, the Company has continued to forge ahead with the creation of its DX management structure based on CARAT, our Companywide business transformation project, since 2022. Following the launch of full-scale operation in 2025, we will focus on strengthening businesses based on the management structure we have established as part of our offensive DX strategy and utilize these efforts as a springboard to realize VISION2030, our vision of the company we aspire to be by 2030.



Based on the slogan "Fit to Standard," in April 2022, we launched a Companywide business transformation project with the aim of completely rebuilding Chori as an organization. The project was named CARAT (Chori Accelerate Renovation Achievement Transformation) to liken Chori, which engages in the Fibers Textiles, and Garments, Chemicals, and Machinery businesses, to a diamond with several facets and convey the meaning that the Company will continue to refine its appeal and shine even more brightly in the future.

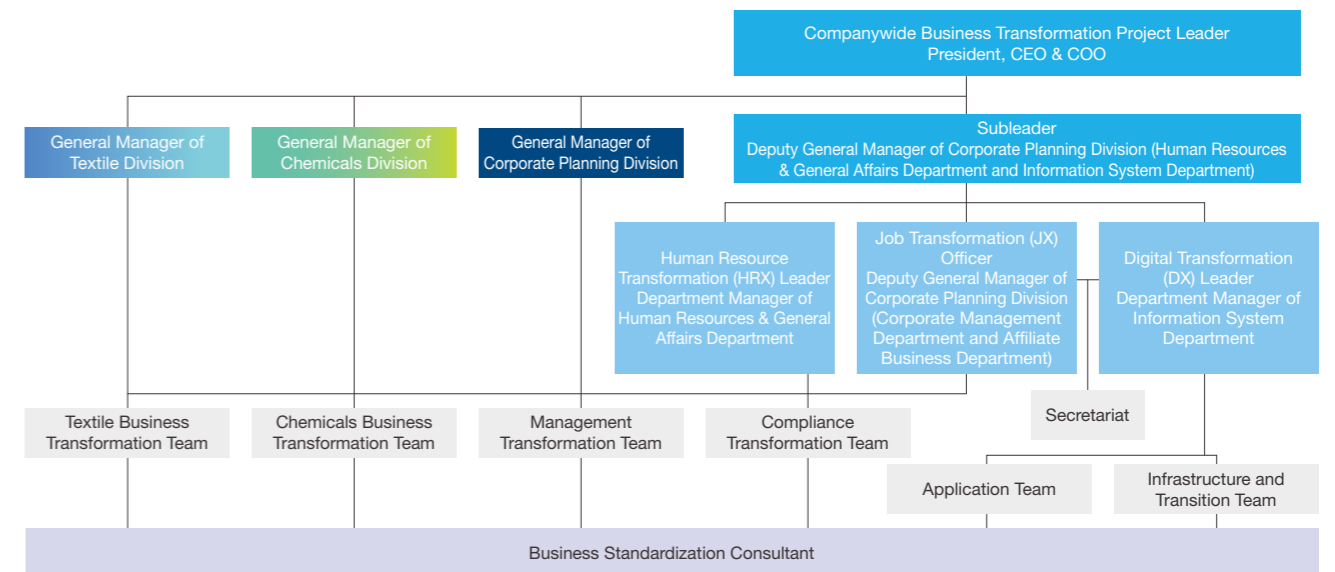
We aim to develop a next-generation mission-critical system (SAP S/4HANA Cloud ERP) that facilitates our business and management transformation by standardizing and then automating and visualizing operations and further restructuring our operations and organization. We plan to fully operate this system in April 2025 and invest approximately ¥5.0 billion in the DX platform.

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.

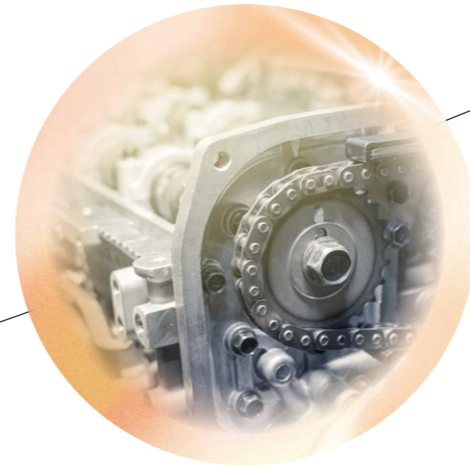
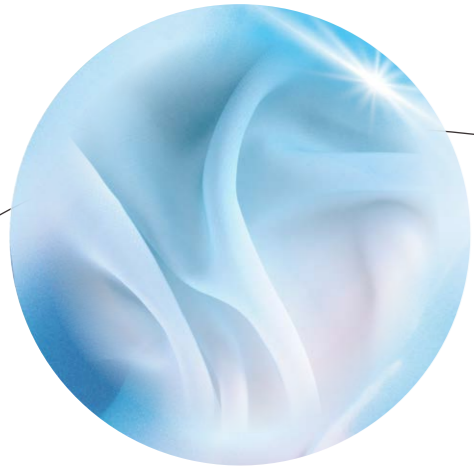


Promotion Structure

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.



Overview and Strategies by Business Segment



Fibers, Textiles, and Garments Business

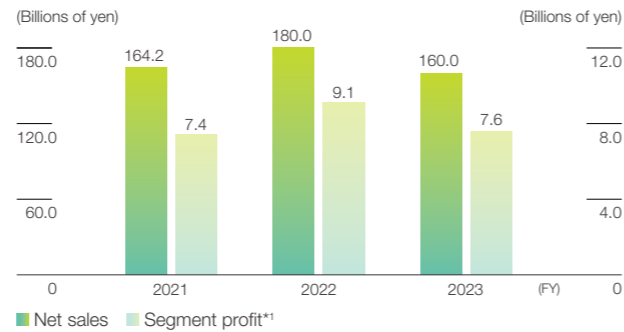
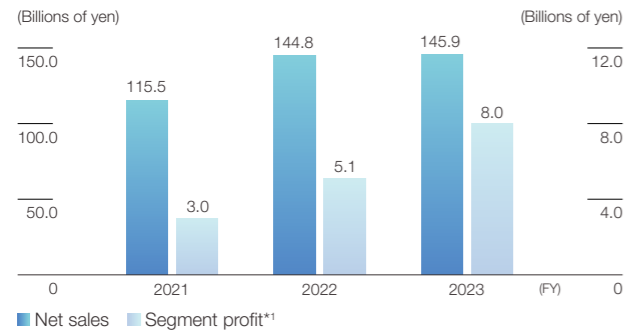
Apparel-related products in Japan performed favorably by capturing the recovering demand in this market, primarily in the areas of fabric materials and menswear. As a result, net sales increased 0.7% from the previous year, to ¥145.9 billion, and segment profit (profit before income taxes) soared 57.5%, to ¥8.0 billion, reaching our highest results ever.

Chemicals Business

Despite steady growth in areas of the fine chemicals field, such as pharmaceutical and agrochemical intermediates, and the life sciences field, such as animal feed and food additives, net sales decreased 11.1% from the previous year, to ¥160.0 billion, and although segment profit (profit before income taxes) fell 16.3%, to ¥7.6 billion, it was the second highest result ever for the Chemicals Business.

Machinery Business

As a result of selecting and focusing on certain business areas in response to the delay in collecting receivables from business partners in the UAE as well as the recording of losses from foreign exchange fluctuations, net sales dropped 61.2% from the previous year, to ¥1.7 billion, while segment profit improved from a loss (loss before income taxes) of ¥1.3 billion in the previous year to a loss (loss before income taxes) of ¥0.6 billion.



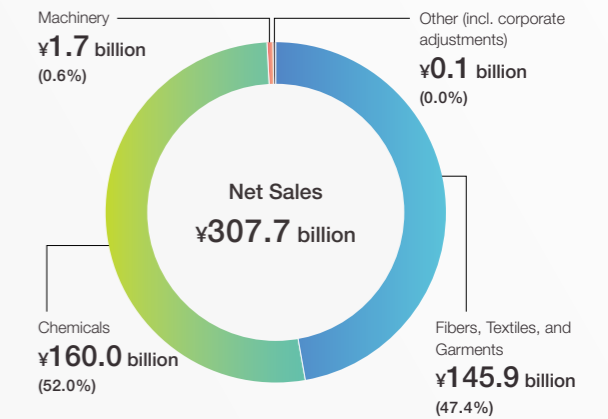
*1 Ordinary profit in fiscal 2021 and profit before income taxes in fiscal 2022 and thereafter. *2 Ordinary loss in fiscal 2021 and loss before income taxes in fiscal 2022 and thereafter.

Group Structure

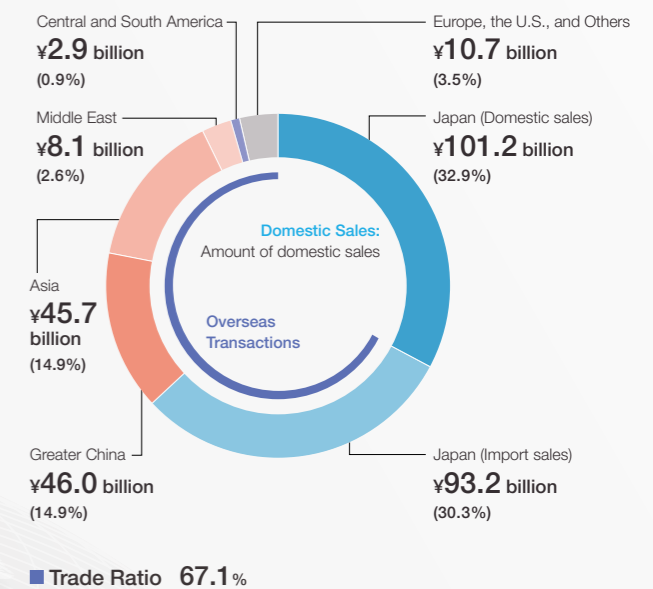
	Major Subsidiaries	Main Business
CHORI CO., LTD.	Fibers, Textiles, and Garments Business: 10 companies	STX Company Limited ASADA U CO., LTD. Manufacturing and sale of clothing, fabric materials, etc. Sale of vehicle interior materials and packaging materials
	Chemicals Business: 8 companies	Miyako Kagaku Co., Ltd. KOZAKURA SHOKAI CO., LTD. CHORI GLEX CO., LTD. Sale of raw materials and products, etc. of chemicals, synthetic resins, pharmaceuticals, food, electronic components, etc. Sale of chemical products (lubricating oil additives, fuel oil additives, etc.) Import and sales of chemicals, construction materials and industrial products
	Machinery Business: 1 company	Chori Machinery Co., Ltd. Sale of transportation equipment, etc.
	Other: 1 company	Business Anchor Corporation Office outsourcing services
	Overseas subsidiaries: 19* companies	CHORI AMERICA, INC. CHORI (CHINA) CO., LTD. THAI CHORI CO., LTD Sales in the United States, export and import, and overseas transactions of various products Sales in China, export and import, and overseas transactions of various products Sales in Thailand, export and import, and overseas transactions of various products

* Includes dormant companies

Fiscal 2023 Net Sales by Segment



Fiscal 2023 Net Sales by Region

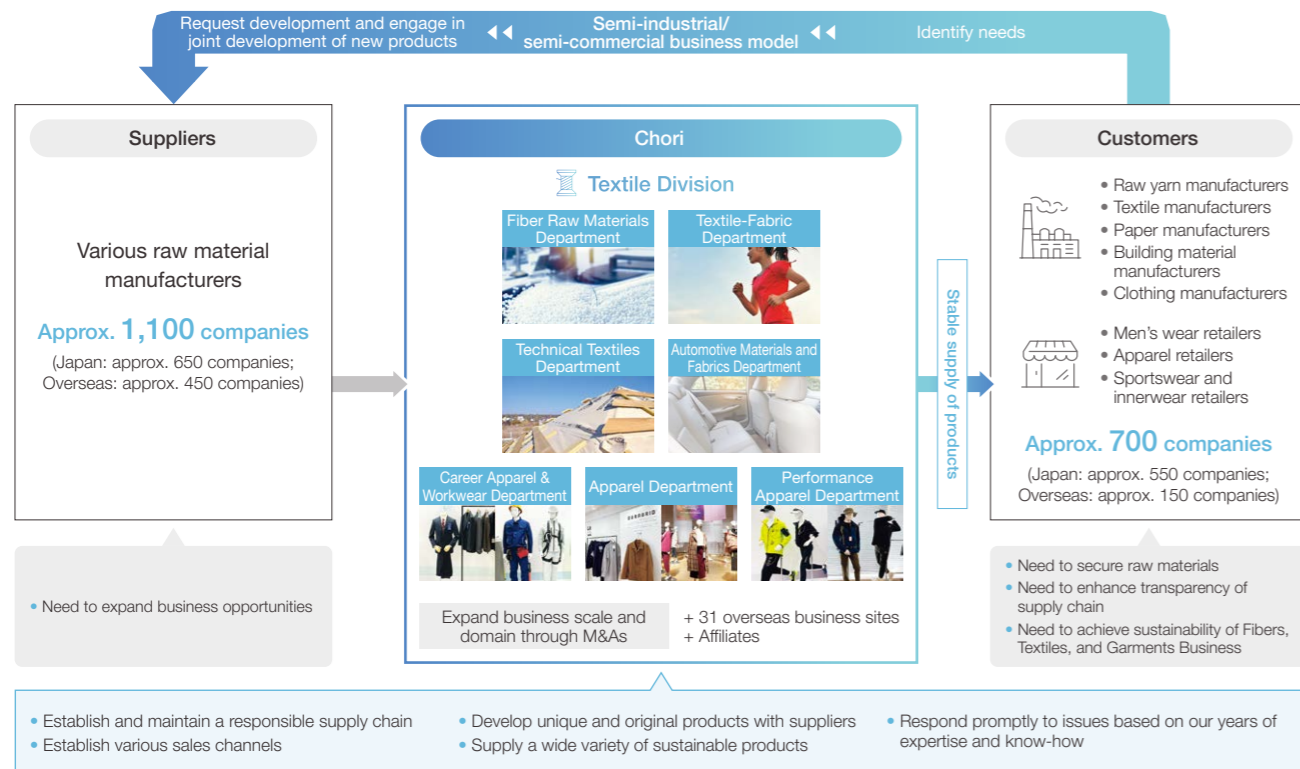


Overview

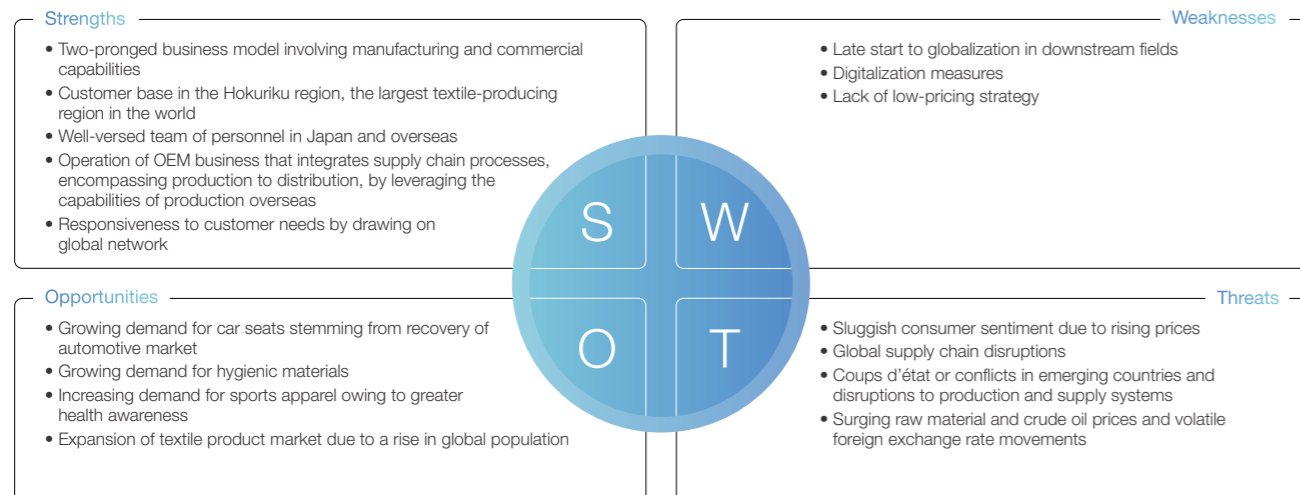
Fibers, Textiles, and Garments Business

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



Road to Achieving Chori Innovation Plan 2025

We will further expand our business by leveraging our extensive track record and experience.

Naohiko Ashida
Managing Executive Officer
General Manager of Textile Division



Overview of Fiscal 2023 Performance and Market Environment of the Fibers, Textiles, and Garments Business

Following the reclassification of COVID-19 as a Class 5 infectious disease and the subsequent relaxation of restrictions on movement and public gatherings, the markets picked up instantly in the fashion industry. Riding this tailwind, in fiscal 2023 the Fibers, Textiles, and Garments Business posted increases in net sales to ¥145.9 billion and segment profit (profit before income taxes) to ¥8.0 billion. Despite the rapid depreciation of the Japanese yen and drastic increases in raw material prices and ocean freight rates, we were able to pass on these higher costs to prices with the understanding of our customers. We were able to maintain strong performance through our ability to read market conditions and the relationships we have built with our customers over many years.

Regardless, this success did not come easily. COVID-19 has increased customers' concerns over inventory levels, resulting in orders of smaller lots to avoid unsold stock. The rapid depreciation of the Japanese yen has significantly changed the rate of return we had set for each product, resulting in fewer additional orders. We have also felt the impact of climate change, as demand for outerwear and other profitable products for the fall and winter seasons have declined due to global warming. Under these circumstances, we established a system that steadily generates profit in each quarter by leveraging our exceptional capabilities and expertise and focusing on products for our BLUE CHAIN™ brand.

We can now respond quickly to changes in market conditions through the reorganization of our business into a single division under the previous medium-term management plan. This integration has led to the development of a system that promotes collaboration from upstream fields, where Chori's strengths lie, to downstream fields, allowing us to fully utilize the strengths of the Fibers, Textiles, and Garments Business, which covers the entire value chain. I have been in charge of the apparel business since I joined the Company, but there was no collaboration with the materials-related divisions in the past, so we often chose materials from other companies to minimize costs. Through our integration into a single division, we are now able to obtain information on Chori's yarns and fabrics, which are unique in terms of functionality and other features, and emphasize their strengths to customers. Using our own materials has increased profitability and the establishment of our BLUE CHAIN™ brand of environment-friendly products has improved our chances of being remembered and chosen by our customers. This is a testament to the growth of the Fibers, Textiles, and Garments Business. In addition, by having the upstream and downstream fields operate under a single division, we are able to obtain information on products for which information was difficult to obtain in the past and apply it to the development of yarn, fabrics, and other products, thereby expanding the range of our own products and increasing profitability.

	FY2022	FY2023	Amount Change	Percentage Change
Net Sales	144.8	145.9	+1.0	+0.7%
Profit before Income Taxes	5.1	8.0	+2.9	+57.5%

(Billions of yen)

Overview and Strategies by Business Segment

Fibers, Textiles, and Garments Business

Road to Achieving

Chori Innovation Plan 2025

Progress of Chori Innovation Plan 2025

CIP2025 Segment Strategies

- 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

With regard to our segment strategies of “reinforce our proprietary business model” and “ensure stable growth in the three areas of materials, products, and resources” in Chori Innovation Plan 2025, we have reorganized these business areas to build a more robust value chain for our market-in business model. The Company will consistently grow these three areas by moving forward with its segment strategy of “continue to grow the business across the globe” based on its technological and development capabilities in Japan, particularly the Hokuriku region, which are highly recognized around the world. Meanwhile, our collaboration with STX Company Limited will play a major role in our efforts to “reinforce our proprietary business model.” Although STX is a textile trading company as well, it specializes in natural fibers, so there is very little competition for customers of Chori, whose strength lies in synthetic fibers. Chori has also benefited from this relationship through the use of a sewing factory in Vietnam operated by STX, which has improved its response to customer needs.

To “expand business in growth sectors (the environment, health, and comfort),” we will continue to expand sales of SDG-oriented products under the BLUE CHAIN™ concept by following on from our success in fiscal 2023 in which consolidated sales of SDG-oriented products increased by 23% year on year, to ¥19.0 billion.

To “continue to grow the business across the globe,” it is imperative that we take the right approach in developing our business overseas, considering the rising global population and the declining birth rate and aging population in Japan. Chori has a long history of working closely with companies in China and will continue to be an important partner going forward. However, problems similar to those in Japan, such as soaring labor costs and labor shortages, are coming to light in China. Chori has been doing business with Chinese companies for many years and they will continue to be important partners going forward. Through these relationships, we have expanded our business in the ASEAN region and intend to strengthen our global business by developing sales channels in Europe, the United States, and other parts of the world.

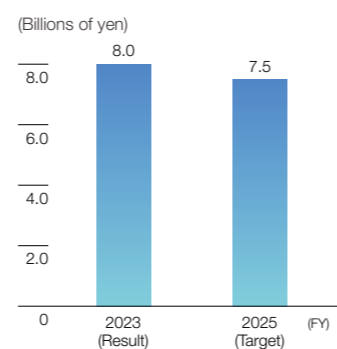
Finally, with regard to our segment strategy of “pursue exceptional levels of functionality and expertise and further set ourselves apart from the competition,” I believe Chori’s unique products are starting to gain more recognition, partly due to our successful branding efforts under the BLUE CHAIN™ concept in the COVID-19 era. Chori will continue to develop differentiated products that take advantage of its exceptional capabilities and expertise to ultimately realize a highly profitable business structure that does not rely on the development of generic products.

Approach Going Forward

We will actively carry out business investments in growth areas and regions as declared in Chori Innovation Plan 2025. A major investment we made in fiscal 2024 was the leasing of equipment for our SPX™ brand of PIN texturized yarn. PIN texturized yarn is produced using traditional yarn processing methods in the Hokuriku region and was initially used in school PE uniforms. However, we have received inquiries from overseas for use in various sportswear, so we expect its range of applications to expand going forward. The textile industry still has plenty of room for growth, particularly overseas. As long as we continue to focus on the overseas market, we will solidify our position in this industry and be able to spread our wings even further.

We are a company with a 163-year history and the textile business is our original business. Chori will continue to expand its textile business with the aim of becoming the company of choice in the global market and for all stakeholders, including supply chain partners, customers, and employees.

② Segment Profit of Fibers, Textiles, and Garments Business



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



STX Company Limited

Became a wholly owned subsidiary in June 2021

With Chori specializing in synthetic fibers and STX Company Limited 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.

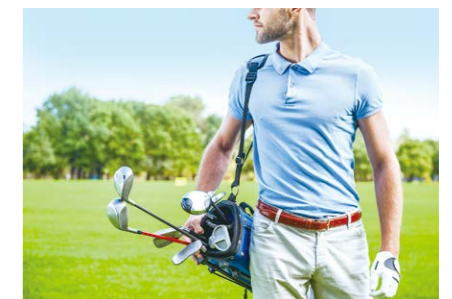
The automotive interior materials business tailors its plans and proposals to diversifying lifestyles and various customer needs based on its years of achievements and experience. Having received ISO 9001 certification, the company is committed to maintaining high levels of quality. In addition, the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

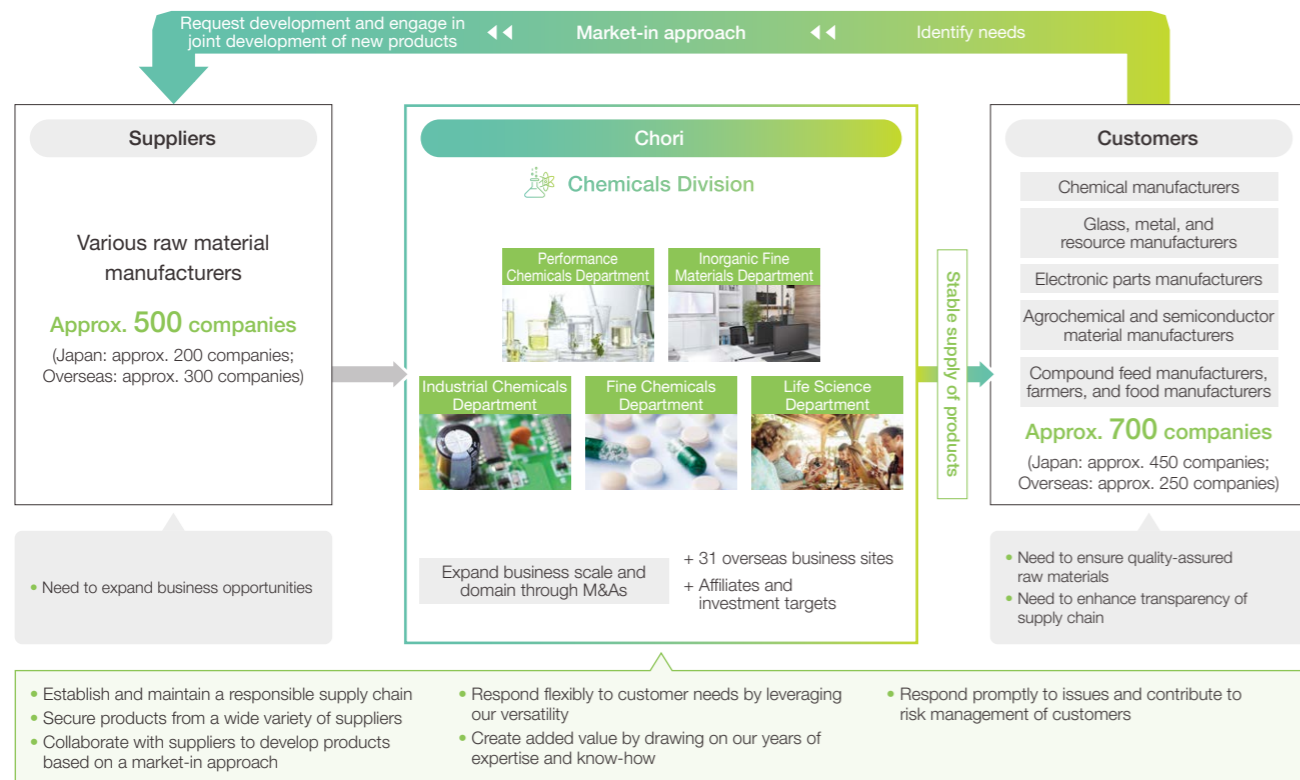
MCC Industry produces and supplies fashionable and highly functional sportswear, outdoor wear, and sports casual products, as well as the fabrics used in these products, in Japan and overseas, mainly for golf and athletic use for leading brands. Many manufacturers are highly conscious of sustainability 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.



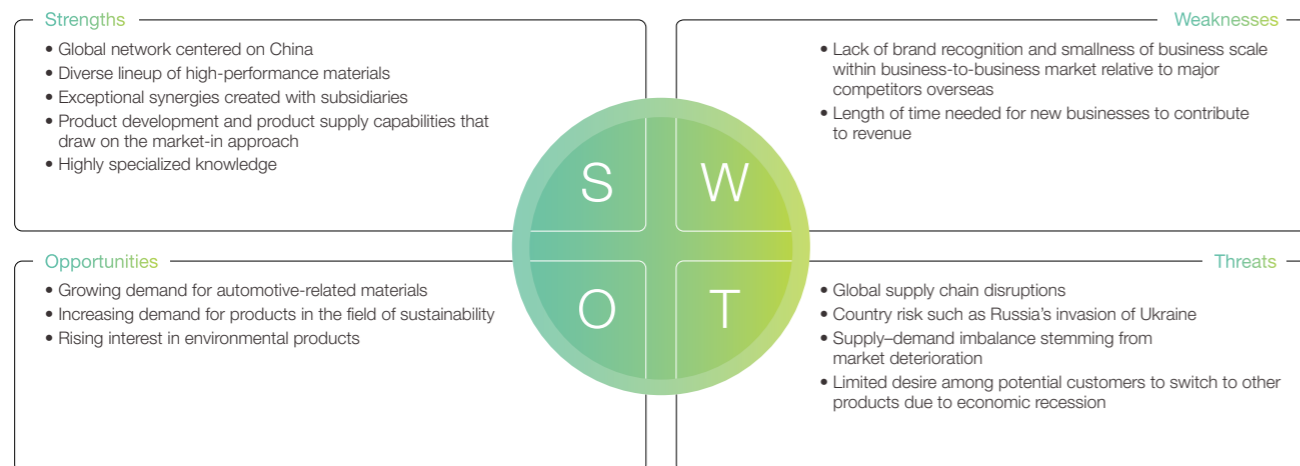
Chemicals Business

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 electronics, semiconductor, and battery materials; non-ferrous metals; healthcare; agrochemicals; feed; fertilizer; food materials; green business; and digitalization, Chori caters to the wide-ranging of needs of its customers.



SWOT Analysis of the Chemicals Business



Road to Achieving

Chori Innovation Plan 2025

We will strive to be the company of choice in our markets from a medium- to long-term perspective.

Yoshihiro Teratani

Managing Executive Officer
General Manager of Chemicals Division



Overview of Fiscal 2023 Performance and Market Environment of the Chemicals Business

In contrast to fiscal 2022, in which we were able to secure and provide a steady supply of products and achieve business growth despite the effects of COVID-19 and supply chain disruptions, fiscal 2023 was a year of challenges due to declining raw material prices and reduced demand as a result of excess supplies from manufacturers in China and other factors. Notwithstanding, products developed by the Life Science Department for the food service industry performed well, despite lackluster demand during COVID-19. We also saw some success in the Fine Chemicals Department, which develops businesses in the fields of pharmaceuticals, agrochemicals, and electronic materials, for which we expect demand to increase over the medium to long term. Meanwhile, the Performance Chemicals Department, Inorganic Fine Materials Department, and Industrial Chemicals Department of the Chemical & Materials Business Department were profoundly impacted by market conditions and price fluctuations that have occurred in the post-COVID-19 era, and it was also a difficult year for CHORI (CHINA) CO., LTD., Miyako Kagaku Co., Ltd., and other Group companies. As a result, net sales decreased to ¥160.0 billion and segment profit (profit before income taxes) fell to ¥7.6 billion. Several factors contributed to the decline in segment profit, including market conditions and a fire that occurred at a factory of a Group company. Regardless, ¥7.6 billion is by no means a bad result considering it is our second

highest figure on record. Accordingly, fiscal 2023 was also a year in which we realized the strengths of the Chemicals Business.

With regard to commodity chemicals handled by the Performance Chemicals Department of the Chemical & Materials Business Department, in fiscal 2024 we began shifting our focus from the export of domestic products to the strengthening of our imports. In particular, we have increased our handling of biodegradable resins and other competitive products produced in China, increasing our import ratio. The Inorganic Fine Materials Department's main business is shifting resources from displays, for which demand is on a declining trend, to nonferrous metals and electronics materials. In the Industrial Chemicals Department, we foresee further growth in demand for capacitors going forward. Through the development of these new products, we will strive to expand the range of both products and users. The Life & Fine Chemicals Business Department is also broadening its product mix. By entering the semiconductor field and outsourcing business to India, South Korea, and China, the Fine Chemicals Department is steadily expanding its project portfolio and will continue to branch out into these fields. In the Life Science Department, we are strengthening our products in the field of processed foods for end users. Moving ahead, we intend to maintain our strong performance by making forays into Southeast Asia and other regions where population growth is expected.

	FY2022	FY2023	Amount Change	Percentage Change
Net Sales	180.0	160.0	-20.0	-11.1%
Profit before Income Taxes	9.1	7.6	-1.5	-16.3%

(Billions of yen)

Progress of Chori Innovation Plan 2025

CIP2025 Segment Strategies

- 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

Segment strategy: Promote consolidated management centered on our global business

Our efforts to “promote consolidated management centered on our global business” are making steady progress. The fact that we were able to record our highest profit in fiscal 2022 during the COVID-19 era was the result of our efforts to develop solid relationships with suppliers. Believing in the importance of face-to-face communication, especially for establishing new businesses, we will continue to assign representatives overseas to seek out new suppliers and develop new supply chains.

Segment strategy: Establish environmentally conscious businesses that offer high levels of functionality and profitability in place of existing substandard businesses

Under our current business model, we have continued to provide greater value to society by focusing on highly functional and profitable midstream and downstream businesses and securing suppliers through investments and other means. However, it is also a fact that we must find alternative solutions for our materials to contribute even more to the SDGs. We will

gradually expand our business by reinforcing our cost-reduction measures, such as engaging in mass production with companies in China with which we have been doing business for many years. We hope that our commitment to environmentally conscious businesses will lead to the resolution of social issues one after another.

Segment strategy: Develop frameworks and product domains that are resilient to changes in market and economic conditions

Commodity chemicals, which are susceptible to crude oil prices and market trends, are mainly used in the midstream and downstream fields. By developing highly functional and profitable businesses and environment-friendly products that allow Chori to develop sales channels from upstream through its position as a manufacturer, we believe we can create frameworks that are less susceptible to market and economic conditions. To develop our product domains, we are strengthening our mid-career recruitment process of professionals from other industries and foreign nationals to bring in new perspectives and knowledge from outside the Company. We will continue to engage in such measures to create frameworks that are less susceptible to market and economic conditions.

Segment strategy: Strengthen cooperative efforts with China, India, South Korea, and countries in Southeast Asia and South America

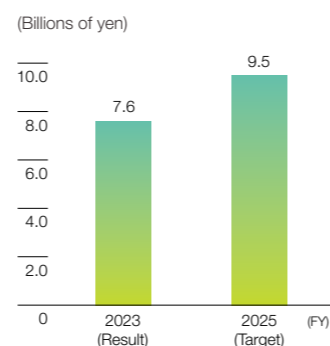
To enhance our cooperation with China, India, South Korea, and countries in Southeast Asia and South America, we will remain focused on assigning representatives to these countries and strengthening our mid-career recruitment process of foreign nationals. We will continue to reinforce our global operations by enhancing the development of our human resources, who are Chori's most important management capital.

Approach Going Forward

Although Chori was relatively unknown in the chemical industry when I joined the Company, I feel that it is steadily becoming more recognized. Going forward, we will make every effort to achieve net sales of ¥500.0 billion in the Chemicals Business. While ¥300.0 billion is in line with our current target for net sales, in order to achieve further growth, we will consider M&As of companies that can create synergies with our business and provide new value. We must consider the various risks involved in our business, such as geopolitical risks for investment and business development, and we will aggressively take the risks that can be taken within the scope of our business with a view to further expanding our business. To expand our business, we must improve our performance not only as a trading company but also by helping resolve social issues through the development of environment-friendly products that incorporate

our exceptional capabilities and expertise. We will strive to improve our short-term results and profitability while working to expand our business from a medium- to long-term perspective to enhance awareness of our corporate brand and continue to be the company of choice in our markets.

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 business for petrochemical complexes in Mie Prefecture (Yokkaichi City) and Chiba Prefecture.

In fiscal 2023, the company posted sales of ¥42.6 billion and ordinary profit of ¥1.1 billion (accounting for more than 10% of Chori's consolidated net sales). 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 daily consumables (including personal care and food products).



CHORI GLEX CO., LTD.

Became a wholly owned subsidiary in February 2013

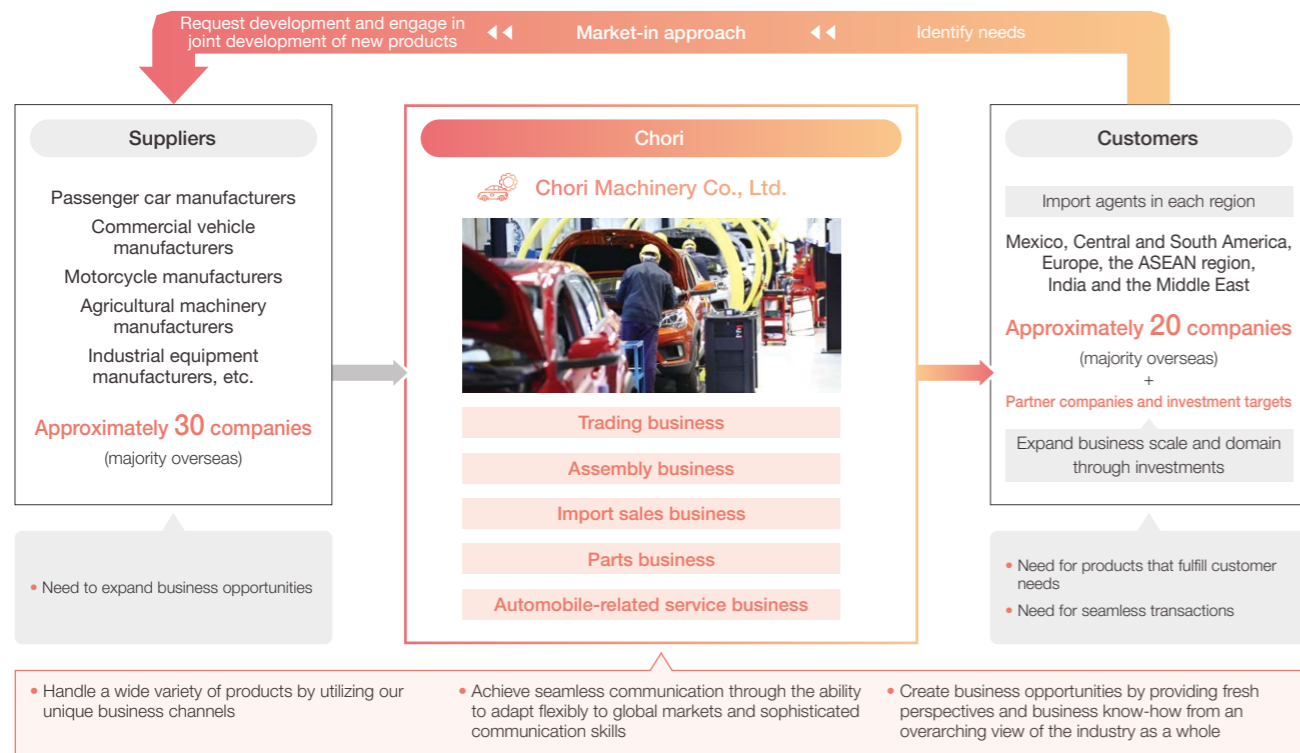
Founded in Nagasaki Prefecture in 1859 as Frazer Company, the first foreign-capitalized company in Japan, CHORI GLEX CO., LTD. introduced the steam locomotive, electric streetcar, and Ford Model T automobile to Japan. The company currently engages in the import and export of specialty chemical and industrial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

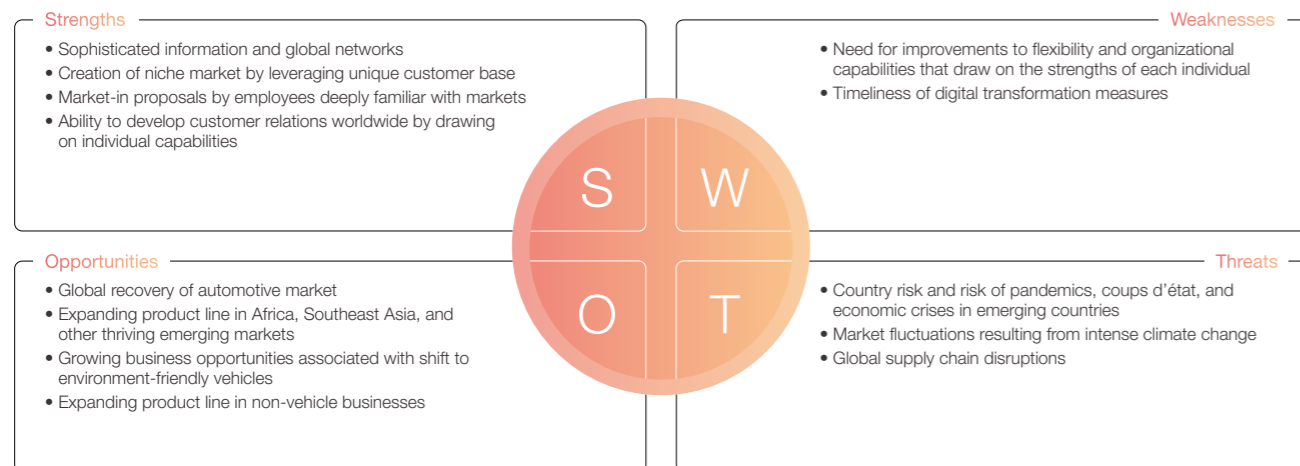


Machinery Business

Leveraging the Group's unique global network, which has continued to expand over the years, Chori Machinery commercializes products acquired from China and other countries in markets such as Europe and Central and South America. 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 expanding its business in emerging markets. 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 generate stable revenue as an organization by conducting a fundamental review of our business operations.

Yasutaka Kawamura

Executive Officer
President of Chori Machinery Co., Ltd.



Overview of Fiscal 2023 Performance and Market Environment of the Machinery Business

In fiscal 2023, we reported a decrease in net sales to ¥1.7 billion and a segment loss (loss before income taxes) of ¥0.6 billion. The significant decrease in net sales was mainly due to bad debt we incurred in fiscal 2022 and our strategy of business selection and concentration. In addition to refining our existing businesses, we focused our sales activities on Europe, Mexico, and Central and South America to achieve further growth.

Meanwhile, the segment loss was due to foreign exchange losses caused by the weak Japanese yen. Although we have had to endure the issue of outstanding receivables for the last two years, this was resolved at the end of March 2024 when we collected payments for trade insurance. While further strengthening our risk analysis, we will continue to take risks as necessary, as with any business, and eliminate unacceptable risks. Chori Machinery's customers are mainly in developing

countries, so we will continue to closely monitor geopolitical risks. Although we are covered by trade insurance for almost all our customers, this alone is not sufficient to hedge geopolitical risks. We place emphasis on ensuring that each of our frontline employees remain alert to subtle changes in the business environment and visit our customers to learn more about their business activities and the type of people who work there. In addition, as a measure against foreign exchange risk, we are changing the settlement currency from U.S. dollars to Japanese yen. I have had a long career in several of the administrative departments and have been in charge of screening, finance, and planning operations in Japan and overseas. I will utilize this experience to develop a business model that ensures thorough cost and risk management, including the improvement of measures against foreign exchange risk.

	FY2022	FY2023	Amount Change	Percentage Change
Net Sales	4.4	1.7	-2.7	-61.2%
Loss before Income Taxes	(1.3)	(0.6)	+0.6	-

(Billions of yen)

Basic Strategies for Fiscal 2024

I was appointed president of Chori Machinery Co., Ltd. in June 2024. As the deputy general manager of the Corporate Planning Division, I was appointed to this position to address the urgency of restoring Chori Machinery's financial strength. Chori Machinery was spun off in 2017 and the business performed well for the first four years. The economy in Nigeria, where the majority of our customers are based, began to deteriorate as a result of COVID-19, resulting in three consecutive fiscal years of losses due to delays in collecting receivables, the weak Japanese yen, and other factors. To address this, we will review our financial condition and focus on strengthening Chori Machinery's management foundation. In the long term, we will expand our range of products and develop new businesses.

We analyzed the profitability of our business when it was spun off, but we must reassess the situation as our suppliers and customers have changed dramatically. When Chori Machinery became an independent company, our business model was to sell automobiles produced in China in Central and South America. However, as the range of suppliers has increased to include Mexico and Italy, our sales methods have

expanded to include semi-knocked-down production, and the risks of customers have become more diverse. Accordingly, we must develop a business model that ensures profitability by adapting to change. In fiscal 2024, we aim to build a foundation that enables us to steadily achieve our planned net sales of ¥2.0 billion and segment profit (profit before income taxes) of ¥0.2 billion by continuously refining the businesses we have selected and focused our resources on. Our regions of focus are Mexico, Italy, and Central and South America. Rather than rushing to create new businesses in these regions, we aim to build a foundation that utilizes the platforms and resources of the head office to transform existing businesses. The market environment is not bad owing partly to growing environmental awareness and the effect of subsidies in various countries.

In reviewing our management foundation, we must not only reexamine our business but also strengthen our organizational capabilities, which have long been considered a weakness of the Company. We will strengthen our responsiveness to change as an organization by leveraging the abilities of each individual at Chori Machinery.

Approach Going Forward

As the Chori Group evolves and changes on a global scale, Chori Machinery, which engages in limited transactions in Japan, will continue to expand business overseas, where the market is expected to grow even further. Chori Machinery has the capabilities to find new suppliers and customers, serving as a pioneering model for the Chori Group's global business expansion. Upon restoring our financial strength, we intend to develop a new business foundation by utilizing these capabilities. While looking to expand our range of automobile parts to meet the increasing demand in our existing business, we must analyze and understand the risks involved when handling new products. Although Chori Machinery's business

is distinct when viewed from a Groupwide perspective, we expect that it would be difficult to build new supply chains and expand our product lineup on our own, so we will reexamine how we can create Group synergies.

Chori Machinery is a machinery business that represents one of the Group's business segments. As a member of the Chori Group, which has achieved record profits in each of the past three years, our greatest mission is to get our financial condition back on track, strengthen our basic earning power, and restore the business to a state in which it steadily contributes to the Group's success. We aim to become an organization that generates solid revenue on a consistent basis.

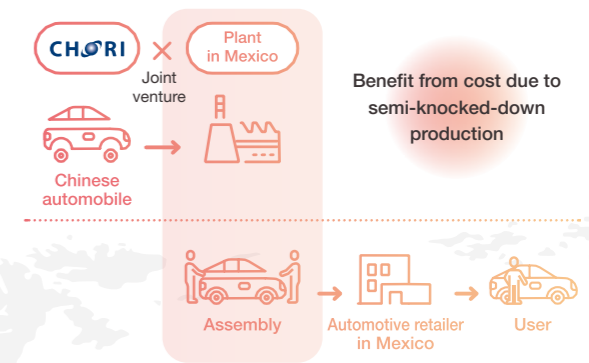


Core Initiatives of the Machinery Business

01. 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. Automobile production in Mexico increased 14.2% from the previous year to 3.77 million units in 2023. Production recovered to pre-COVID-19 levels as the semiconductor shortage has been fully resolved. Moving forward, Chori Machinery will continue to seek greater business opportunities centered on Mexico's mainstream automotive industry.



02. Expansion of Our Automobile Business in Italy and Other Parts of Europe



Chori Machinery has partnered with the company based in Italy to establish a presence in the country's 1.6-million unit market and develop businesses in other parts of Europe, including Spain, Germany, and countries in Eastern Europe. The stylish vehicles developed by Chori's business partner have been well received by the younger generation and the local markets, spurring a growth in sales. In addition, Chori Machinery is aggressively moving forward in the development of EVs, which will play a key role in achieving the SDGs.

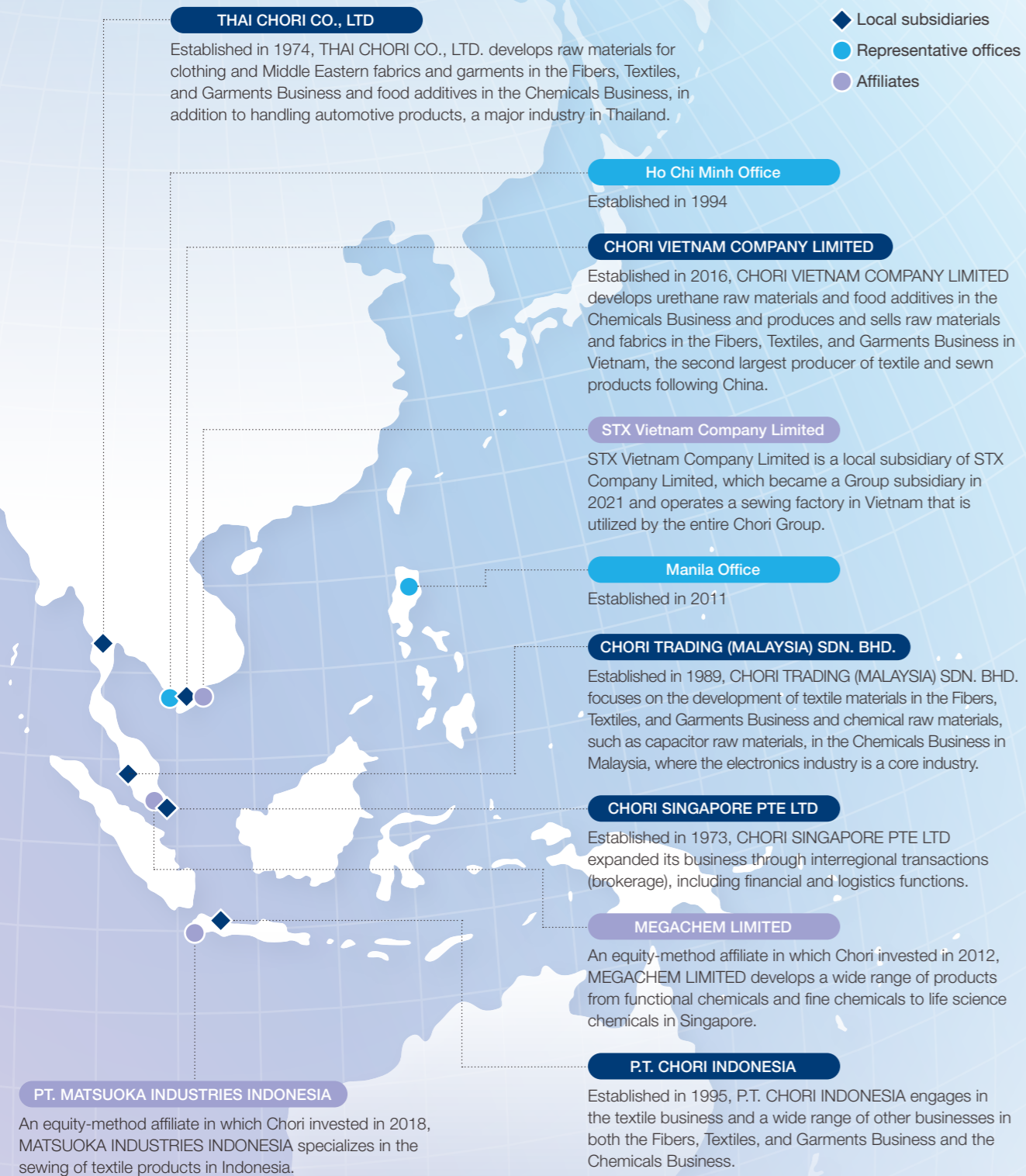


Growth Drivers

Business Development in the ASEAN Region

Since 1952, when we dispatched a representative from Japan to our Indonesian subsidiary, we have been aggressively developing our business in the ASEAN region.

With five local subsidiaries and two representative offices in the region, we provide the best value chain solutions for each customer.

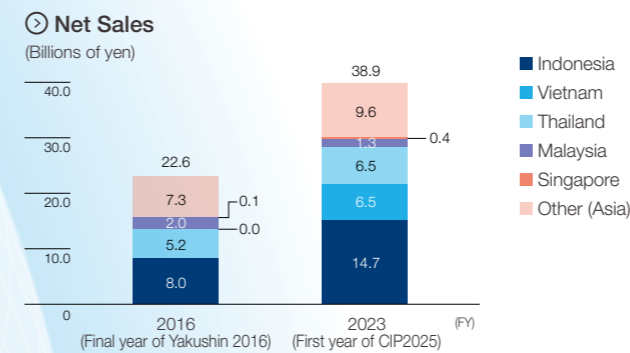


01. Ensuring a Stable Supply Chain

In 1949, when private foreign trade resumed, Chori began to develop sales channels in Southeast Asia and South America through overseas business trips. In 1950, demand in these regions and exports of textiles saw rapid growth, and in response to this trend, we dispatched a representative to Indonesia in 1952. Since then, we have continued to develop business in accordance with the characteristics of each country, establishing local subsidiaries and representative offices as appropriate.

Due to the rise in geopolitical risk during COVID-19, more and more customers have been choosing to procure raw materials from the ASEAN region. The region offers promising opportunities not only for imports, owing to the combination of high quality, low cost, and short lead times, but also for exports and new businesses based on regional demand due to its increasing population and resulting economic growth.

In fiscal 2023, Chori's net sales in Asia (excluding Greater China), primarily in the ASEAN region, came to ¥38.9 billion, a 1.73-fold increase from fiscal 2016.



03. Approach Going Forward

Aiming to expand business overseas, we will focus on acquiring new opportunities for local procurement and local sales in the ASEAN region. One of the benefits of having Chori as a business partner is its wide assortment of SDG-oriented products. We will continue to emphasize the appeal and functions of Chori's differentiated products, such as ECO BLUE™ recycled polyester fiber made from used plastic bottles.

We will also serve as an intermediary between ASEAN countries and companies in Europe, the United States, and China. An increasing number of factories are investing in environmental measures in response to the decarbonization of business activities in Europe and the United States. We are working to capture new demand by focusing not only on price responsiveness but also the environmental friendliness of products. We are also developing new businesses with companies in China that are looking to expand their business in the ASEAN market.

We will continue to move forward with our basic strategy of "promote consolidated management centered on our global business," as declared in Chori Innovation Plan 2025, in pursuit of further growth in the years ahead.

Case Studies



Global Textile Recovery and Recycling Efforts

Fibers, Textiles, and Garments Business

In response to the ever-increasing focus on the circular economy, Chori introduced B-LOOP™, an initiative in which discarded textiles are recovered and recycled. Utilizing the strengths of our global business network and extensive know-how, we recycle polyester and other materials into various textile products in cooperation with our business sites in Vietnam, China, and Taiwan.

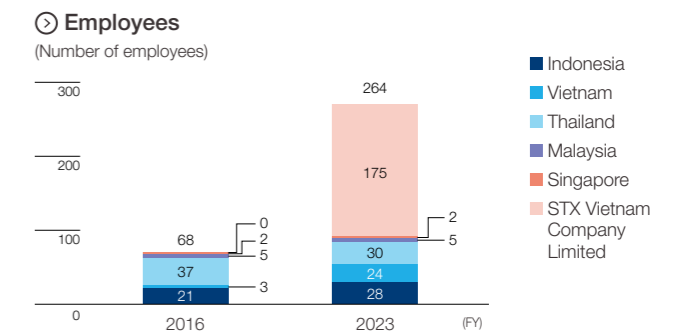
In Vietnam, where the textile industry is thriving and a significant amount of textile waste is generated, we teamed up with a local company that was already a business partner of our subsidiary CHORI VIETNAM COMPANY LIMITED to recycle polyester materials into textile products. We also began working with major sports and apparel brands to further expand our textile recovery and recycling efforts.

02. Creating a Rewarding Workplace Environment for All Employees

Chori has established a system that promotes close cooperation between its head office employees, representatives dispatched overseas from Japan, and locally hired employees overseas. Aiming to foster employees who can thrive on the global stage, our overseas trainee system dispatches young employees to improve their business customs and language skills. Nearly one out of three employees have been assigned overseas through this program.

With wage levels rising year after year, it is becoming increasingly difficult to secure highly skilled personnel. In order to maintain a positive work environment at our local subsidiaries and representative offices, we have a training program in place for those who have been assigned to work overseas to understand the circumstances and challenges of their new workplace and their roles and responsibilities, in addition to programs tailored to our locally hired staff.

In anticipation of the future growth of the ASEAN market, we have laid out a personnel plan at each business site to which we continue to make adjustments and improvements, such as dividing existing transactions among locally hired staff and new transactions, including development projects, among representatives dispatched from Japan.



Development of Food Chemicals

Chemicals Business

The Chemicals Business of THAI CHORI CO., LTD., which celebrated its 50th anniversary in 2024, handles a wide range of products, with a focus on food chemicals in recent years. Thailand produces a large number of processed foods, including those for convenience stores in Japan, for which Chori provides food additives and seasonings.

Shelf-life extenders for chicken, side dishes, and other food products, which we produce on consignment in Thailand, are becoming more widely used throughout the country due to its rapidly growing convenience-store culture. Chori has also acquired halal certification for food products in Indonesia, Vietnam, and other ASEAN countries, to which shipments will likely increase due to the anticipated growth of their convenience-store cultures.

We also develop texture enhancers and are strengthening our sales activities to position them alongside shelf-life extenders as part of our core products.

Sustainability

Chori's Sustainability Initiatives

As the Chori Group engages with stakeholders across the globe, it constantly promotes business with sustainability and the development of the entire world in mind.

In April 2024, we identified material issues and formulated policies for sustainability.

Aiming to become the company of choice for all our stakeholders, we will establish a management foundation and promote business activities that align with the key themes of our material issues.

The Chori Group Basic Policy on Sustainability

The Chori Group's spirit of coexistence and co-prosperity, which has remained unchanged since the Company's founding, declares that we aim "to develop our business for the benefit of the world and people and to always strive to grow together with our customers." Guided by this unwavering spirit, we work unstintingly for "the betterment of society as members of the global community," as set forth in our corporate philosophy. In keeping with our corporate slogan, "Making your dreams come true," we remain firmly dedicated to achieving a sustainable society by continuously growing as a group through our steadfast approach to materiality.

Material Issues

Key Themes



Promote businesses that contribute to the realization of a sustainable and prosperous society

- Help reduce the impact of climate change in order to achieve carbon neutrality by 2050
- Establish a circular economy by further expanding our line of carbon-free, recycling-oriented products
- Resolve social issues through business activities
- Create value through activities that go beyond the import and export of goods
- Further expand our line of sustainable materials



Promote human resource development and diversity

- Provide employees with a rewarding and enjoyable working environment
- Invest in human capital (human resource development, strengthening of recruitment, promotion of diversity)
- Increase employee engagement (create a rewarding, comfortable working environment) and promote health and productivity management



Strengthen supply chain management

- Ensure ability to procure safe, high-quality products and raw materials
- Strengthen and ensure stability of supply chains (maintain a stable and effective business continuity plan)
- Make effective use of resources and ensure their stable procurement and supply in line with global demand
- Address the human rights, labor, and health and safety concerns of suppliers



Strengthen governance and ensure compliance

- Strengthen governance structure with a view to achieving sustainable growth
- Continue to foster employee awareness of the importance of compliance

Our Approach to Sustainability

1. Governance

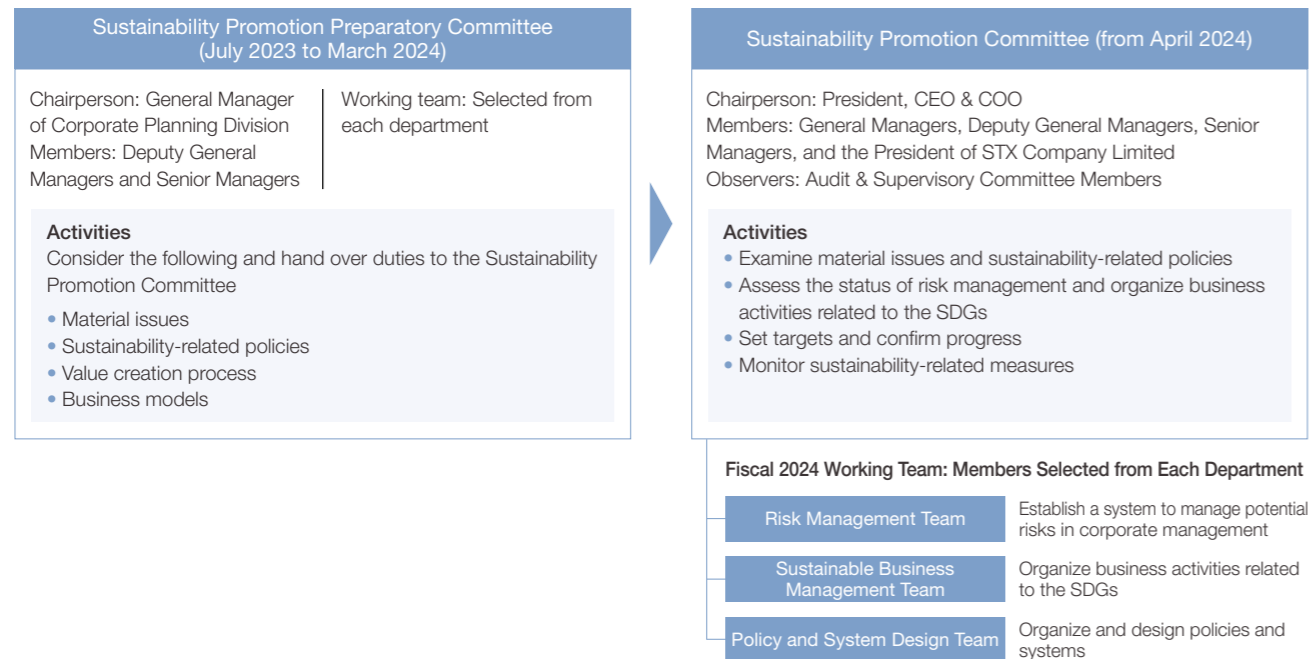
At the Chori Group, we engage in business with sustainability at the forefront of our minds so that we can contribute to the realization of a better society as global citizens, as set forth in our corporate philosophy. We strive to strengthen corporate governance by complying with laws and social norms, carrying out effective and efficient business operations, and ensuring the credibility of our financial reports, while positioning the Board of Directors as a body for making strategic decisions and overseeing business operations.

With regard to our general efforts to address the issue of sustainability, we established the Sustainability Promotion Preparatory Committee in July 2023 and held discussions on the Chori Group Basic Policy on Sustainability and material issues with a view to promoting sustainability—a goal set forth in Chori Innovation Plan 2025. Following the discussions during this preparatory period, the Sustainability Promotion Committee was established on April 1, 2024.

Sustainability Promotion Structure

The Sustainability Promotion Committee, chaired by the president, CEO & COO, focuses specifically on the promotion of sustainability-related measures to achieve the sustainable enhancement of Chori's corporate value. The committee is responsible for setting targets, confirming their progress, and monitoring other sustainability-related measures.

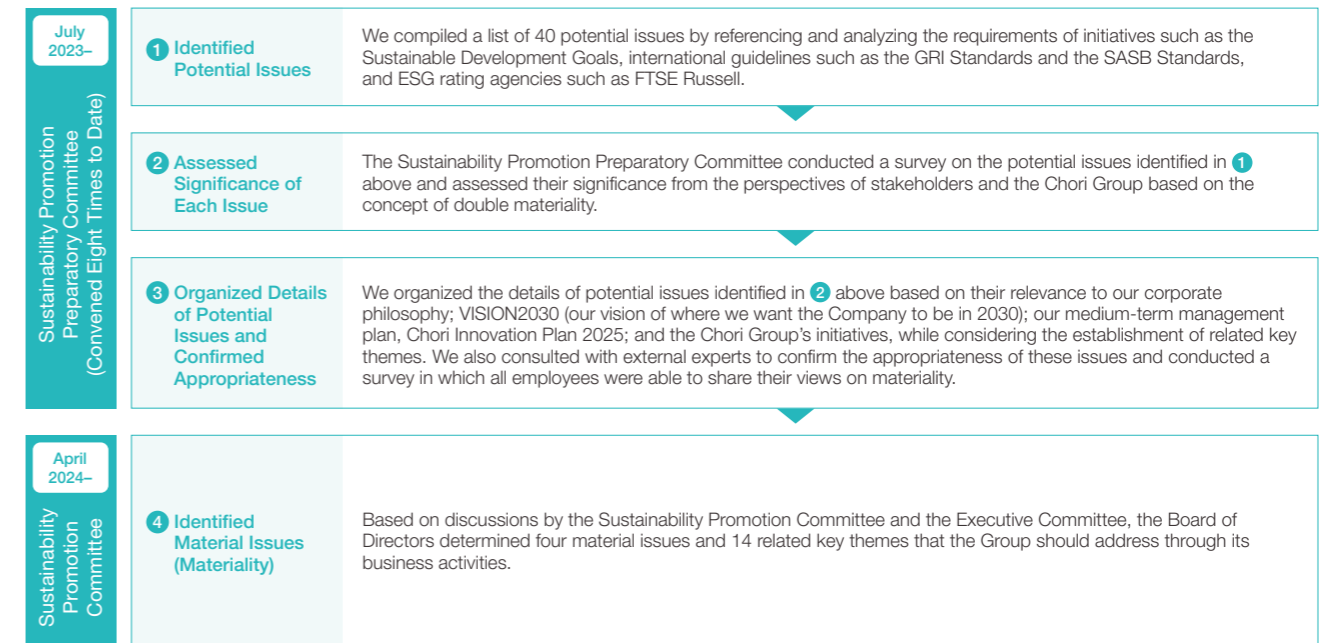
Change in Sustainability Promotion Structure



2. Strategy

In building a management foundation for sustainable growth, the Chori Group recognizes the importance of taking a proactive approach to environmental issues, cooperating with suppliers in corporate social responsibility (CSR) procurement, undertaking measures related to occupational safety management, and implementing initiatives for regional and social development. In Chori Innovation Plan 2025, which was disclosed on April 28, 2023, we set forth VISION2030—centered on the key themes of “sustainability,” “well-being,” and “innovation”—to steadily implement three basic strategies for becoming a corporate group that continues to evolve and change on a global scale, underpinned by its exceptional capabilities and expertise, while enhancing corporate value. With regard to the overall sustainability strategy, the abovementioned Sustainability Promotion Preparatory Committee examined Chori's sustainability-related policies, material issues, and value creation process, among other matters. Subsequently, based on discussions by the Sustainability Promotion Committee and the Executive Committee, in April 2024 the Board of Directors determined four material issues and 14 related key themes that it considered to be of particular importance to the Chori Group and its stakeholders and which should be addressed on a priority basis. Chori announced these material issues in combination with its sustainability-related policies. The Chori Group will promote effective activities to address these material issues and contribute to the creation of a sustainable society.

Materiality Identification Process



3. Risk Management

The Chori Group has established and operates its risk management regulations for the purpose of identifying potential risks in its business activities, reducing risks and preventing crises from occurring during the course of normal business conditions, establishing a system for responding to crises that may present a significant impact on its business activities, and responding promptly and appropriately to prevent the situation from deteriorating and recover and normalize the situation as swiftly as possible.

4. Indicators and Targets

Recognizing the ongoing need to address sustainability issues, the Chori Group has established non-financial targets (See page 19) in an effort to “promote ESG management,” one of the basic strategies of Chori Innovation Plan 2025.

COMMENT



Takeshi Shimotaya
Managing Director
Sustainavision Ltd.

Chori has identified material issues from an overarching perspective, and I believe it is headed in the right direction. Having identified its material issues, I hope the Company establishes a mechanism to inform stakeholders of its decisions and obtain their views. Some global companies have defined stakeholders for each country in which they operate. I would like to see the Company set priorities for material issues based on their scale and risks and constantly communicate with employees, suppliers, and other stakeholders, while continuing to boost the business.



Hidemi Tomita
CEO
Institute for Sustainability Management

By establishing the Chori Group Basic Policy on Sustainability and determining material issues, I believe Chori has started off on the right foot with sustainability management. As for the key performance indicators (KPIs) of these material issues, I expect the Company to establish indicators that are unique to its business. Clarifying KPIs, such as sales of SDG-oriented products in Chori Innovation Plan 2025, makes it easier to communicate the direction to be pursued by the entire Group. For example, setting a KPI that specifically focuses on human resource development makes it easier to convey the importance of acquiring human resources. I hope the Company continues to disclose the details of its sustainability activities in the future.

Promote Businesses That Contribute to the Realization of a Sustainable and Prosperous Society

We believe it is important to consider sustainability in our business activities and that it is our corporate responsibility to do so in a proactive manner.

Key Themes

- ✓ Help reduce the impact of climate change in order to achieve carbon neutrality by 2050
- ✓ Establish a circular economy by further expanding our line of carbon-free, recycling-oriented products
- ✓ Resolve social issues through business activities
- ✓ Create value through activities that go beyond the import and export of goods
- ✓ Further expand our line of sustainable materials

Environmental Management

The Chori Group aims to achieve carbon neutrality by 2050, as declared in Chori Innovation Plan 2025.

Basic Principle

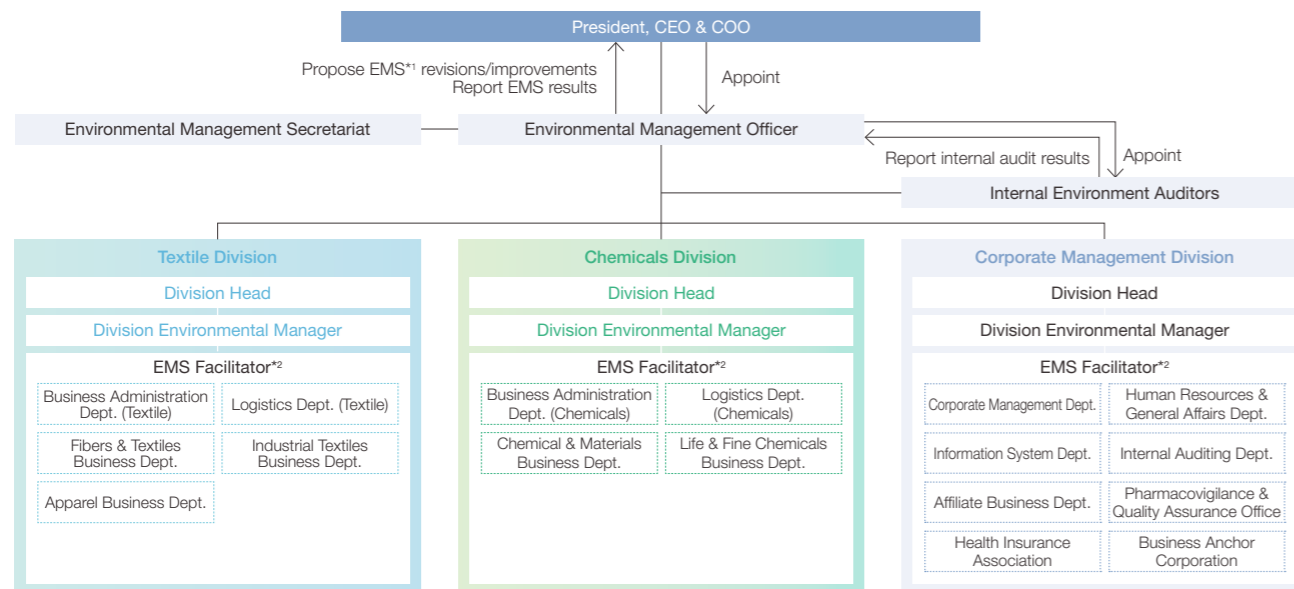
With a view to generating substantive value and helping to realize a more enriched society, Chori strives to provide accurate information and exceptional products tailored to the needs of its customers. As the environment continues to garner global attention, we believe the role we play in contributing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

Basic Policies

1. Consideration for the global environment
2. Compliance with environmental laws and regulations
3. Establishment and continuous improvement of environmental management system

Environmental Management Structure (As of June 18, 2024)

We have established the following structure in pursuit of our environmental initiatives.



*1 Environmental management system

*2 EMS facilitators concurrently serve as internal environment auditors and conduct internal audits in other divisions.

Environment-Friendly Business Activities

Since its acquisition of the ISO 14001 international standard for environmental management systems in 2000, Chori has continued to conduct and engage in environmental conservation activities. We adopted the 2015 standard in December 2017, acquired ISO 14001 certification for our Hokuriku Branch and Okayama Liaison Office in December 2019, and continue to engage in Groupwide efforts with Business Anchor Corporation and other subsidiaries in our aim to help preserve the environment.



Information Disclosure Based on the TCFD Recommendations

In 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) at the request of the G20.

As the world strives to limit the increase in the earth's average temperature to below 2°C above preindustrial levels as stipulated in the Paris Agreement in 2015, the aim of the TCFD is to encourage companies to disclose climate-related financial information to enable investors to make appropriate investment decisions.

At Chori, we will work to appropriately disclose information on the recommended disclosure items in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures, the final report released by the TCFD in June 2017.



The Board of Directors' system for monitoring climate-related risks and opportunities and management's role in assessing and managing such risks and opportunities

The Company's response to climate change and other environmental issues is reported regularly at Board of Directors' meetings and discussions are held based on the details of these reports. Ultimately, it is the responsibility of the Board of Directors to assess, respond to, and disclose details of the Company's risks and opportunities related to climate change.

With the general manager of the Corporate Planning Division, who also serves as a director, in charge and the Corporate Management Department as the responsible division, the Company manages and promotes organization-wide measures against climate change, including the TCFD recommendations, and other environmental issues as well as compiling important Companywide policies and measures, which are reported and proposed to the Board of Directors for discussion at Board meetings.

With regard to business-specific strategies, etc., on climate change and other environmental issues, the general managers of the respective sales departments, in cooperation with the general manager of the Corporate Planning Division and the Corporate Management Department, report summaries of such strategies, etc., to the Board of Directors, which are then assessed and discussed at Board meetings.

Please refer to our medium-term management plan Chori Innovation Plan 2025, disclosed on April 28, 2023, for details on our strategies and initiatives for all aspects of sustainability, including the TCFD recommendations.



Short-, medium-, and long-term climate-related risks and opportunities identified by the organization and the impact thereof on the organization's business, strategies, and financial plan

Chori conducts scenario analyses to assess the transition risks and physical risks of climate change. In fiscal 2021, we analyzed the 2°C and 4°C scenarios, and in fiscal 2022 we reanalyzed and examined the 1.5°C and 4°C scenarios. Under the 1.5°C scenario, similar to the 2°C scenario, the increase in physical risks is expected to be moderate, and we expect an increasing number of opportunities to develop and expand sales of environment-friendly products. Meanwhile, under the 4°C scenario, physical risks, such as unseasonable weather, will likely increase due to the lack of progress in climate change measures.

Based on the above assumptions and background, we conducted a scenario analysis for the period up to 2030. On the basis of these results, we identified the following risks and opportunities related to climate change and determined their impact on our business and the measures we will take in response.

Promote Businesses That Contribute to the Realization of a Sustainable and Prosperous Society

Major Risks and Opportunities Related to Climate Change, Their Impact on Our Business, and Measures to Take in Response

Risk Type	Risks and Opportunities		Impact on Business (▲ Risk/○ Opportunity)	Key Countermeasures	Financial Impact	
					1.5°C 4°C	
Transition Risk	Policies and Regulations	Introduction and expansion of carbon taxes	▲ Increase in purchase prices and various costs	Continue to monitor the actual amount and impact of the Company's GHG emissions Strengthen lineup of zero-carbon products	Low impact*	
		Strengthening of regulations on China, our largest export partner	▲ Temporary declines in trading volume due to reduced production	Strengthen and expand global supply chain	Medium impact	
	Technology	Expansion of waste-reduction efforts	● Greater demand for recycling-related products ● Greater demand for products that contribute to waste reduction	Expand trading of recycled products · Recycled plastic chips · Recycled polyester fiber (ECO BLUE™)	Medium impact	
		Increased use of renewable resources	● Greater demand for bio-related products	Expand trading of biodegradable resin products · Seed sheets	Medium impact	
	Market	Market changes associated with the transition to decarbonization	Expansion of policies and initiatives aimed at achieving carbon neutrality throughout the automotive life cycle	● Greater demand for lithium-ion-related products due to the shift to electric vehicles	Expand trading of lithium-ion-related materials · Participate in lithium compound production project	Medium impact
			Expansion of policies and initiatives aimed at achieving a carbon-free supply chain in the textile industry	● Reduced cost of decarbonization measures by spearheading sustainability initiatives across the supply chain	Promote sustainability initiatives throughout Chori's unique supply chain (BLUE CHAIN™)	Medium impact
		Increased stakeholder interest in sustainability	Greater demand for non-petrochemical products and other sustainable products	● Greater demand for environmentally conscious products	Enhance lineup of environmentally conscious products · Highly stretchable functional yarn (TEXBRID™) · Environmentally conscious fiber materials · Black and colored spun-dyed yarn · Natural Dye™ · MEDITERRANEAN GIZA™ · MILLENNIUM ORGANIC™ · Non-toxic materials · Water-repellent, recycled yarn fabric (free of fluorine) · Chemicals for cleaning agents (free of chlorine gas)	Medium impact
			Reluctance to buy petrochemical products	▲ Temporary decline in trading volume arising from the shift to environmentfriendly products		Low impact
			Strengthening of information disclosure requirements related to climate change measures	▲ Decrease in corporate value and investments due to inadequate response ● Increase in customers and investments due to climate change measures	· Promote GHG reduction measures and disclose information based on the TCFD framework	Medium impact
Physical Risk	Acute/Chronic	Water shortages	▲ Temporary declines in trading volume due to reduced production	Strengthen global supply chain	Low impact	
		Large-scale natural disasters	▲ Temporary reduction in trading volume and longer lead times due to supply chain disruptions	· Strengthen lineup of water-conscious products · ECO BLUE™ × WS™	Low impact	
		Rising sea levels			Low impact	
		Rising average temperatures	▲ Reduced trade of fall and winter apparel ● Greater demand for agrochemical-related products ● Greater demand for disinfection (mouthwash)-related products	Examples of Products · Strengthen lineup of next-generation products · Agrochemical ingredients (disinfectants, rice herbicides, acaricides, and herbicides) · Pharmaceutical products (iodine)	Medium impact	

Note: 1. Classified according to the scale of impact on sales and segment profit. Those deemed to have a greater impact are indicated with a darker shade.
2. Key reference scenarios include the World Energy Outlook 2022 of the International Energy Agency and the Intergovernmental Panel on Climate Change's Shared Socioeconomic Pathways.

* Financial Impact of Introducing and Expanding Carbon Tax (Quantitative Assessment of Business Impact)

1.5°C Scenario	
2030	US\$103,000 (approx. ¥14 million)
2050	US\$185,000 (approx. ¥25 million)

Note: Calculated by multiplying fiscal 2022 GHG emissions by the amount of carbon taxes projected under the 1.5°C scenario (for Scope 2 emissions, calculated by multiplying the CO₂ emissions factor)
No estimates were made under the 4°C scenario as carbon trading in Japan is expected to remain unchanged.

In both scenarios, we found that the impact on our business will be very minimal and that opportunities to develop and expand sales of environment-friendly products will increase. We will continue to conduct business impact assessments to ensure appropriate risk management and translate business opportunities, such as the greater demand for environmentally conscious products, into increased earnings.

Risk Management

The process for identifying, assessing, and managing climate-related risks and the approach to integrating this process into the organization's overall risk management

Operation of Risk Management Regulations

At Chori, we have established and operate risk management regulations with the aim of identifying potential risks in our business activities, reducing risks and preventing crises from occurring during the course of normal business conditions, establishing a system for responding to crises that may pose a significant impact on our business activities, and responding promptly and appropriately to prevent the situation from deteriorating and recover and normalize the situation as swiftly as possible.

Risk Management under Normal Business Conditions

Under the guidance of the risk management deputy officer (the president of the Company), the risk management promotion officer (the deputy general manager of the Corporate Planning Division, in charge of the Human Resources & General Affairs Department) and the Human Resources & General Affairs Department (the organization responsible for risk management) identify material issues within the organization; formulate various measures to mitigate, prevent, and promptly detect risks that may exist within the Company; and implement the necessary educational and training programs in a voluntary and systematic manner. They also follow up on the results of crisis response measures, verify their impact, identify issues, and seek measures toward improvement.

In the Company's risk management regulations, climate-related risks are defined as risks that relate to either the "external business environment, including society, the economy, and politics," or the "business continuity plan," and are addressed by the Corporate Management Department in cooperation with the risk management promotion officer and the Human Resources & General Affairs Department. As demonstrated by the results of the aforementioned scenario analyses, ensuring a stable supply chain is extremely important to the continuation of our business. With respect to transaction-related risks classified in our risk management regulations, in order to address the risk of supply chain disruptions that stem from various supplier-inflicted issues and to fulfill our social responsibilities for procurement activities in Japan and overseas, the Company has established CSR procurement guidelines and promotes procurement activities that underline the importance of corporate ethics, legal compliance, safety, disaster prevention, environmental conservation, product safety, quality assurance, human rights, and working conditions.

Crisis Response Measures

In the event of a crisis, placing the highest priority on ensuring the safety and protecting the lives of each individual, the following measures must be taken in accordance with Company regulations: communicate and report details of the crisis based on the crisis communication system; establish a crisis response headquarters under the direction of the Risk Management Deputy Officer; and execute tasks, communicate the emergency, report the results of investigations, and implement measures to prevent recurrence through the crisis response headquarters.

Indicators used to assess climate-related risks and opportunities in accordance with the organization's strategies and risk management processes, targets used by the organization to manage these risks and opportunities, and progress toward the achievement of these targets

The Group has been compiling data on the actual amount of GHG emissions produced by its business activities since fiscal 2020 and is aiming to reduce GHG emissions (Scope 1 and Scope 2) and achieve carbon neutrality by 2050. We will also look to reduce Scope 3 emissions in order to reduce GHG emissions throughout our entire supply chain.

In July 2023, we established the Sustainability Promotion Preparatory Committee to serve as a preparatory body for the establishment of a committee dedicated to sustainability promotion, and it has been examining material issues in regard to our GHG emission reduction targets.

GHG Emissions Results

	Category	Type	Actual Amount of FY2020 (t-CO ₂)	Actual Amount of FY2021 (t-CO ₂)	Actual Amount of FY2022 (t-CO ₂)	Scope of Calculation	
Scope 1	Direct emissions		385	330	312	Consolidated	
Scope 2	Indirect emissions		956	866	872		
	Total (Scope 1 + Scope 2)		1,341	1,196	1,184		
Scope 3	Category 1	Purchased goods and services	—	1,090,766	1,209,416	Non consolidated	
	Category 2	Capital goods	—	131	372		
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	—	41	36		
	Category 4	Upstream transportation and distribution	—	113,462	126,087		
	Category 5	Waste generated in operations	—	102	108		
	Category 6	Business travel	126	128	168		Consolidated
	Category 7	Employee commuting	238	243	317		
	Category 9	Downstream transportation and distribution	—	461	454	Non consolidated	
	Category 12	Processing of sold products	—	1,318	1,292		
		Scope 3 Total		364	1,206,654	1,338,251	

Scope 1: Direct emissions

Scope 2: Indirect emissions

Scope 3: Supply chain emissions (actual amounts for fiscal 2020 consist only of emissions from "business travel" (category 6) and "employee commuting" (category 7))

Note: GHG emissions are estimated using the GHG emissions calculation method defined in the GHG Protocol.

Promote Businesses That Contribute to the Realization of a Sustainable and Prosperous Society

▶▶ SDG-Oriented Products

We are working to expand our line of environment-friendly SDG-oriented products to develop sustainable businesses that adapt quickly to the changing business environment, one of the basic strategies of Chori Innovation Plan 2025.

Fibers, Textiles, and Garments Business



Achieving Sustainability throughout the Entire Supply Chain

BLUE CHAIN™ is a concept unique to Chori that aims to achieve optimal sustainability across the entire supply chain through a versatile combination of sustainability-focused initiatives carried out along each stage of the textile industry chain, from upstream to downstream (from silk to fabric to the final product). BLUE CHAIN™ was established as a means to address the various issues associated with the textile industry, such as greenhouse gas emissions and water use.

BLUE CHAIN™ Products and Initiatives



ECO BLUE™

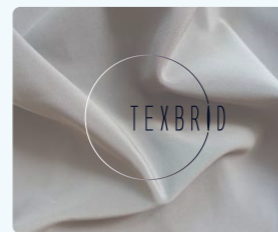
ECO BLUE™ is a recycled polyester fiber produced by turning used plastic bottles into plastic pellets, which are used to manufacture over 200 types of products, including long- and short-fiber fabric.



WS™

WS™ is a material we developed together with KOMATSU MATERE Co., Ltd. that can be dyed quickly at low temperatures. This quick-dyeing yarn also reduces CO₂ emissions from the fabric dyeing process by 31.7%* compared with conventional yarn.

* Based on measurements using standard WS™ materials



TEXBRID™

TEXBRID™ is a highly stretchable material that offers excellent elongation recovery capabilities through its spring-like molecular structure, making it especially comfortable to wear. This wrinkle-resistant material caters to a variety of situations, including sports activities and business environments.



SPX™

SPX™ is a stretchable, highly crimped polyester yarn made by PIN texturizing, a unique Japanese yarn processing technology that has been used for over 50 years in the Hokuriku region. Due to the unique puffiness and lightness of this yarn, SPX™ is remarkably soft on the skin and comfortable to wear.



BLUENY™

BLUENY™ is a line of three types of nylon: LOOP, a nylon made from recycled fiber waste; OCEAN, a post-consumer nylon derived from used fishing nets; and SAVE, a bio-nylon derived from plants.



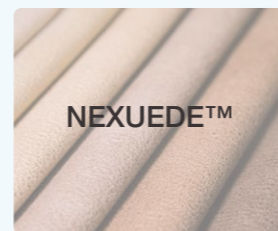
B-LOOP™

B-LOOP™ is a recycling initiative for textile products in which polyester and other materials are processed into recycled cotton and yarn and used in clothing and various materials, such as soundproofing materials for automobiles and pavement materials for riverbeds to prevent flooding.



ECOSOL™

ECOSOL™ is a polyester yarn that is colored by blending pigments into the yarn during the spinning stage. Adding colors at the yarn-making stage uses less water and produces less CO₂ emissions than dyeing fabric.



NEXUEDE™

NEXUEDE™ is a high-quality woven microfiber fabric that can be used as an alternative to artificial leather. Due to its suede-like feel, NEXUEDE™ is used on car seats and a number of other products.

Chemicals Business

In our next-generation business model, we are further developing SDG-oriented products in our sustainable business.



Lithium Compound Production Project in Chile

Chori has been involved in a project to extract lithium compounds from brine water without reducing the water volume of salt flats.



Sustainable Sources of Protein

Chori is developing sustainable sources of marine feed by producing novel protein using the latest biotechnology.



Biodegradable Resin

Chori handles the biodegradable resin used in seed sheets, which are eventually decomposed into water and CO₂ by microorganisms, and is proposing the use of this naturally derived synthetic resin in garbage bags and other products.

▶▶ Chori's Social Contribution Activities

We conduct activities that contribute to the betterment of society and the development of local communities in accordance with the Chori Group Social Contribution Activity Policy, established in April 2024.

The Chori Group Social Contribution Activity Policy

Under the corporate slogan of "Making your dreams come true," the Chori Group is committed to promoting social contribution activities that help ensure a bright future for our stakeholders based on the three priority areas of environmental consideration and protection, contribution to local communities, and the education and development of the next generation.

1 Environmental Consideration and Protection

We shall strive to protect the future of our stakeholders by conducting activities that safeguard the environment and help realize a carbon-free society.

2 Contribution to Local Communities

We shall strive to shape the future of local communities by promoting activities that foster the development of the communities in which we do business.

3 Education and Development of the Next Generation

We shall enrich the future of the next generation by engaging in activities that help the youth of today pursue their dreams.

Fiscal 2023 Activities



We cosponsored the World Food Programme (WFP) Walk the World event, a charity walk organized by the United Nations WFP Association, in which 200 people from the Chori Group participated.



We visited Sayama Junior High School in Osakasayama City and Minoh Second Junior High School in Minoh City to collaborate on the Waku-Waku Doki-Doki SDGs Junior Project, which is promoted by the Osaka Prefectural Board of Education.



こども本の森 中之島

Nakanoshima Children's Book Forest

We made a donation to the Nakanoshima Children's Book Forest, a cultural facility established in 2020 to nurture children's creativity and imagination through books, arts, and culture.

Roundtable Discussion between Sustainable Business Management Team Members

Koichi Takahashi

General Manager of the Industrial Textiles Business Department



Tatsuya Maekawa

General Manager of the Apparel Business Department



Noriaki Nagashima

General Manager of the Life & Fine Chemicals Business Department



Koichi Takahashi

Tatsuya Maekawa

Noriaki Nagashima

In our medium-term management plan, Chori Innovation Plan 2025, we declared our non-financial target to “expand our line of environment-friendly SDG-oriented products.” To accelerate the efforts of each department to integrate operations across the Group, we established the Sustainable Business Management Team to serve as the working team for the Sustainability Promotion Committee, which was launched in April 2024. Three general managers of our business departments sat down to discuss current and future activities as members of the working team.

Q. What is the status of development of SDG-oriented products in each department?

Nagashima Sustainability issues, such as the environment and human rights, are gaining greater attention in the chemical industry. For example, in regard to organic chemicals, which are handled by the Chemical & Materials Business Department, there is a trend toward the usage of bio-based materials to reduce CO₂ emissions. Meanwhile, our upcycling initiatives for lifestyle-related products handled by the Life & Fine Chemicals Business Department are drawing significant interest. We are funneling efforts into recycling discarded food into fertilizer.

Over the past few years, the Chemicals Division has been associating the products handled by its five business departments with the SDGs and managing data, including business performance. We will contribute to the achievement of the SDGs by continuing to expand our products and initiatives. As we are a trading company, we do not have our own R&D functions. Our mission is to identify products that meet customer needs. Being environmentally conscious is not the only thing that matters. We should adopt products by also assessing the sustainability of their functions.

Maekawa I believe the Chemicals Business and the Fibers, Textiles, and Garments Business share the same vision. The SDG-oriented products handled by the Apparel Business

Department, such as recycled polyester and organic cotton, are products that are easy to visualize by end users. From the standpoint of the Textile Division as a whole, we are developing SDG-oriented products based on our BLUE CHAIN™ concept, which aims to achieve sustainability throughout the supply chain of the textile industry, from upstream to downstream.

Takahashi Regarding environmental considerations, we respond to customer needs from a variety of perspectives, such as recycling, carbon neutrality, and biodegradation. In the Fibers, Textiles, and Garments Business, we develop products based on the BLUE CHAIN™ concept, such as ECO BLUE™ recycled polyester fiber made from used plastic bottles. While the textile industry has not established standards for the extent to which CO₂ emissions must be reduced from conventional products to be considered environment-friendly, I feel that it is necessary to reexamine the definition of SDG-oriented products, including environment-friendly products, from the perspective of emphasizing Chori’s significance as a member of society.

Q. What kind of discussions are being held by the Sustainable Business Management Team?

Takahashi Until now, we have not had any opportunity to discuss the definition of SDG-oriented products across business divisions. The Textile Division alone handles a wide variety of products, including clothing, diapers, and car seats, and while I feel that it would be difficult to create a unified standard, I also feel that it is important to present a large framework that exemplifies our sense of unity as a company. Personally, I think it would be fine if we just said that SDG-oriented products are products that are good for society, that inspire positive energy in each employee, and that employees can be proud of. When discussions only involve sales departments, the main focus tends to be profitability. By including the members of the administrative departments, we can engage in substantive discussions on Chori’s significance as a company and values through the sharing of various perspectives.

Maekawa I think this is a good opportunity to learn about the initiatives of the Chemicals Division. I feel that it is very important to share the issues of our respective departments on common themes, in other words, to head in the same direction as a single unit, and the team’s efforts are very meaningful in providing the opportunity to do so. I also feel that Chori is a company that is not very good at expressing its ideas and views in words or communicating its strengths. I hope that by assembling views on the SDGs and sustainability and communicating Chori’s strengths outside the Company, we can achieve improvements in corporate value.

Nagashima Despite the lack of clarity of standards, I do not think it was wrong for the Chemicals Division to identify certain products as SDG-oriented products ahead of the other divisions. With the establishment of the Sustainable Business Management Team, I am extremely pleased that we can now discuss the standards for SDG-oriented products on a Companywide basis. I hope we can determine these standards

to communicate the advantages of SDG-oriented products with confidence.

Q. What do you hope to achieve through your involvement in the Sustainable Business Management Team?

Takahashi During Chori’s period of setbacks, the pursuit of profit was not the greatest strength of many of its executives and employees. Then came a period of breakthrough results upon the announcement of the Reborn Management Plan, and the current management team has poured its heart and soul into improving profitability. This has made Chori what it is today, but I feel that Chori has entered a phase in which it must generate multiple layers of value while keeping in mind the importance of generating profits. I hope we can foster a new culture by focusing on the betterment of not only our business but also of society and creating a company that the younger generation can be proud of. In keeping with Chori’s corporate slogan of “Making your dreams come true,” I hope we can make everyone’s dreams come true, including our employees. It would be ideal if we could develop Chori’s own brand of products that shed light on its future potential.

Maekawa I hope that through the efforts of the Sustainable Business Management Team, we can express the Company’s vision for sustainability verbally and move one step closer to becoming the company of choice. I believe the term “company of choice,” quoted from our new president Tatsuyuki Sakoda, is a great expression and something that I always keep in mind. In an age when companies are facing a serious labor shortage, it is difficult to secure human resources unless we are the company of choice for students and mid-career professionals, and we certainly will not be able to secure the people necessary to our success as a trading company unless we continue to be the company of choice for our current employees. Students and the younger generation, who will become the biggest consumers, are gaining greater interest in corporate sustainability. The fact that Chori handles only products of the highest quality should be communicated outside the Company. I am involved in the downstream sector of the Textile Division, so this is something that I feel is an ongoing issue of the Company. Chori has the resources to continuously supply products and the human resources to procure them. I hope we emphasize this going forward.

Nagashima In terms of the Company’s ability to communicate, the fact that the Chemicals Division has not been able to convey the strengths of its products and initiatives is an issue. I feel that many of the people I meet in our recruitment activities are interested in joining the Textile Division, partly due to the branding effect of BLUE CHAIN™. One of our goals is to ensure that the Chemicals Division becomes the division of choice for potential employees by communicating the appeal of its products. We will continue to create high-performance, high-quality materials and expand our line of SDG-oriented products by meeting the standards expected by society so that Chori continues to reach new heights in profitability.

Promote Human Resource Development and Diversity

Chori regards each and every one of its Group employees as its most valuable management resource and has established its policy for human resources, “Utilize people, and be useful to them. Nurture people, develop with them. Connect people, and join together with them,” to secure and nurture exceptionally talented individuals who are indispensable to the growth of its business. As a company that has been in business for over 160 years, we believe it is our mission to continue to grow together with our employees and pass on our traditions to the next generation. We aim to realize a cycle in which each employee gains a sense of pride and accomplishment in their work, feels a sense of personal and professional growth, and gets a sense of happiness, which in turn, leads to the improvement of corporate value.

Key Themes

- ✓ Provide employees with a rewarding and enjoyable working environment
- ✓ Invest in human capital (human resource development, strengthening of recruitment, promotion of diversity)
- ✓ Increase employee engagement (create a rewarding, comfortable working environment) and promote health and productivity management

A Company That Will Continue to Nurture and Utilize Its Employees

Satoko Nakayama

Senior Executive Officer,
Deputy General Manager of Corporate Planning Division
(Human Resources & General Affairs Department and
Information System Department)



gender. I believe that each company has a different view on whether gender should be used as a basis for determining successors, but I do not feel comfortable about choosing female successors simply because of their gender. The fact that I am a woman is just one aspect of myself. Needless to say, I have many aspects that I would like to be recognized for, and I think we all share the same desire. I believe Chori has always had the foundation in place for people to compete and develop their skills under the same opportunities, regardless of gender. We will accept our current percentage of female managers for what it is and increase the number of mid-career and new graduate hires, including women, to steadily expand our workforce. We are a company of just 430 employees, so we know each other well. I hope we achieve diversity in a way that aligns with the desires of both the Company and its employees.

Diversity is about more than just gender. Among both mid-career and new graduate hires, the number of employees with foreign nationalities is on the rise, while locally hired employees and employees of various career backgrounds and ages are playing a significant role at our overseas subsidiaries. The number of mid-career hires is around the same as the number of new graduate hires, and this has brought a breath of fresh air and a new way of thinking to Chori, which is extremely encouraging to see. This has led to the thought that Chori’s culture needs to change and the measures that are being taken to improve its corporate culture.

The Company Must Go On.

A company cannot survive without the support of its employees. Our current employees will contribute to Chori’s growth in the years ahead. While many trading companies have merged, been absorbed, or lost their names throughout our history, I am grateful and deeply moved by the fact that Chori’s distinctive name has lived on for over 160 years.

Our human resource policy is about utilizing people and being useful to them, nurturing people and developing with them, and connecting people together as a trading company. Chori will always be a company that develops through the nurturing of people. We are working to transform our human resource development system to change the way we nurture and utilize people without changing the core concept of our human resource policy. The key issues of human resource development and the promotion of diversity certainly relate to the way we nurture and utilize human resources. In terms of the percentage of female managers, I think it is fair to say that Chori’s diversity is lagging behind and that our work has only just begun. As the only female executive officer, I am often asked the question, “What are your views on your successor?” I have never once thought that my successor should be a woman. That is because the person who takes over my position should be the one who is most qualified, regardless of



Enhancement of Corporate Value



We have three businesses—Fibers, Textiles, and Garments, Chemicals, and Machinery—that define our identity, which is unusual for a specialized trading company. We will continue to draw on our strengths as a multifaceted specialized trading company.

Relocation of Osaka Head Office

In September 2024, Chori’s head office in Osaka returned to Midosuji Avenue for the first time in nearly half a century. Around 50 years ago, the Osaka Head Office relocated from Midosuji, the main street of businesses in Osaka, to Sakaisuji, and although nobody in the Company today was there at the time, I sense the significance of returning to Midosuji from the words of joy of those who previously worked there. From Midosuji, we will unite as one to enhance our corporate value.

Nurture People, and Develop with Them

Communication and training are the main focus of our human resource development system. In fiscal 2023, we hired a training facilitator through mid-career recruitment, which has significantly improved the quality of our training programs. This is one example of the breath of fresh air I mentioned earlier. You see a change in results when effective learning methods

are employed, the objective of training is understood, and proper follow-up is done after training. We have come to realize the areas we have been lacking until now.

In fiscal 2023, we began an initiative to address generational differences between management and our younger employees. This training program was conducted for our management personnel in fiscal 2023 and for our younger employees in fiscal 2024 with the aim of deepening intergenerational understanding and fostering mutual understanding and communication. We communicate with our employees on a regular basis through various means, such as compliance questionnaires on harassment and other matters, stress checks, employee engagement surveys, and one-on-one interviews. I feel that the active participation of our employees, the range of opinions they provide, and their cooperation in disclosing the results of these surveys have resulted in an open working atmosphere. At the same time, we are working to create an organization that inspires our employees to develop their individual skills at their own initiative through effective training programs on digital transformation and AI. We will proceed one step at a time in a Chori-like manner to become the company of choice for employees so our current employees continue to work with us and potential employees select us over their other choices.

Promote Human Resource Development and Diversity

▶▶ Nurture People, and Develop with Them (Human Resource Development)

To put our human resource policy into practice, we have established a training system that actively promotes the autonomous career development of employees. Our LET's (Learning Education Training system) training program for new employees focuses on developing our younger employees through intensive education and training on the basic responsibilities of becoming a working adult, as well as the fundamentals of accounting and trade practices and internal rules, upon joining the Company.

We have also established an internal platform to enhance and distribute video content according to the target audience, such as messages from senior management and compliance-related information for all Company employees and management know-how and skills for those in management positions. In addition, we provide external e-learning services that are tailored to the educational needs of each individual.

Furthermore, an overseas trainee system and a language study abroad program have been established to promote the development of human resources who can excel on the global stage.

We will continue to improve our various human resource development programs so that we continue to create an environment in which both the Company and its employees can grow together.

▶▶ Diversity and Inclusion

Basic Policy

Chori actively recruits people who are diverse in terms of career background, nationality, age, and ethnicity. The active participation of diverse personnel has changed not only our approach to business but also the mindsets of our employees.

Moreover, to allow our employees to continue to work, we have established a system that accommodates the life events of our employees and their families, such as marriage, childcare, illness, and nursing care.

Supporting Work-Life Balance and Childcare

Chori's shortened work-hour childcare system is being utilized by an increasing number of employees who have returned from childcare leave to balance their work and family life.

Also, as a part of our employee benefit program, we have a variety of support systems in place that provide employees with financial assistance for childbirth and childcare, such as our cafeteria plan.

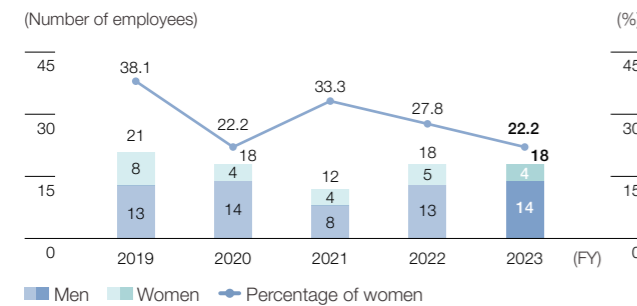
	FY2021	FY2022	FY2023
Number of Employees Taking Childcare Leave*	17 (9 of whom are men)	13 (6 of whom are men)	19 (5 of whom are men)
Number of Employees Working Shorter Hours Due to Childcare	12	14	16

* Number of employees who began taking childcare leave in each fiscal year

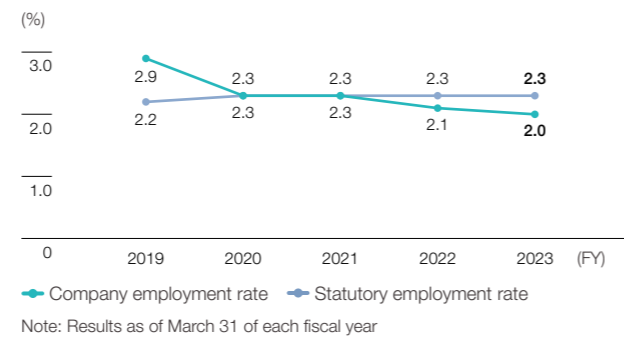
Promoting Diverse Human Resources

We promote diversity and inclusion in the workplace by creating an environment that allows women to realize their full potential and employing people with disabilities. One of our many goals is to increase the percentage of women among new graduate hires to over 30%.

① Number of New Graduate Hires



② Percentage of People with Disabilities

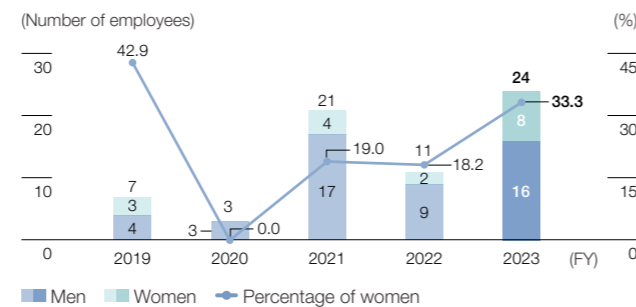


▶▶ Strengthening of Recruiting Capabilities

In order to achieve sustainable growth, Chori is focusing on acquiring human resources, both new graduate and mid-career hires, who can thrive on the global stage. As part of our new graduate recruitment efforts, we hold online events regularly to promote applications from a wide range of regions. We are also equally active in our efforts to recruit mid-career hires, hiring around the same number of people as we do for new graduates.

Moreover, we have effective systems in place to ensure a smooth transition into the Company. For example, we have introduced a mentor system in which new employees can receive direct guidance from more experienced employees of similar age. We also promote understanding of our corporate culture and business processes in our new employees through the LET's training program. Furthermore, we provide programs to ensure that our mid-career hires become fully aware of our operations and internal rules and regulations right away so that they can quickly become an asset to the Company.

③ Number of Mid-Career Hires



▶▶ Improving Employee Engagement

Through effective two-way communication from both top-down and bottom-up approaches, we will work to create an open and psychologically safe work environment and improve the corporate culture so that each employee feels a sense of pride and accomplishment in their work.

In fiscal 2023, we conducted an employee engagement survey through an external organization to visualize the status of engagement in each organization, ensure awareness of issues, and implement improvement measures. We also held luncheon meetings for the president and employees to foster a sense of unity in the Company through direct communication. In addition, we are working to raise employee motivation by increasing their base salaries and granting shares of the Company's stock through the employee stock ownership plan.

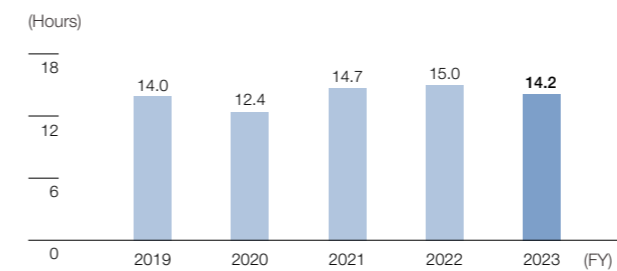
Creation of a Comfortable Workplace Environment

We regard people as our most valuable management resource, and for that reason it is essential that we provide employees with workplace environments that allow them to work in a healthy and active manner. We conduct the following initiatives with this in mind, particularly with the aim of providing employees with a healthy work-life balance.

<p>Eliminate Long Work Hours</p> <ul style="list-style-type: none"> In principle, designate one day of the week as a no-overtime day Require all staff to leave their workplace by 9 p.m. every day Restrict the number of overtime hours Automate work processes with robotic process automation Improve the efficiency of meetings 	<p>Encourage Employees to Take Annual Paid Leave</p> <ul style="list-style-type: none"> Require use of annual paid leave (five days) Encourage employees to take seasonal holidays Eliminate restrictions on the number of times half-day leave can be taken for the purpose of childcare, nursing care, or hospital visits 	<p>Promote Flexible Workstyles</p> <ul style="list-style-type: none"> Improve flextime system (no core hours) Utilize work-at-home system and web-conferencing system Conduct one-on-one meetings between employees and their superiors Provide option to relocate to other locations (transfer to other branches domestically and regionally)
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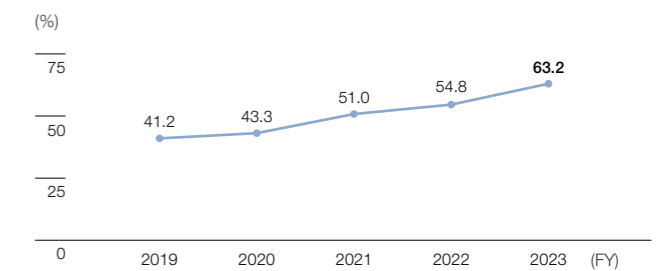
Data Related to Work-Life Balance

① Monthly Overtime Work



Note: Monthly average overtime hours for nonconsolidated employees (excluding managers and dispatched employees)

② Use of Annual Paid Leave



Note: Average number of paid leave days taken per year by employees, including those assigned overseas

▶▶ Safety and Health Management

Each month, a Safety and Health Committee member visits our head offices in Tokyo and Osaka to assess the workplace environment. Comprising employees of the Human Resources & General Affairs Department, nurses of our in-house health clinics, and representatives from the Labor Union, the Safety and Health Committee ensures a safe workplace environment for all of our employees through the regular monitoring of humidity, temperature, and CO₂ concentration levels by the floor patrol officer.

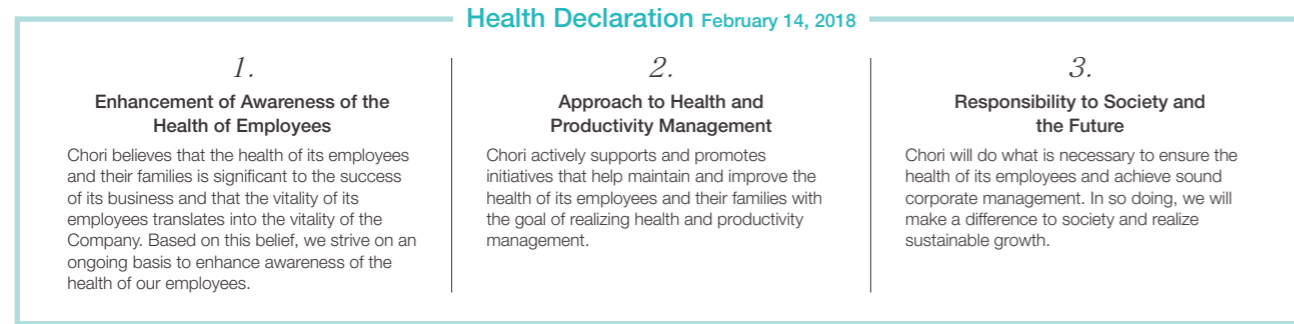
Moreover, our Tokyo and Osaka head offices, Hokuriku Branch, and Okayama Liaison Office operate in compliance with the Building Sanitation Law of the Ministry of Health, Labour and Welfare, with the facilities constantly ventilated at a rate of 30 m³/h or more per person.

③ Safety and Health Committee

Committee Members		No. of Members
Chairperson		One
Company	Occupational physician	One
	Health clinic	One
	Safety officer	One
	Health officer	One
Union	Referee	Four or more
Total		Nine or more

Promote Human Resource Development and Diversity

▶▶ Promotion of Health and Productivity Management



Health and Productivity Management Promotion Structure

We established our Health Promotion Committee in April 2018 and have since been promoting efforts to realize health and productivity management. Chaired by the deputy general manager of the Corporate Planning Division (in charge of the Human Resources & General Affairs Department), the Health Promotion Committee consists of industrial physicians and nurses from Chori's in-house health clinics as well as the employees of the Human Resources & General Affairs Department and members of the Health Insurance Association. Chori conducts a debriefing on White Paper for Chori's Health Management, which is published once a year, to assess the current state of health management and to discuss any issues. Through the initiatives of the Health Promotion Committee, Chori aims to maintain and improve the health of its employees and their families and fulfill its Health Declaration.



Ensuring the Health of Employees

Chori has established its own standards together with the Health Insurance Association and is working to manage the health of employees who are highly concerned about the risks of lifestyle-related diseases. As part of the regular health examinations, employees aged 30 and 35 years and over can undergo a comprehensive medical checkup once a year free of charge, and dependents aged 35 years and over of the insured party are entitled to subsidies for medical checkups once a year.

Further, we work to ensure the health of our employees through the support of medical experts. Employees who work over 40 hours of overtime in a month are required to consult with an industrial physician in the following month. Stress checks are also conducted to prevent the possibility of our employees suffering from mental illnesses.



	FY2021	FY2022	FY2023
Rate of employees undergoing regular health examinations	100%	100%	100%
Rate of employees undergoing stress checks	85.2%	84.0%	87.2%

COMMENT



Yuya Fujishima

Supervising physician at Chori's in-house health clinic inside Osaka Head Office

We offer a health support system that is attuned to changes in lifestyles.

In fiscal 2023, Chori established the "promotion of health and productivity management" as a key management theme and not only provided medical care after health checks but also strengthened its health guidance for employees without health-related conditions. Medical checkups and health guidance provided at our in-house clinics in both the Tokyo and Osaka head offices have made it possible to prevent lifestyle-related diseases and other serious illnesses. More recently, we have been offering medical checkups and health consultations online.

A new health portal site has been set up to improve the health awareness of employees. It enables easy access to health-related information and the use of web-based tools to manage body weight and blood pressure and is also expected to further improve awareness of self-management. As a measure going forward, the Safety and Health Committee will conduct health seminars periodically and disclose this information to raise the health awareness of all employees.

It is important to ensure that the appropriate measures are taken to adapt to the new lifestyles of the post-COVID-19 era and prevent the occurrence of lifestyle diseases through daily health management. Stress management, proper nutrition, and regular exercise are essential to doing so. Chori's in-house clinics aim to provide a stronger support system for promoting health. This will enable health issues to be detected and addressed at an early stage and help create an environment in which employees can work with peace of mind.

Strengthen Supply Chain Management

Key Themes

- ✓ Ensure ability to procure safe, high-quality products and raw materials
- ✓ Strengthen and ensure stability of supply chains (maintain a stable and effective business continuity plan)
- ✓ Make effective use of resources and ensure their stable procurement and supply in line with global demand
- ✓ Address the human rights, labor, and health and safety concerns of suppliers

▶▶ Operational Rules Regarding CSR-Based Procurement

In order to fulfill its social responsibilities for procurement activities in Japan and overseas, Chori has established its CSR Procurement Guidelines and promotes procurement activities that underline the importance of corporate ethics, legal compliance, safety, disaster prevention, environmental protection, product safety, quality assurance, human rights, and working conditions. Within these guidelines, the Company has prescribed its 11 Guidelines for Corporate Behavior in order to ensure that employees are fully aware of its social mission and the ways in which they must act at all times.



Declaration of Partnership Building

▶▶ CSR-Based Procurement Surveys

To promote procurement activities that focus on corporate ethics, legal compliance, safety, disaster prevention, environmental protection, product safety, quality assurance, human rights, and working conditions, Chori conducts a CSR-based procurement survey once every two years, in principle, to periodically check the status of the CSR-based promotion activities of each supplier. In the fiscal 2023 survey, we received responses from 90% of companies in Japan and overseas that participated. Of these companies, 1.5% responded that suppliers did not meet the CSR-based procurement standards. Therefore, we will work with the sales departments to monitor the non-conforming items more closely and seek improvement as necessary.

▶▶ Address the Human Rights, Labor, and Health and Safety Concerns of Suppliers

The Chori Group Human Rights Policy

As a global company, the Chori Group recognizes and respects the different values and cultures of people around the world. In addition to complying with the laws and regulations of each country and region in which we operate, we strive to fulfill our responsibility to respect the rights of all stakeholders by supporting and respecting international norms, such as the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

1. We shall respect the fundamental rights of each employee and not tolerate, under any circumstance, unfair discrimination based on nationality, race, religion, gender, age, disability, or any other attribute, nor harassment or other acts of behavior that bring harm to others. Moreover, we shall not engage in child labor, forced labor, or unfair low-wage labor.
2. We shall aim to promote respect for human rights throughout the supply chains of our business by promoting CSR procurement. Furthermore, we shall not engage in human rights violations of any kind.
3. We shall strive to identify the negative impacts of our business on human rights and not only mitigate such impacts but do everything in our power to prevent them.
4. We shall take prompt and appropriate measures, including remedial action, in the event that we cause or contribute to negative impacts on human rights.
5. We shall promote awareness of human rights issues among our employees and provide opportunities for further education in this regard to ensure proper understanding of all matters involving human rights.

▶▶ Ensuring of the Safety of Our Employees Overseas

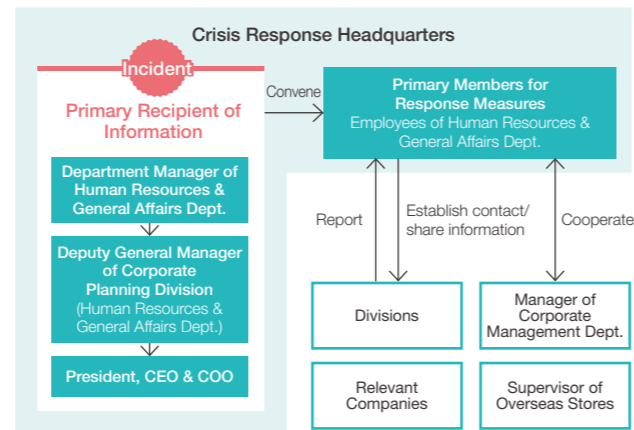
In the event of a natural disaster or a terrorist attack, whether in Japan or overseas, we must be fully prepared to immediately identify the whereabouts of our directors and employees, confirm their safety, and respond appropriately in a timely manner. Chori has in place a proprietary system dubbed Overseas Business Trip Inquiry, which manages the overseas business trips of domestic employees as well as the business trips of employees dispatched abroad and of the employees of overseas offices and helps to identify the location of each employee at a particular point in time. Employees dispatched overseas and their families as well as employees on business trips outside of Japan are also enrolled in Chori's overseas healthcare support program, which provides medical assistance in Japanese in the event of an accident or illness while abroad. The program helps to minimize employee concerns regarding healthcare overseas due to its differences from Japan.

Management Foundation Tailored to Sustainable Growth
Strengthen Supply Chain Management

Business Continuity Plan

Chori's business continuity plan has been designed to place the utmost priority on the safety of its directors and employees and to enable the swift recovery of business operations after serious disasters. We have implemented a safety confirmation system, which verifies the safety of all directors and employees and their families in a timely manner, and we examine the system regularly. A business continuity plan training course is also held once a year, ensuring that we are fully prepared in the event of an emergency.

Chori's business continuity plan manual calls for a swift recovery of business operations by the sales divisions. For the corporate divisions, we have established a core operations manual to maintain systems, finances, and other basic business functions. Moreover, we have established a response headquarters and operational procedures in preparation for major disasters and pandemics.



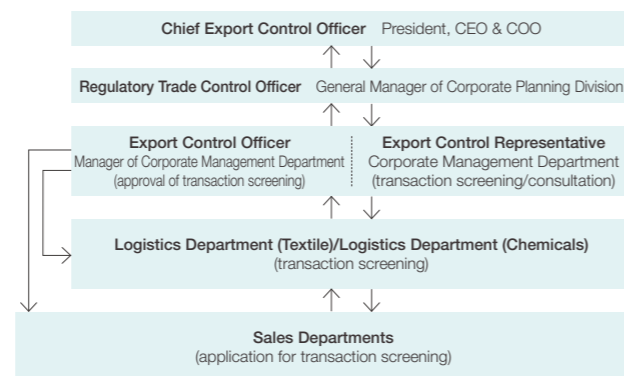
Security Trade Control

With the objective of maintaining peace and security around the world, Chori has formulated its Internal Regulations on Compliance with Export-Related Regulations and Regulations on Fair Reporting and Management of Imports and Exports. We undertake strict export controls to prevent countries in possession of weapons of mass destruction and conventional weapons from getting access to the highly sophisticated equipment and technology of developed countries.

Export Control Process and Training

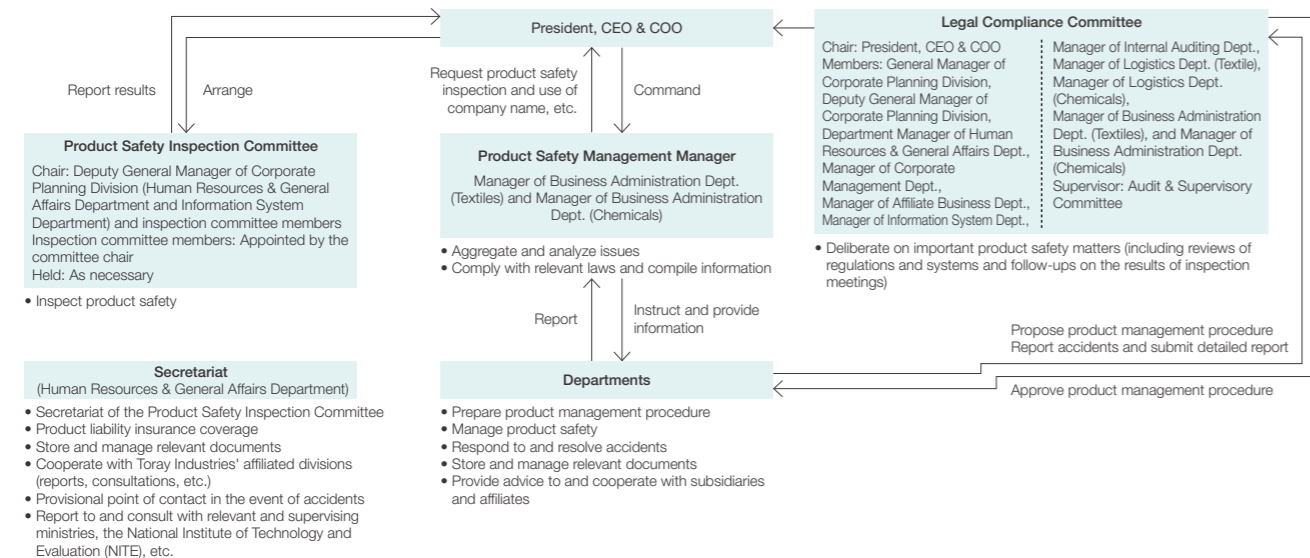
Once applications for list control and catch-all control are filed by Chori's sales departments, the Corporate Management Department conducts final approval. In October 2020, we began implementing a system that integrates the management of information on export products and transactions, ensuring rigorous security trade control and stronger compliance measures. This system is also designed to improve work efficiency and eliminate the use of paper.

In addition, Chori encourages its employees to obtain the STC Associate certificate and holds internal workshops and training sessions to enhance their understanding of export control. In fiscal 2023, 32 employees acquired the STC Associate certificate.



Product Safety Initiatives

In accordance with product safety management regulations, Chori establishes a product safety inspection committee whenever a product is launched, sold, or used externally for the first time.



Cooperation with the Hokuriku Region

The Hokuriku region (Fukui Prefecture, Ishikawa Prefecture, and Toyama Prefecture) boasts an extensive track record in the manufacture of yarn and textiles spanning over 400 years and thrives on the production of synthetic fiber fabric. Since the establishment of branch offices in Fukui Prefecture in 1929 and Ishikawa Prefecture in 1934, Chori has worked to develop a yarn and textile business that is deeply rooted in this region. In cooperation with synthetic fiber manufacturers, Chori began wholesaling raw yarn to the textile industry (textile manufacturers) and producing textiles with the industry. After the end of World War II, Chori took sole responsibility for the sale of woolly nylon, a raw material used in stockings, and grew in step with the Hokuriku region during a period of high economic growth in Japan. SPX™ is a highly crimped polyester stretch yarn made from PIN texturizing processing technology in the Hokuriku region of Japan that is highly regarded for its unique texture and is used in a wide range of products from fashion to sportswear. On the strength of our high quality and footwork that can only be realized through domestically made products, we will continue to work with local companies to provide products that fulfill the needs of each customer and share the quality of products made in Japan with the rest of the world.

Activities of the Hokuriku Chori Committee

Chori has been able to maintain its presence in yarn and textiles in the Hokuriku Region because of the cooperation of its local business partners. The Fukui Chori Committee and the Kanazawa Chori Committee were established by these business partners as support groups for Chori's business in the region. These committees were combined and renamed as the Hokuriku Chori Committee in 2001 and it continues to operate to this day. Chori works alongside its member companies to hold annual meetings, cross-industrial exchanges, and lectures, as well as publish newsletters to facilitate member interaction and share information.

Hokuriku Yarn Fair 2023

We exhibited at Hokuriku Yarn Fair 2023, held at the Fukui Prefecture Conference & Exhibition Hall. Chori first organized the Hokuriku Yarn Fair in 2016. In the preceding year, we held a yarn exhibition on our own, which received positive reviews. This inspired us to organize and hold this inaugural event with the cooperation of yarn processing companies and others in the Hokuriku region. The event has since been hosted by the Fukui Textile Association and the Ishikawa Textile Association alternately in Fukui and Kanazawa prefectures, and this year marks the sixth time the event has been held. BLUE CHAIN™ products were showcased at the booths exhibited by Chori and STX Company Limited.



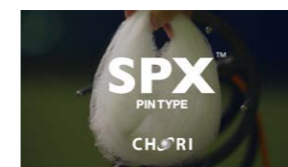
B-LOOP™: Chori's Textile-to-Textile Recycling Scheme

In September 2023, Chori conducted a full-scale launch of its B-LOOP™ textile recycling scheme. Used clothing and waste fibers generated in the textile production process, which were previously discarded, are recreated into new fibers, providing new value. We are working with companies in the Hokuriku region to reduce the amount of textile waste by collecting and reusing waste fibers generated in the yarn and fabric production process. Polyester materials are turned into pellets, while other materials are processed into recycled cotton and then made into yarn and felt.



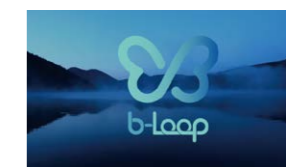
Related Content

Highly Crimped Stretch Yarn SPX™



<https://youtu.be/ZxGvD0XZWE8?si=wzWgqrOyMwVI4SQx>

B-LOOP™ Textile-to-Textile Recycling Scheme



<https://youtu.be/Nz2vtec1HOM?si=8v2BrmACYuHIGuF0>

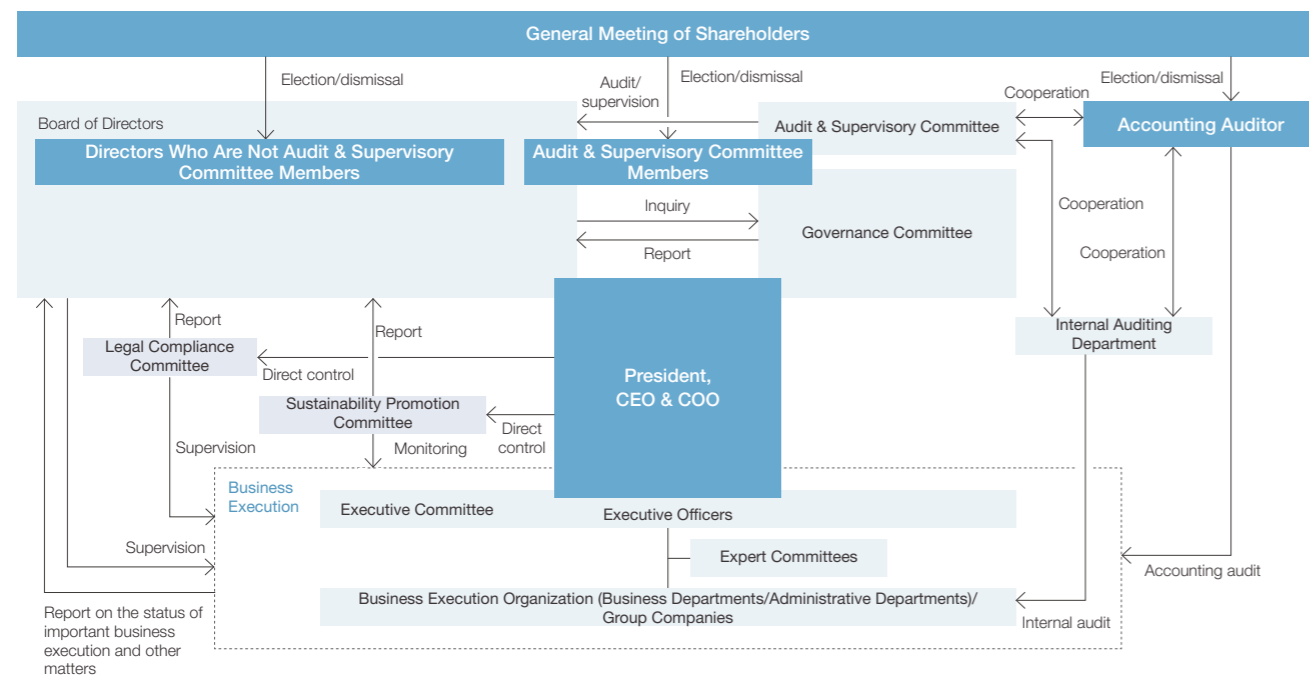
Strengthen Governance and Ensure Compliance

“As members of the global community, we will work for the betterment of society. We take pride in being fair and sincere, and in continuing to offer superb service in order to deliver superior customer satisfaction.” With the corporate philosophy as its foundation, Chori has established systems to ensure the appropriate operation of its business with the aim of realizing sound business management and sustainable growth. We strive to constantly strengthen corporate governance by complying with laws and social norms, conducting efficient and effective operations, and ensuring the credibility of our financial reports, while positioning the Board of Directors as a strategic decision-making and a supervisory body for business execution.

Key Themes

- ✓ Strengthen governance structure with a view to achieving sustainable growth
- ✓ Continue to foster employee awareness of the importance of compliance

Corporate Governance Structure (As of June 18, 2024)



Overview of Corporate Governance Structure and Reasons for Its Adoption

To strengthen the management transparency and oversight function of the Board of Directors, Chori has an Audit & Supervisory Committee in place, the majority of which consists of outside directors.

At Board of Directors' meetings, the directors (including those who are Audit & Supervisory Committee members) engage in lively and sufficient discussions and deliberations from a free and independent perspective in regard to the supervisory status of decision-making and business execution. The Board also consists of three outside directors who are Audit & Supervisory Committee members that audit the legitimacy and appropriateness of the status of business execution from an external perspective in an objective and rational manner. The Company therefore believes that it is sufficiently fulfilling its management supervisory function. Moreover, to ensure the prioritization of results, the Company has set the term of office of directors (excluding those who are Audit & Supervisory Committee members) and executive officers to one year and has established a management structure that can respond to changes in business conditions in a timely manner.

Organizational Structure	Company with audit and supervisory committee
Number of Directors (excluding Those Who Are Audit & Supervisory Committee Members)	4
Term of Office of Directors According to the Articles of Incorporation	1 year
Number of Directors Who Are Audit & Supervisory Committee Members	4 (of whom, 3 are outside directors)
Term of Office of Directors Who Are Audit & Supervisory Committee Members According to the Articles of Incorporation	2 years
Number of Independent Officers	3
Executive Officer System	Yes
Performance-Linked Remuneration System	Yes
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Composition and Overview of the Board of Directors, Executive Committee, and Other Principal Committees

Name	Description	Number of Meetings Held in Fiscal 2023	Attendance Rate of All Directors and Executive Officers	Attendance Rate of Outside Directors
Board of Directors	The Board of Directors consists of all directors and has been positioned as the committee responsible for making strategic decisions and overseeing the Company's operations. The Board of Directors meets at least once a month, in principle, to make decisions on important management matters and to supervise the directors' execution of duties.	16	99.2%	100%
Executive Committee	The Executive Committee consists of executive officers and those who were approved by the Board of Directors and was established as an organization for conducting discussions and exchanging important information and opinions on matters related to business execution.	26	100%	—
Audit & Supervisory Committee	Directors who are Audit & Supervisory Committee members attend meetings of the Board of Directors and other important meetings, meet with those in charge of the sales departments and the Corporate Planning Division to make decisions on important management-related matters (including processes), and sufficiently audit and monitor the appropriateness of the execution of duties by each director (excluding those who are Audit & Supervisory Committee members) and executive officer. The Audit & Supervisory Committee meets regularly once a month to share information with outside directors regarding the status of management, audit results, and other matters and to exchange opinions.	14	100%	100%
Governance Committee	The Governance Committee aims to enhance the Company's corporate governance structure in order to strengthen the independence and objectivity of the functions and accountability of the Board of Directors regarding director nomination, remuneration, etc., and to protect the interests of minority shareholders.	6	100%	100%
Legal Compliance Committee	The Legal Compliance Committee is chaired by the president, CEO & COO and consists of the general manager of the Corporate Planning Division, the heads of corporate divisions, and other members. The committee deliberates on important compliance-related issues and reports the results to the Board of Directors and the Executive Committee as necessary.	6	91.4%	82.4%
Sustainability Promotion Committee	Chaired by the president, CEO & COO, the Sustainability Promotion Committee was in charge of formulating the Chori Group Basic Policy on Sustainability and identifies material issues based on this policy, sets related goals and checks their progress, monitors other sustainability-related measures, and reports the results to the Board of Directors and the Executive Committee as necessary.	—	—	—
Business Investment Committee	The Business Investment Committee is chaired by the president, CEO & COO and consists of members including the general managers of the sales departments. The committee discusses and deliberates the appropriateness of risk-return assessments and plans and the feasibility of important investments and financing.	4	100%	—
M&A Promotion Committee	The M&A Promotion Committee is chaired by the general manager of the Corporate Planning Division and consists of members including the general managers of the sales departments. The committee deliberates on and examines matters pertaining to the business portfolio of Group companies, including M&As and the Group's medium- to long-term management plan, from the perspective of promoting consolidated management centered on our global business.	1	100%	—

Discussions at Board of Directors' Meetings

At Chori, we strive to invigorate discussions at Board of Directors' meetings by organizing and improving the quality of meeting materials and providing explanations of agenda items to outside directors in advance.

Main Topics of Discussion

ROIC	During the performance report at the Board of Directors' meeting in April 2023, a discussion was held on ROIC, a KPI of Chori Innovation Plan 2025, in response to a question raised by an outside director regarding the management of ROIC by each department. Page 19
Sustainability Initiatives	At the Board of Directors' meetings held in December 2023 and March 2024, the Sustainability Promotion Preparatory Committee reported the status of its activities and outside directors expressed their opinions on KPIs, risk management, and external information disclosure. Page 41
Executive Remuneration	In May 2023, the Board of Directors approved changes to the executive stock remuneration plan, and in June 2023 resolved matters pertaining to executive remuneration for fiscal 2023 upon providing an explanation. Outside directors expressed their opinions on the appropriateness of remuneration levels and the ratio of fixed to variable remuneration. Page 63

Strengthen Governance and Ensure Compliance

Committee Members (As of June 18, 2024)

○ : Committee chair ● : Committee member ▲ : Nonmember attendee

Name	Position	Fiscal 2023 Committees and Committee Members							
		Board of Directors	Executive Committee	Audit & Supervisory Committee	Governance Committee	Legal Compliance Committee	Sustainability Promotion Committee	Business Investment Committee	M&A Promotion Committee
Tatsuyuki Sakoda	President, CEO & COO, President and Executive Officer	○	○		●	○	○	○	
Hiroshi Yoshida	Director, Managing Executive Officer	●	●			●	●	●	○
Kazuhiro Tohge	Director, Executive Officer	●	●						
Nobuyuki Inohara	Director	●							
Shigemasa Yabu	Director, Full-Time Audit & Supervisory Committee Member	●	▲	○		▲	▲		
Masaaki Sawano	Outside Director, Audit & Supervisory Committee Member	●		●	○	▲	▲		
Hiromasa Suzuki	Outside Director, Audit & Supervisory Committee Member	●		●	●	▲	▲		
Hiroko Noda	Outside Director, Audit & Supervisory Committee Member	●		●		▲	▲		

Diversity of the Board of Directors

The Board of Directors must decide on matters in a transparent, fair, prompt, and decisive manner, and therefore consists of members with a diverse range of views, experience, and skills. To strengthen corporate governance by ensuring the objectivity and appropriateness of decisions made by the Board of Directors, at least one-third of the members are independent outside directors.

Directors

Name	Gender ● Male ● Female	Length of Service*1	Areas of Expertise and Experience					
			Corporate Management	Global	Finance and Accounting	Risk Management	Sales and Marketing	Sustainability and ESG
Tatsuyuki Sakoda	●	2 years	●	●	●	●		●
Hiroshi Yoshida	●	Newly appointed				●	●	●
Kazuhiro Tohge	●	6 years	●	●			●	
Nobuyuki Inohara	●	Newly appointed	●				●	

*1 Indicates number of full years of service as of June 18, 2024

Directors Who Are Audit & Supervisory Committee Members

Name	Gender ● Male ● Female	Length of Service*1	Areas of Expertise and Experience					
			Corporate Management	Global	Finance and Accounting	Risk Management	Sales and Marketing	Sustainability and ESG
Shigemasa Yabu*2	●	2 years			●	●		
Masaaki Sawano	●	6 years				●		
Hiromasa Suzuki*3	●	2 years	●				●	
Hiroko Noda*4	●	Newly appointed			●	●		●

*1 Indicates number of full years of service as of June 18, 2024

*2 Shigemasa Yabu served as a director of the Company for seven years prior to concurrently serving as an Audit & Supervisory Committee member.

*3 Hiromasa Suzuki served as a director of the Company for one year prior to concurrently serving as an Audit & Supervisory Committee member.

*4 Hiroko Noda served as a director of the Company for two years prior to concurrently serving as an Audit & Supervisory Committee member.

Definition of Each Skill



Corporate Management

Experience as a corporate manager and considerable knowledge of group management and management strategies



Global

Experience working overseas and managing an overseas company and considerable knowledge of global corporate management



Finance and Accounting

Experience as a certified public accountant or certified public tax accountant or experience working in a finance and accounting department, etc., at a corporation and considerable knowledge of these fields



Risk Management

Business experience in the fields of risk management, corporate legal affairs, and compliance and considerable knowledge in supervising corporate management



Sales and Marketing

Business experience in a sales department and considerable knowledge of sales and marketing in a wide range of business domains



Sustainability and ESG

Experience in corporate management focused on sustainable growth and considerable knowledge of sustainability and ESG

Reason for Nomination of Outside Directors

The Company's outside directors were nominated for the reasons outlined below as well as their ability to supervise management from an external point of view, such as through the proactive exchange of opinions and advice at the Board of Directors' and other important meetings.

Name	Reason for Nomination
Masaaki Sawano	He has been appointed as an outside director as he is expected to provide appropriate advice regarding the management of the Company and on the grounds that he is deeply familiar with corporate legal work as a lawyer and has sufficient insight to supervise corporate management. In addition, it has been deemed that he has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.
Hiromasa Suzuki	He has been appointed as an outside director based on his many years of involvement in corporate management and his wealth of experience in group management as a top executive of a company, which involved orchestrating the establishment of a company. As an outside director, he is expected to provide appropriate advice regarding the management of the Company. In addition, it has been deemed that he has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.
Hiroko Noda	She has been appointed as an outside director based on her knowledge, experience, and abilities as a certified public accountant as well as her sufficient expertise in management gained through her years of experience as an outside director and a management consultant. As an outside director, she is expected to provide appropriate advice to the Company's management. In addition, it has been deemed that she has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.

Strengthen Governance and Ensure Compliance

Executive Remuneration

Basic Policy

A remuneration structure in which the remuneration of Chori's directors (excluding directors who are Audit & Supervisory Committee members; the same shall apply hereafter) is linked to shareholder interests shall be in place in order to fully function as an incentive to continuously improve corporate value. Our basic policy in determining the remuneration of each director is to set it at an appropriate level based on their position, performance, and other factors. Specifically, director remuneration consists of three types: monthly base remuneration, a yearly bonus, and performance-linked stock remuneration based on a stock remuneration scheme called Board Benefit Trust-Restricted Stock (BBT-RS).

Overview of Executive Remuneration System

Remuneration Type	Fixed remuneration		Variable remuneration	
	45%	45% (single year)	10% (medium to long term)	
	Basic Remuneration	Bonuses	Performance-Linked Stock Compensation	
Eligible Recipients	<ul style="list-style-type: none"> Directors who are not Audit & Supervisory Committee members Directors who are Audit & Supervisory Committee members Outside directors 	<ul style="list-style-type: none"> Directors who are not Audit & Supervisory Committee members 	<ul style="list-style-type: none"> Directors who are not Audit & Supervisory Committee members 	
Grant Method	Cash	Cash	Stocks and cash	
Evaluation Index (Variable Remuneration)	—	<ul style="list-style-type: none"> Profit before income taxes results Progress of medium-term management plan, etc. 	<ul style="list-style-type: none"> Profit before income taxes over three-year period Progress of medium-term management plan, etc. 	
Maximum Amount of Remuneration	<p>Directors who are not Audit & Supervisory Committee members: No more than ¥300 million annually (However, excludes the portion of employee salary of directors who concurrently serve as employees)</p> <p>Directors who are Audit & Supervisory Committee members: No more than ¥100 million annually (Resolution passed at the 69th General Meeting of Shareholders held on June 15, 2016)</p>	<p>Directors who are not Audit & Supervisory Committee members: No more than ¥300 million annually (However, excludes the portion of employee salary of directors who concurrently serve as employees)</p> <p>(Resolution passed at the 69th General Meeting of Shareholders held on June 15, 2016)</p>	<p>Directors who are not Audit & Supervisory Committee members: Maximum number of points The maximum number of points that may be granted to directors during each applicable term (the adjusted number of points after the end of each term) is the number of points obtained by multiplying the number of fiscal years during the applicable term by 80,000 points (of which, 40,000 points are for directors).</p> <p>(Resolved at the 76th Ordinary General Meeting of Shareholders held on June 16, 2023)</p>	
Grant and Calculation Method	Monthly fixed remuneration based on position	<ul style="list-style-type: none"> Paid at a certain time of the year Amount calculated according to the progress of the medium-term management plan and profit before income taxes in the given business year 	Based on their position, the Company shall provisionally grant points to directors each fiscal year as stipulated in the director stock benefit regulations. The number of points shall be determined based on the directors' contribution to business performance by multiplying the degree of achievement of profit before income taxes and other achievements by the performance-linked coefficient at the conclusion of the medium-term management plan, in principle. As a general rule, the Company will grant one share per point in proportion to the number of points determined.	

Director Remuneration in Fiscal 2023

Classification	Total Remuneration (Millions of Japanese Yen)	Total of Remuneration by Type (Millions of Japanese Yen)				No. of Eligible Directors
		Fixed remuneration (monetary)	Bonus*3 (monetary)	Restricted stock compensation*3,4 (nonmonetary)	Board Benefit Trust-Restricted Stock*3,4 (nonmonetary compensation, etc.)	
Directors (excluding Audit & Supervisory Committee Members)*1,2 (Of Which, Outside Directors)	196 (7)	93 (7)	79 (-)	3 (-)	20 (-)	4 (1)
Directors (Audit & Supervisory Committee Members) (Of Which, Outside Directors)	37 (18)	37 (18)	- (-)	- (-)	- (-)	3 (2)
Total (Of Which, Outside Directors)	234 (25)	130 (25)	79 (-)	3 (-)	20 (-)	7 (3)

*1 Not including the portion of employee salary for directors who concurrently serve as employees.

*2 The number of eligible directors above does not include two directors (excluding directors who are Audit & Supervisory Committee members) serving without compensation.

*3 Of the above items, bonuses are stated as payment amounts corresponding to ¥14.7 billion for profit before income taxes for fiscal 2023, restricted stock compensation is stated as payment amounts corresponding to ¥12.4 billion for consolidated ordinary profit for fiscal 2022, and Board Benefit Trust-Restricted Stock is stated as payment amounts corresponding to the cumulative profit before income taxes target of the medium-term management plan.

*4 Of the above items, the amounts stated as restricted stock compensation (the old plan) and Board Benefit Trust-Restricted Stock (the new plan) are the amounts recorded as expenses for the current fiscal year.

Evaluation of the Effectiveness of the Board of Directors

Chori conducts an evaluation of the effectiveness of the Board of Directors each year in order to realize a more effective Board of Directors. The evaluation process involves conducting a questionnaire with all directors on the composition, operation, discussions, and support system of the Board of Directors and then compiling the views of each director.

Based on the results of the questionnaire, the Governance Committee and the Board of Directors evaluate and analyze the effectiveness of the Board of Directors as a whole. Through this process, it was determined that the Board of Directors is composed of suitably qualified members, including outside directors, and the Board of Directors' meetings are held in a free and open environment that facilitates constructive discussions and the exchange of opinions. Accordingly, it has been deemed that the Board of Directors is operating appropriately on the whole and that its effectiveness is ensured.

Respondents	All eight directors (including those who are Audit & Supervisory Committee members) in fiscal 2023 (anonymous questionnaire)
Method of Evaluation and Analysis	Evaluation and analysis conducted by the Governance Committee and the Board of Directors upon aggregation of results by a third-party institution and ensuring confidentiality
Questionnaire Content	<p>Questions are based on the following ten major themes</p> <ul style="list-style-type: none"> Composition of the Board of Directors Operation of the Board of Directors Discussions of the Board of Directors Monitoring function of the Board of Directors Support system for directors (including those who are Audit & Supervisory Committee members) Training Dialogue with shareholders (investors) Governance Committee operations Individual initiatives General overview

Evaluation Results

Issues Identified in Fiscal 2022	The need for more sufficient feedback on the status of dialogue with shareholders and investors	The need to improve follow-up on the progress of the medium-term management plan
Measures Taken in Fiscal 2023	Provided feedback regularly on the details of dialogues (twice a year)	Provided feedback on the status of quantitative targets and engaged in further discussions on management and business issues

Confirmed that improvements were made

Recognized the need for further discussion and more in-depth deliberation based on follow-up of progress beyond quantitative targets

Issues Identified in Fiscal 2023	<ul style="list-style-type: none"> The need for sufficient discussions on profitability and capital efficiency with a view to determining management strategies and plans The need to examine how discussions and reporting are conducted at Board of Directors' meetings with a view to determining succession plans and director remuneration based on deliberations by the Governance Committee
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We will engage in further discussion on the management and business issues that have come to our attention and continuously work to enhance the effectiveness of the Board of Directors.

Maintaining Independence from the Parent Company

Toray Industries, Inc., Chori's parent company, holds 12,967 thousand shares of common stock (52.41% of voting rights) as of March 31, 2024. Chori constantly works to strengthen the combination of its ability to sell and collect information on fibers and chemicals, which represent its core businesses in Japan and overseas, and the parent company's ability to develop materials in order to generate synergies and enhance corporate value for both companies. In addition, by operating under a parent company, the Company is able to gain a better understanding of market trends and the business environment, enhance its credibility, and enjoy other benefits that come with being a Group company.

With the exception of one director who does not execute business, the executives and employees at the Company do not concurrently serve as executives or employees at the parent company or Group companies, and the Company does not accept employees through transfers from the parent company or Group companies. In addition, the Company has its own management plan in place through which we have developed our business. The Company conducts transactions for the purchase and sale of fibers, chemicals, and other products with the parent company, and the transactions for the current fiscal year amounted to ¥1.43 billion in net sales and ¥5.7 billion in net purchases. Terms and conditions concerning sales and purchases of these products are determined through negotiation based on market prices. In addition, the Company utilizes the Toray Group's cash management system as a means of fund settlement. Interest rates on these transactions are determined at reasonable levels after due consideration of market interest rates. The Governance Committee, which is chaired by an outside director, periodically deliberates on transactions with the parent company and its corporate group and ensures their appropriateness. Furthermore, information is exchanged with the parent company on a regular basis to understand issues on legal compliance and issues from the viewpoint of efficiency. If it becomes necessary to deliberate important transactions or actions in which the interests of the controlling shareholder and minority shareholders conflict, we will establish a special committee consisting only of independent outside directors and external experts to address the matter.

Chori and its parent company Toray Industries have entered into an agreement to implement the following items in order to achieve sustainable growth and enhance corporate value.

- Examination of the appropriateness of maintaining the Company's listing
- Execution of appropriate transactions between Chori and Toray Industries, Inc.
- Ensuring of effective governance that takes into consideration the interests of Chori's general shareholders
- Appropriate execution of risk management as the Toray Group (including matters for prior consultation on certain matters pertaining to governance and internal control)

Based on these factors, we believe that the Company's independence from the parent company in its business operations is sufficiently ensured.

Strengthen Governance and Ensure Compliance

CEO Succession Plan

To enhance corporate value over the medium to long term, Chori has positioned the formulation and implementation of a CEO succession plan as one of its key management issues and has established and is working to develop the CEO Succession Planning Guidelines.

Basic Policies for CEO Succession Planning

- The CEO is best qualified to lead the Group's transformation and growth and the enhancement of corporate value to realize Chori's corporate philosophy and management strategy. Therefore, based on the view that the appointment of the CEO is the most important strategic decision of the Company, we have positioned the formulation and implementation of a CEO succession plan as a key theme of our management strategy.
- The qualities required of a CEO are discussed by the Board of Directors and the Governance Committee, the majority of which is composed of outside directors. The requirements of the CEO position are reviewed as appropriate in accordance with changes in society and the business environment.
- Candidates for the position of CEO who meet the required qualifications shall be selected from not only within the Company but also from outside the Company. In any case, the Governance Committee shall deliberate on the selection process and ensure its transparency and objectivity in cooperation with the parent company.
- The selected candidates shall be given the opportunity to systematically acquire and develop the qualities, expertise, and experience required of a CEO under the direction of the current CEO, and the Governance Committee shall periodically confirm and monitor the status of this progress.
- The Governance Committee shall report to the Board of Directors in a timely manner on the replacement of the CEO in the case of an emergency or in the event that the current CEO is unable to return to their position.

Selection of CEO Candidates

Candidates to succeed the CEO are selected from among directors, executive officers, and other members through deliberations by the Governance Committee. If necessary, the committee will deliberate on the appointment of candidates from outside the Company. Based on our corporate philosophy, management policy, and specific management strategies, the Governance Committee shall engage in sufficient discussions with CEO candidates and deliberate objectively and transparently based on the qualities required of a CEO (determination, integrity, conceptualization skills, decision-making ability, and communication skills) as stipulated in the CEO Succession Planning Guidelines.

CEO Succession Planning Process



Tatsuyuki Sakoda's appointment as CEO in June 2024 was based on the above process, including his appointment as president and representative director of Miyako Kagaku Co., Ltd. in June 2020 and as the general manager of the Corporate Planning Division in June 2022.

Risk Management

The Company shall identify the potential risks of business activities of the Group, make efforts to reduce the level of such risks, and prevent the occurrence of risk events, as well as develop a system to promptly respond and take appropriate actions in case of the occurrence of risk events. The Risk Management Rules, the Credit Management Rules, the Rules for Information Security Management, the Rules for Protection and Management of Personal Information, and other rules shall be established in respective departments in charge and be fully understood by all through training and the preparation and distribution of manuals. Those rules shall be continuously reviewed and revised. Corporate divisions and business administration departments shall collaborate in monitoring the status of the Group's risks and responding to risks. For newly identified risks, departments shall be promptly assigned to be responsible for said risk management and appropriate measures shall be taken.

Business and Other Risks

- Risks related to changes in the external business environment
- Risks related to the concentration of business in China's regions and markets
- Country risk
- Credit risk of business partners
- Risks related to exchange rate and interest rate fluctuations
- Risks related to fluctuations in the price of raw materials
- Inventory-related risks
- Risks related to tax litigation
- Risks related to business investments
- Risks related to impairment of securities
- Risks related to information systems and security
- Compliance-related risks
- Risks related to social and environmental issues and climate change
- Risks related to human resource activities
- Risks related to natural disasters, infectious diseases, etc.

Cybersecurity System

Chori has implemented various cybersecurity measures in response to the increasing risk of unauthorized access and cyberattacks in recent years.

Cybersecurity Measures

- Introduction of a risk management system, with the president, CEO & COO in charge of risk management; a risk management promotion officer; and an organization responsible for risk management
- Under normal conditions, the Information Security Committee is chaired by the chief information security officer, while in the event of a crisis, such as a cyberterrorism attack, the risk management promotion officer serves as the head of the Crisis Response Headquarters
- Periodic reports on the status of the Group's cybersecurity to the Board of Directors
- Conducting of internal audits by the Internal Auditing Department, including on cybersecurity
- Response to periodic audits by parent company Toray Industries
- Response to semi-annual attack tests on Chori's external servers by parent company Toray Industries

No security issues were found as a result.

Internal Control

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

Since then, this policy has been amended to reflect changes in the Group's business environment and business activities.



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

<https://contents.xj-storage.jp/xcontents/AS04137/da79b280/a20e/499b/aa87/9967eb9629bd/20240618154211030s.pdf>



Internal Audit

In regard to internal audits, the Company has established the Internal Auditing Department (consisting of seven members as of June 18, 2024) directly under the president, CEO & COO. The Internal Auditing Department conducts audits on the appropriateness and efficiency of the Company's business activities from a fair and independent point of view. The Internal Auditing Department also evaluates the status of the implementation and operation of internal controls concerning financial reporting in accordance with the Financial Instruments and Exchange Act.

The Audit & Supervisory Committee receives reports regularly on audits conducted by the Internal Auditing Department and verifies the status of business execution of each department and subsidiary. The Audit & Supervisory Committee reports the results of audits to and exchanges opinions with the Internal Auditing Department. The Audit & Supervisory Committee requests the Internal Auditing Department to provide information or conduct investigations when necessary, thereby working closely together to ensure that audits are carried out efficiently.

Cross-Shareholdings

The Chori Group may acquire and hold shares of listed companies (hereinafter "cross-shareholdings") in order to maintain, expand, and sustainably develop its business. In such cases, the Board of Directors and other bodies decide on acquisitions after determining the department in charge of the acquisition and considering the business conditions of the investees and the profitability of the investment. The Board of Directors verifies the significance of the cross-shareholdings each year and considers the sale or reduction of shares that are deemed to be of no significance. Those shares that are held are verified each year for their rationality from the perspectives of the significance of each acquisition and holding, profitability of the investment, transaction scale, and relevant profits. The Company reduces the number of shares of stocks that have become less significant due to changes in business relationships or for some other reason.

The Group appropriately exercises the voting rights of cross-shareholdings from the perspective of whether or not the Group and investee companies can expect increases in their corporate value over the medium to long term, while respecting the management policies of investee companies.

Holding of Shares for Purposes Other than Pure Investment (Cross-Shareholding)

	FY2021	FY2022	FY2023
Shares Held	31	27	23
Total Amount (Billions of Yen)	4.6	4.2	5.5

Note: The shareholdings of CHORI CO., LTD. for which the largest monetary amount is recognized on the balance sheets in relation to investment in equity securities (the monetary amount of equity securities recognized) have been stated.

Strengthen Governance and Ensure Compliance

▶▶ Policies Regarding Constructive Dialogues with Shareholders

The Company promotes constructive dialogues with shareholders based on the following six policies.

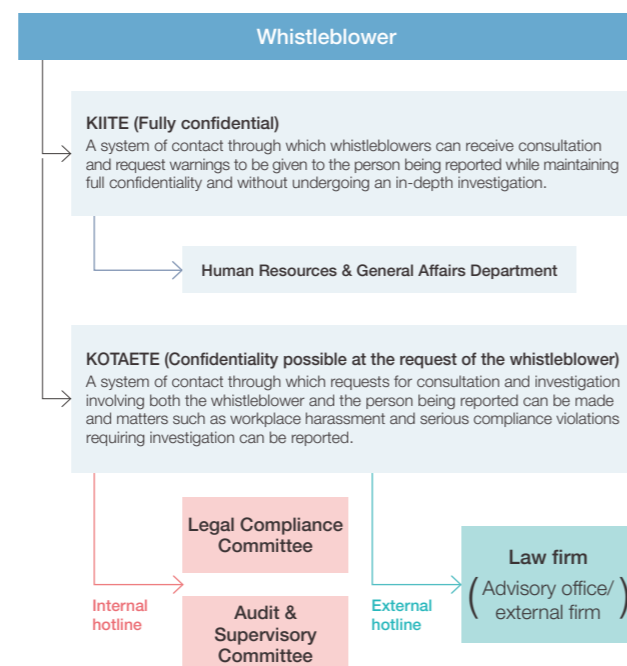
- | | |
|---|---|
| <p>(1) The executive officer in charge of information handling oversees matters related to investor relations (IR) and public relations, cooperates with the Corporate Management Department and relevant departments, and communicates information to shareholders and investors. If a request is made for an interview with an executive officer other than those in charge of matters related to IR and public relations (including outside directors), the Company will consider responding to the request within reasonable limits based on its details.</p> <p>(2) The relevant internal departments proactively cooperate to achieve constructive dialogues with shareholders and investors through the preparation of disclosure materials and the sharing of important information while conducting their business activities.</p> <p>(3) Methods of dialogue other than individual meetings</p> <p>General meeting of shareholders
The Company regards the general meeting of shareholders as an opportunity to fulfill its responsibility of providing explanations to shareholders and works accordingly to carefully address their questions and understand the intent of their opinions.</p> <p>Individual investors
The Company promotes dialogue with its individual shareholders by holding company briefings exclusively for such investors, which are attended by the president, CEO & COO of the Company.</p> | <p>Institutional investors
For institutional investors, the Company holds financial briefings attended by the president, CEO & COO upon the conclusion of its six-month and full-year financial results announcements. At these financial briefings, the Company reports on the details of its financial performance, addresses various questions, and collects the opinions of its shareholders. In addition, the department in charge of IR and public relations conducts individual meetings for institutional investors.</p> <p>(4) Overview of activities in fiscal 2023</p> <ul style="list-style-type: none"> • Financial results briefings for institutional investors and analysts: Twice • Company briefings for individual investors: Once • Individual IR meetings: 18 times • Meetings with investors regarding sustainability: Twice <p>(5) Feedback
The Company promotes the sharing and use of information obtained from dialogues through the reporting of opinions of shareholders and investors to the respective committees and their disclosure to the directors, management executives, and relevant departments as necessary. In fiscal 2023, reports were made at meetings of the Board of Directors in August 2023 and March 2024.</p> <p>(6) The Company complies with the Insider Trading Prevention Regulations and ensures thorough information management.</p> |
|---|---|

▶▶ Ensuring of Thorough Compliance

Rules concerning compliance systems, such as the Guidelines for Corporate Behavior, shall be established to set compliance with laws and regulations and social ethics as a code of conduct of our business. In order to make all directors, executive officers, and employees of the Group fully aware of the initiatives for compliance, corporate divisions shall collaborate to hold compliance training and other training programs. The Legal Compliance Committee, with the president, CEO & COO as the chairman, shall discuss important matters regarding the compliance of the Group and report the results to the Board of Directors and the Executive Committee as necessary. In the event of a significant legal violation or compliance violation on the part of a management executive, in accordance with the laws and regulations and the Articles of Incorporation, the Governance Committee shall deliberate on the dismissal of the management executive in question and the Board of Directors shall adequately discuss and consider his or her dismissal based on those results.

A system of contact has been established throughout Chori whereby executives and employees (including contract, temporary, and other employees) can receive consultation and report on compliance violations and other matters. In this way, we have established a framework for reporting incidents by ensuring the full confidentiality of whistleblowers, who are able to receive consultation either in-house or through an external point of contact depending on the nature of the incident.

⊙ Internal Whistleblower System



Roundtable Discussion between Outside Directors



Masaaki Sawano
Outside Director
Audit & Supervisory
Committee Member

Hiroko Noda
Outside Director
Audit & Supervisory
Committee Member

Hiromasa Suzuki
Outside Director
Audit & Supervisory
Committee Member

Aiming to Sustainably Enhance Chori's Corporate Value

Q. What is your assessment of Chori's performance in fiscal 2023?

Suzuki In terms of financial results, I believe it was a year in which we started to see the results of the efforts of both the Fibers, Textiles, and Garments Business and the Chemicals Business to build new supply chains, which began during COVID-19. On the non-financial side, it was a year in which the Company made significant progress with the establishment of the Sustainability Promotion Preparatory Committee, a major step forward in forming a foundation for sustainability management. In particular, I strongly commend the fact that diverse opinions, including those of Chori's younger employees, were incorporated into the operations of the Sustainability Promotion Preparatory Committee.

Noda I, too, believe that Chori's activities in fiscal 2023 were very productive from both a financial and non-financial point of view. While there are a number of things I can praise, it was an impressive year in which Chori achieved steady results owing to its unique supply chain, which fully harnessed its strengths, such as its network in the Hokuriku region and longstanding relationships of trust with customers.

Sawano It was a successful year for the Fibers, Textiles, and Garments Business, although there was a brief setback in the fourth quarter, which had me a little worried. However, as Ms. Noda explained, Chori ultimately achieved record profits by demonstrating its strengths, and I was very surprised when I heard the results. The Fibers, Textiles, and Garments Business was able to overcome the issue of outstanding receivables by offsetting the profitability of the Company's other lines of business, which leads me to believe that Chori is becoming stronger as an organization.

Roundtable Discussion between Outside Directors

Q. How would you assess the progress of Chori Innovation Plan 2025?

Noda Although it appears that the Company performed well in terms of numerical targets, the focus of Chori Innovation Plan 2025 is to develop a management foundation from a long-term perspective, with an emphasis on diversity and digital transformation. The percentage of female managers remains low, so from this perspective, I would like to see the Company improve. It is essential that Chori promotes measures to empower its diverse human resources, including recruitment, education, and personnel evaluations, to continue to enhance its corporate value going forward.

Suzuki With profits on track to exceed the Company's targets from the first year, I believe Chori Innovation Plan 2025 has started off in the right direction. I would like to see the Company achieve even further growth beyond these targets. That said, trading companies are highly susceptible to the impacts of global affairs and market fluctuations, so it is important to consider the peaks and valleys that will come along the way.

From fiscal 2024, the Sustainability Promotion Committee will work out the details of sustainability management activities. A solid foundation is necessary to expand business and improve business performance; therefore, I expect the Company to build a foundation that allows even more diverse human resources, including women, to play an active role, which will ultimately lead to even better results.

Q. What are the key points in the process for identifying material issues and the material issues that were identified?

Suzuki When the matters discussed by the Sustainability Promotion Preparatory Committee were reported to the Board of Directors, I shared my views on a variety of topics. By incorporating the knowledge of outside experts and consulting firms, these matters were compiled into a report



that ensures credibility. I highly commend the fact that Chori incorporated diverse opinions into the process for identifying material issues in a flexible and comprehensive manner and believe that it effectively laid out its course of action.

Noda I commend the Company's efforts to actively incorporate the views of its younger employees. Chori's future hinges on its younger employees, so it is imperative that their opinions are incorporated into the decision-making process for material issues. As for the identified material issues, I believe that promoting businesses that contribute to the realization of a sustainable and prosperous society, promoting human resource development and diversity, and strengthening supply chain management—three areas of focus for any trading company—and strengthening corporate governance are appropriate material issues for Chori's continuous growth. In terms of diversity, women's empowerment is an area where the Company has room for improvement. I would like to see Chori place even greater emphasis on efficiency and productivity by implementing a variety of initiatives for material issues going forward and become a company where diverse human resources, including women, are empowered and respected.

Sawano The involvement of younger employees and those on the front lines in the identification process was a great idea in the sense of promoting a feeling of togetherness. I agree with Ms. Noda about the appropriateness of these material issues. The development of SDG-oriented products to promote businesses that contribute to the realization of a sustainable and prosperous society is one of Chori's strengths and a highly relevant and important area of its business. Meanwhile, with respect to compliance, an issue that various companies are facing, and diversity, a challenge that many trading companies are working to address, I feel that Chori has developed the culture and mindset necessary to overcome these issues. While the topic of sustainability has been discussed only from the perspective of Chori until now, it is an essential part of supply chain management and therefore has been incorporated into these material issues. Above all, Chori must steadily address each material issue and achieve sustainable growth. By identifying these material issues and taking the appropriate measures, I believe Chori is steadily proceeding along the path to sustainable growth.

Q. Now that Chori has identified its material issues, what other issues should it address as a Group?

Sawano For a while now, I have felt that the Company has had a difficult time managing risks. Risk-taking is necessary at times for a company to grow. It is important to determine who is responsible for risk-taking decisions and the approach to making such decisions, as well as to ensure that risk-taking decisions are based on certain standards and common understanding as they are made not only inside conference rooms but also on the front lines of operations.

Noda I was also aware of the need to improve risk management. It is important to recognize the changes taking place in the world, constantly adapt your response to these changes, and create a venue to discuss these issues. The Sustainability Promotion Committee has established a working team for risk management, so I look forward to engaging in livelier discussions in the future.

Suzuki After succumbing to a financial crisis in the past, the Company has refrained from aggressive risk-taking. However, through the steady improvement of business performance, it now has the financial stability to tolerate a certain degree of risk. A risk management system is necessary to expand and develop business in various areas, and for that reason, Chori should work to develop a foundation as quickly as possible.

Q. How do you feel about the change of president?

Sawano President Sakoda comes from an administrative background and, in a positive sense, is not biased toward either the Fibers, Textiles, and Garments Business or the Chemicals Business. Accordingly, I believe he is the right person to lead the Company into the future. He will likely work together with the general managers of each division to manage the business through a collective effort by balancing the interests of each individual. In doing so, I would like to see the Company visualize risks and make rational decisions. I think there is a good group of people here, so I have high expectations for Chori's new management structure.

Suzuki President Sakoda is a person who can exercise leadership as a manager and develop this company even further. He performed the duties of a CFO when he was the general manager of the Corporate Planning Division until fiscal 2023, so I believe he is fully capable of making rational management decisions. Meanwhile, corporate management requires not only the ability to make rational decisions based on facts and data, but also to have the foresight to anticipate the future. I look forward to seeing President Sakoda fully demonstrate his abilities and individuality to promote Chori's further growth in the years to come.

Q. Do you have any messages for our stakeholders?

Suzuki Although there is strong competition from the many other trading companies in Japan, I feel that Chori still has a lot of potential for growth. Despite this potential, the Company is still scoring low on evaluations from investors. Recently, more and more Japanese trading companies are being evaluated in overseas markets, and I hope investors will recognize Chori as a company with significant potential in Japan's trading company industry. To this end, I will present proposals based on my expert knowledge as an outside director to contribute to Chori's further growth.

Noda People are the greatest asset of any trading company. I am impressed with how Chori's employees are truly vigorous in their work and believe that they are a remarkable asset of the Company. With a business network that has been cultivated over many years and the ability to create new products and services, the Company has the foundation in place to further grow its business based on these intangible assets.

Sawano Chori is a company that has continued to grow by overcoming several financial crises during its 163-year history. With many tenured employees, the Company's traditional approaches have remained unchanged, but there is certainly the potential for change. By combining this flexibility and the approaches it has adhered to over the years, Chori can develop into an even stronger organization, and I hope that its stakeholders will work closely together to ensure that this comes true.



Discussion between the President and Corporate Advisor

Tatsuyuki Sakoda, Chori's current president, and Kazuo Sakihama, the former president and current corporate advisor, sat down to discuss the Company's past, present, and future.



Tatsuyuki Sakoda
President, CEO & COO

Kazuo Sakihama
Corporate Advisor

Q. What are your memories of your time at Chori from the day you joined the Company until now?

Sakihama I remember that Chori's corporate culture was very upbeat and family-like when I joined the Company in 1980. In my 44 years here, the first two years living in Tokyo after joining the Company are my most memorable, and I still vividly remember the faces of my superiors at the time. I have nothing but pleasant memories and feel that the atmosphere of those days resembles the current corporate culture at Chori.

Looking back on my own experience, I was a shy person who lacked self-confidence from the time I joined the Company and began gaining confidence only when I was promoted from section manager to general manager. The reason I was able to change was the three years I spent working in China. I learned that I could achieve anything if I put my mind to it and my confidence grew gradually thereafter. This confidence grew even stronger when I became president and preached to Chori's executives and employees that we can achieve anything as a company if we put our minds to it.

Q. What was the reaction of people at the Company when Mr. Sakihama announced his resignation?

Sakoda Everyone was surprised to say the least. We used to casually talk about Mr. Sakihama being the most energetic person over the age of 40 in the Company, so we were very surprised when he announced that he was stepping down.

Sakihama Since my appointment as president, I had made up my mind that my resignation would come at a milestone year, with the desire to do this for 10 years but no more than that. I decided to step down at this time so that Chori can move forward to its next step as a company, having established the foundation for its new stage of consistently delivering ordinary profit at the ¥10.0 billion level, which we had long been aiming for.

Q. How did people react at the time when Mr. Sakihama became president?

Sakihama The timing of my appointment as president also came as a surprise. I did not expect it any more than President Sakoda. I was suddenly appointed president when I was thinking about the future of the Chemicals Business after only half a year as general manager of the Chemicals Division. The first six months as president was a feeling-out process. I faced a variety of new challenges,

such as Chori's first ¥10.0 billion M&A project and the need for knowledge of the administrative department.

Sakoda At the time, I was the manager of the Business Administration Department for the Textile Division in Osaka. I was aware of the events taking place, but this is the first time to hear about how Mr. Sakihama felt at the time.

Sakihama The fact that I was able to overcome the first six months strengthened my determination as president. It gave me the confidence that I would be fine no matter what happens in the future, so it was my most memorable experience.

I was able to get through this difficult period solely due to the support of the presidents of our business partners, who had more experience than I did and offered words of advice, for which I will always remain truly grateful.

Q. Looking back at your time as president, what are some of your fondest memories?

Sakihama In my 10 years or so as president, we relentlessly pushed forward to reach our new stage of consistently delivering ordinary profit at the ¥10.0 billion level, so I was deeply moved by the fact that we were able to achieve this goal.

Although there was a warm and positive atmosphere at Chori during my time as president, there was an air of pessimism when it came to business, maybe because we lacked success as a company. For example, when we formulated our medium-term management plan, there was the view that these goals were impossible to achieve and the sense that people had given up, making it difficult to create a sense of unity. I am very pleased to see that many of our executives and employees have gained confidence through the steady achievement of the Company's goals over the years. These achievements have also changed people's views of Chori outside the Company, creating a virtuous cycle.

Sakoda When I joined the Company 35 years ago, Chori was in an extremely weak position due to an accumulation of borrowings, forcing it to eventually turn to debt relief. Since then,

we have steadily accumulated profits and grown significantly over the last decade to become a company that now generates approximately ¥15.0 billion in profit before income taxes. Having experienced such years of financial crisis, I am strongly aware of how much the Company has evolved over the years.

Sakihama Chori has certainly evolved significantly, but this is nowhere near the end. Change is the path to the future and something that is endless. I believe I have painted the path to the future that I had been aiming for. President Sakoda is the right person to lead Chori into the future from now on. I hope you accomplish what you set out to do and create a new path to the future. I started off with only knowledge of sales and marketing but honed the knowledge and mindset necessary as president. I also utilized my sales background to achieve targets and improve business results. I hope that you, too, will utilize your abilities and experience as a foundation and hone the areas you are lacking to develop your own distinctive approach.

Sakoda I believe I received the baton at the right time. Under Mr. Sakihama's leadership, Chori achieved record profits for three consecutive years and strengthened its earnings base. Together with the general managers of the Fibers, Textiles, and Garments Business and Chemicals Business, we will develop strategies for business development by capitalizing on these achievements.

Since assuming the role of president, I have stated on various occasions, both internally and externally, that I want Chori to become "the company of choice." For Chori to succeed in today's world, we must focus on becoming the company of choice for both people and society. By utilizing my years of experience in creating systems and structures, I hope to not only improve our business performance but also raise our status as a company to a new level.

Q. Based on your career to date, what are your expectations for Chori going forward?

Sakihama At Chori, our employees are our greatest asset. In focusing on human resource development, in fiscal 2023 we began

promoting measures to bridge the generation gap in our workplace. Perhaps because of my position, I have not experienced any situations where I have felt any differences with the younger generation, but this is an issue that exists in every generation. I hope that the younger generation will bridge this gap through both personal and professional growth and the older generation will guide and nurture them to be able to do so.

Sakoda Today, Chori continues to move forward through the hard work of executives and employees who, like us, are fully aware of the hard times in years past. We must pass on Chori's strengths, such as the expertise and frontline capabilities these executives and employees have cultivated, to the next generation and ensure that they contribute to the growth of our business five and 10 years down the line. The term "generation gap" involves many factors and it is not something that can be eliminated easily. That being said, it is important to be aware of such disparity in perspectives, in other words, to ensure mutual understanding of what the differences are and work toward a compromise.

Sakihama This is a bit off the topic of generation gaps, but I personally believe that we need to also be aware of the gap between Japan and the rest of the world. Even from the perspective of our neighboring countries in Asia, society is changing at a rapid speed. Meanwhile, when I look at Japan in particular, it feels like we are being buried in quicksand. As a company that continues to expand globally, it is especially important to be aware of the gap between Japan and the rest of the world.

Sakoda In light of the growth of the Japanese market, the extent of our business development in emerging countries will be key to Chori's growth going forward. For a company like Chori that does not own the facilities it operates, its employees play an even greater role. Therefore, we must constantly keep in mind the importance of securing and developing our human resources and become the company of choice for future employees who can thrive on the global stage.

Sakihama Based on that mindset, I would like to see Chori develop even further into a global company. In so doing, I hope the Company expands the scope of its business from the trading of goods to a variety of other businesses.

Sakoda In expanding our business, we will not venture into fields in which we lack knowledge or experience. Rather, we will focus on fields that will contribute to our future growth and in which we can utilize our knowledge and experience as true professionals. This is indeed the case for Chori's Fibers, Textiles, and Garments, Chemicals, and Machinery businesses today, and we must branch out into fields in which we can fully utilize our exceptional capabilities and expertise.

Q. Lastly, do you have a message for our stakeholders?

Sakihama Whether it is expanding its business globally or venturing into various fields, I believe Chori will continue to implement various changes and become an even more remarkable and attractive company. I will do whatever possible to make that happen as a corporate advisor going forward.

I would like to express my sincere gratitude to all our stakeholders for the past 10 years. I look forward to your continued support of Chori in the years to come.

Directors, Audit & Supervisory Committee Members, and Executive Officers (As of June 18, 2024)

Directors

■ "Number of shares held" indicates the number of CHORI CO., LTD. shares held. (As of March 31, 2024)



President, CEO & COO,
President and Executive Officer

Tatsuyuki Sakoda

■ Number of shares held: 9,437
CEO & COO



Director,
Managing Executive Officer

Hiroshi Yoshida

■ Number of shares held: 10,763
General Manager of Corporate Planning Division and General Manager of Pharmacovigilance & Quality Assurance Office



Director,
Executive Officer

Kazuhiro Tohge

■ Number of shares held: 7,424
Special Appointee of the President (in relation to the Textile Division)



Director

Nobuyuki Inohara

■ Number of shares held: 0
Significant concurrent positions
Corporate Vice President of Toray Industries, Inc.



Director,
Full-Time Audit & Supervisory Committee Member

Shigemasa Yabu

■ Number of shares held: 18,891



Outside Director,*
Audit & Supervisory Committee Member

Masaaki Sawano

■ Number of shares held: 0
Significant concurrent positions
• Establishment and foundation partner of CITY-YUWA PARTNERS
• Member of Advisory Council on Fundamental Issues in Corporate Management of Urban Renaissance Agency
• Chairman of Advisory Council on Fundamental Issues in Corporate Management and Rent Council of Urban Renaissance Agency
• Member of Business Evaluation Monitoring Committee of Urban Renaissance Agency
• Outside Auditor of Japan Federation of Certified Public Tax Accountants' Associations
• Member of Kanto Regional Government Asset Council, Kanto Local Finance Bureau, Ministry of Finance
• Chairperson of Tokyo Metropolitan Government Election Administration Commission
• Outside Auditor of JS Corporation

Independent Director



Outside Director,*
Audit & Supervisory Committee Member

Hiromasa Suzuki

■ Number of shares held: 0
Significant concurrent positions
• Outside Director of Nitta Gelatin Inc.

Independent Director



Outside Director,*
Audit & Supervisory Committee Member

Hiroko Noda

■ Number of shares held: 0
Significant concurrent positions
• Representative of Noda Certified Public Accountant Office
• Representative Director of Probit Consulting Co., Ltd.
• Part-Time Lecturer at Graduate School of Asian and International Business Strategy, Asia University
• External Director (Audit and Supervisory Committee Member) of MODEC, Inc.
• Outside Director (Audit & Supervisory Committee Member) of Okabe Co., Ltd.
• Outside Director of S.T. CORPORATION

Independent Director

Executive Officers (Excluding Those Who Concurrently Serve as Directors)



Managing Executive Officer

Yoshihiro Teratani

■ Number of shares held: 14,365
General Manager of Chemicals Division and General Manager of Logistics Department (Chemicals)



Managing Executive Officer

Naohiko Ashida

■ Number of shares held: 3,038
General Manager of Textile Division, Senior Manager of Fibers & Textiles Business Department, General Manager of Logistics Department (Textile), and General Manager of Hokuriku Branch



Senior Executive Officer

Satoko Nakayama

■ Number of shares held: 14,898
Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department and Information System Department) and General Manager of CHORI Innovation Activities



Senior Executive Officer

Masao Nakamura

■ Number of shares held: 3,037
Senior Manager of Chemical & Materials Business Department



Executive Officer

Yasuhiro Oiwa

■ Number of shares held: 700
Executive Chief Representative for China of the Company, Chairman and President of CHORI (CHINA) CO., LTD., and Chairman and President of CHORI (SHANGHAI) CO., LTD.



Executive Officer

Masahiro Takamaru

■ Number of shares held: 400
President of STX Company Limited



Executive Officer

Yasutaka Kawamura

■ Number of shares held: 1,000
Deputy General Manager of Corporate Planning Division (Corporate Management Department and Affiliate Business Department) and President of Chori Machinery Co., Ltd.

* Outside director as stipulated in Article 2, Item 15 of the Companies Act.

10-Year Financial Summary

CHORI CO., LTD. and Group Companies

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Results:										
Net sales**1	248,396	291,578	270,908	311,705	356,537	329,360	216,233	284,096	329,389	307,699
Gross profit	22,157	24,799	25,149	26,400	28,585	28,310	26,357	30,650	37,058	38,732
Selling, general and administrative expenses	16,604	19,429	18,701	19,174	20,538	20,091	22,693	21,321	24,401	23,692
Operating profit	5,552	5,369	6,448	7,226	8,047	8,219	3,663	9,328	12,656	15,039
Ordinary profit	5,966	5,518	6,967	7,499	8,660	8,685	4,656	10,274	12,437	14,476
Profit before income taxes	5,305	7,018	7,157	7,393	8,609	9,290	4,175	10,778	12,788	14,698
Net profit attributable to owners of parent	4,153	4,297	4,780	4,730	5,630	6,101	1,247	6,811	8,124	9,624
Financial Position (As of March 31):										
Total assets	84,289	98,736	97,983	119,055	118,499	114,400	110,591	134,121	143,200	143,350
Net assets	41,473	42,882	46,343	51,153	53,897	57,279	58,831	65,096	72,158	82,097
Net interest-bearing debt**2	(10,703)	(8,029)	(6,824)	(11,134)	(10,887)	(11,962)	(15,547)	(6,939)	(13,902)	(18,705)
Cash Flows:										
Cash flows from operating activities (A)	3,320	4,992	625	6,653	3,196	2,857	5,889	(2,330)	9,596	9,693
Cash flows from investing activities (B)	(813)	(4,442)	58	821	(1,421)	8	(357)	197	(261)	(2,706)
Free cash flows (A+B)	2,507	550	683	7,474	1,774	2,866	5,532	(2,133)	9,335	6,986
Cash flows from financing activities	(840)	(1,510)	(1,363)	(2,352)	(4,350)	(1,899)	(887)	(4,015)	(3,099)	(5,381)
Per Share Data (Yen):										
Net profit per share	169.40	175.31	195.00	192.74	229.28	248.46	50.73	276.82	330.16	390.87
Net assets per share	1,688.74	1,746.27	1,887.37	2,079.84	2,191.45	2,328.79	2,390.06	2,643.55	2,932.46	3,330.03
Dividends per share**3	34.00	36.00	40.00	59.00	60.00	63.00	37.00	84.00	105.00	118.00
Key Indicators (%):										
Ordinary profit to net sales	2.4	1.9	2.6	2.4	2.4	2.6	2.2	3.6	3.8	4.7
Return on assets (ordinary profit basis) (ROA)**4	7.3	6.0	7.1	6.9	7.3	7.5	4.1	8.4	9.0	10.1
Return on assets (net profit basis) (ROA)**5	5.1	4.7	4.9	4.4	4.7	5.2	1.1	5.6	5.9	6.7
Return on equity (ROE)**6	10.7	10.2	10.7	9.7	10.7	11.0	2.2	11.0	11.8	12.5
Return on invested capital (ROIC)**7	11.0	6.0	8.5	8.6	9.1	8.8	1.1	8.2	10.8	12.4
Equity-to-asset ratio	49.1	43.4	47.2	42.9	45.4	50.0	53.2	48.5	50.4	57.2
Consolidated dividend payout ratio	20.1	20.5	20.5	30.6	26.2	25.4	72.9	30.3	31.8	30.2
Price earnings ratio	10.9	8.3	9.9	10.9	6.8	6.2	33.2	6.4	7.6	8.7
Price book-value ratio	1.1	0.8	1.0	1.0	0.7	0.7	0.7	0.7	0.9	1.0
Other Data:										
Stock price at end of March (yen)	1,851	1,457	1,939	2,097	1,556	1,537	1,685	1,759	2,508	3,405
Number of employees (consolidated)	1,091	924	939	991	1,023	1,014	969	1,322	1,285	1,304
Number of consolidated subsidiaries	25	27	27	29	29	29	30	33	32	31

*1 In the first quarter of fiscal 2020, Chori adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018).

*2 Net interest-bearing debt = Interest-bearing debt - (Cash and deposits + Deposits paid to subsidiaries and associates)

*3 Dividends per share in fiscal 2017 include a commemorative dividend of ¥10 for the Company's 70th anniversary.

*4 Return on assets (ROA) = Ordinary profit / Total assets (Avg. of beginning and end of fiscal year) × 100

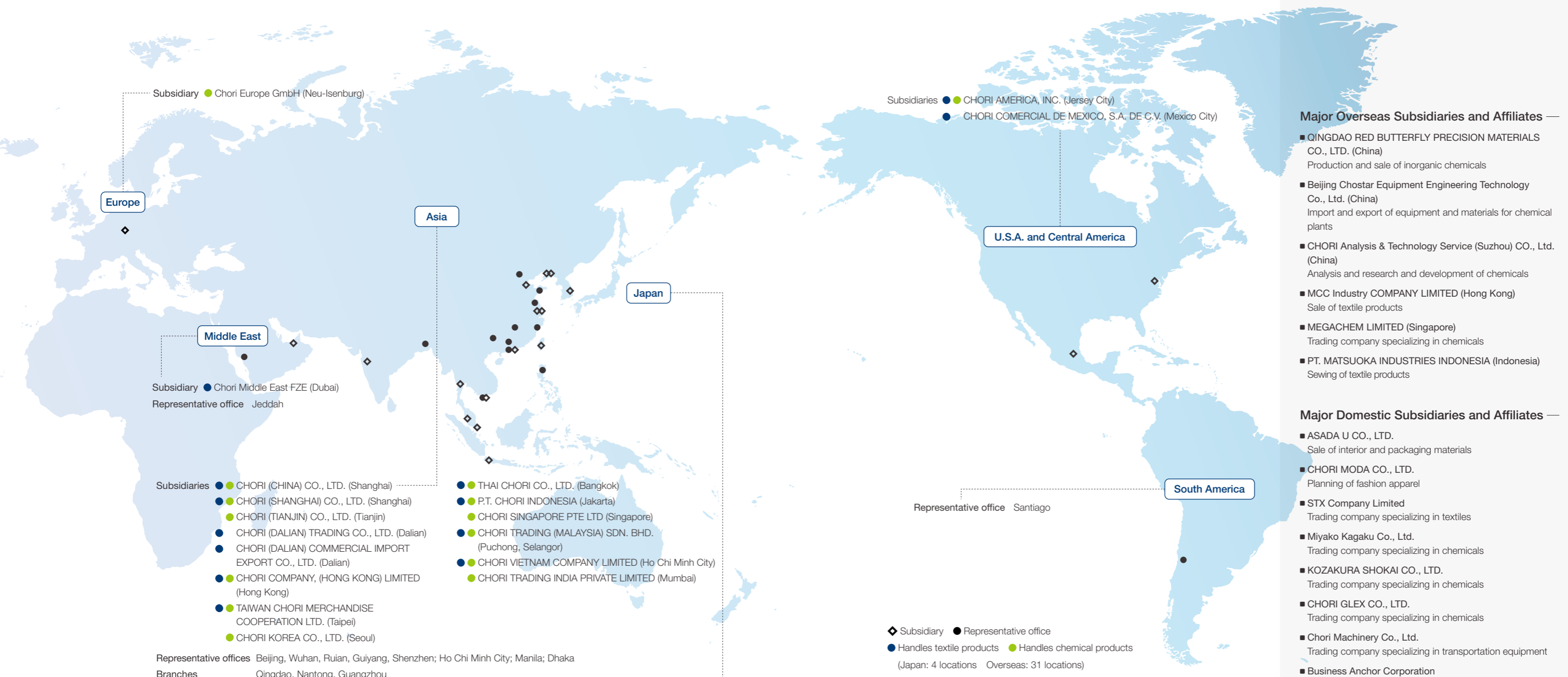
*5 Return on assets (ROA) = Net profit attributable to owners of parent / Total assets (Avg. of beginning and end of fiscal year) × 100

*6 Return on equity (ROE) = Net profit attributable to owners of parent / Total equity (Avg. of beginning and end of fiscal year) × 100

*7 Return on invested capital (ROIC) = Operating profit after income taxes / Invested capital (Equity + Interest-bearing debt, Avg. of beginning and end of fiscal year) × 100

Chori's Global Network (As of September 30, 2024)

After the end of World War II, Chori recommenced the full-scale development of its overseas business in 1949, when private foreign trade resumed. Today, Chori boasts a global network consisting of subsidiaries and offices located in various regions of the world. As we move forward, we will step up the pace of our globalization efforts while addressing the needs of our customers.



Major Overseas Subsidiaries and Affiliates

- QINGDAO RED BUTTERFLY PRECISION MATERIALS CO., LTD. (China)
Production and sale of inorganic chemicals
- Beijing Chostar Equipment Engineering Technology Co., Ltd. (China)
Import and export of equipment and materials for chemical plants
- CHORI Analysis & Technology Service (Suzhou) CO., Ltd. (China)
Analysis and research and development of chemicals
- MCC Industry COMPANY LIMITED (Hong Kong)
Sale of textile products
- MEGACHEM LIMITED (Singapore)
Trading company specializing in chemicals
- PT. MATSUOKA INDUSTRIES INDONESIA (Indonesia)
Sewing of textile products

Major Domestic Subsidiaries and Affiliates

- ASADA U CO., LTD.
Sale of interior and packaging materials
- CHORI MODA CO., LTD.
Planning of fashion apparel
- STX Company Limited
Trading company specializing in textiles
- Miyako Kagaku Co., Ltd.
Trading company specializing in chemicals
- KOZAKURA SHOKAI CO., LTD.
Trading company specializing in chemicals
- CHORI GLEX CO., LTD.
Trading company specializing in chemicals
- Chori Machinery Co., Ltd.
Trading company specializing in transportation equipment
- Business Anchor Corporation
Outsourcing of administrative work

Domestic Offices

Tokyo Head Office

Tower C, Shinagawa Intercity,
2-15-3, Konan, Minato-ku, Tokyo
108-6216, Japan
Tel: +81-3-5781-6200

Osaka Head Office

Urbannet Midotsuji Bldg.,
4-2-13, Awajimachi, Chuo-ku, Osaka
540-8603, Japan
Tel: +81-6-6228-5000

Hokuriku Branch

15F Visage Office Zone,
16-1, Showa-machi, Kanazawa
920-8676, Japan
Tel: +81-76-232-3521

Okayama Liaison Office

10F Okayama
Fukokuseimei-ekimae Bldg.,
1-6, Ekimotomachi,
Kita-ku, Okayama
700-0024, Japan
Tel: +81-86-224-6188

Corporate Information (As of September 30, 2024)

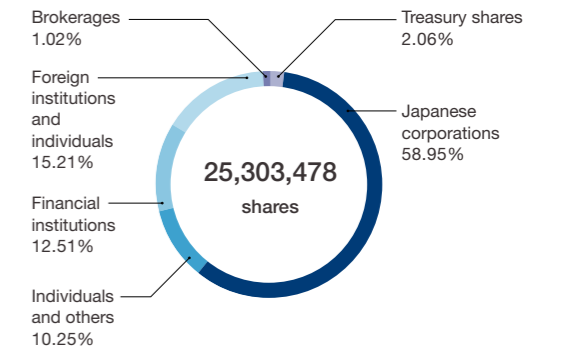
Company Overview

Company Name	CHORI CO., LTD.
Headquarters	Tokyo Head Office 2-15-3, Konan, Minato-ku, Tokyo 108-6216, Japan Tel: +81-3-5781-6200
	Osaka Head Office (Main Headquarters) (from September 17, 2024) 4-2-13, Awajimachi, Chuo-ku, Osaka 540-8603, Japan Tel: +81-6-6228-5000
Capital	¥6.8 billion
Date of Incorporation	September 2, 1948 (Founded in 1861)
Closing Date	March 31
Number of Employees	Consolidated: 1,304 Nonconsolidated: 418 (Including 75 employees dispatched to other companies)
Corporate Website	https://www.chori.co.jp/english/

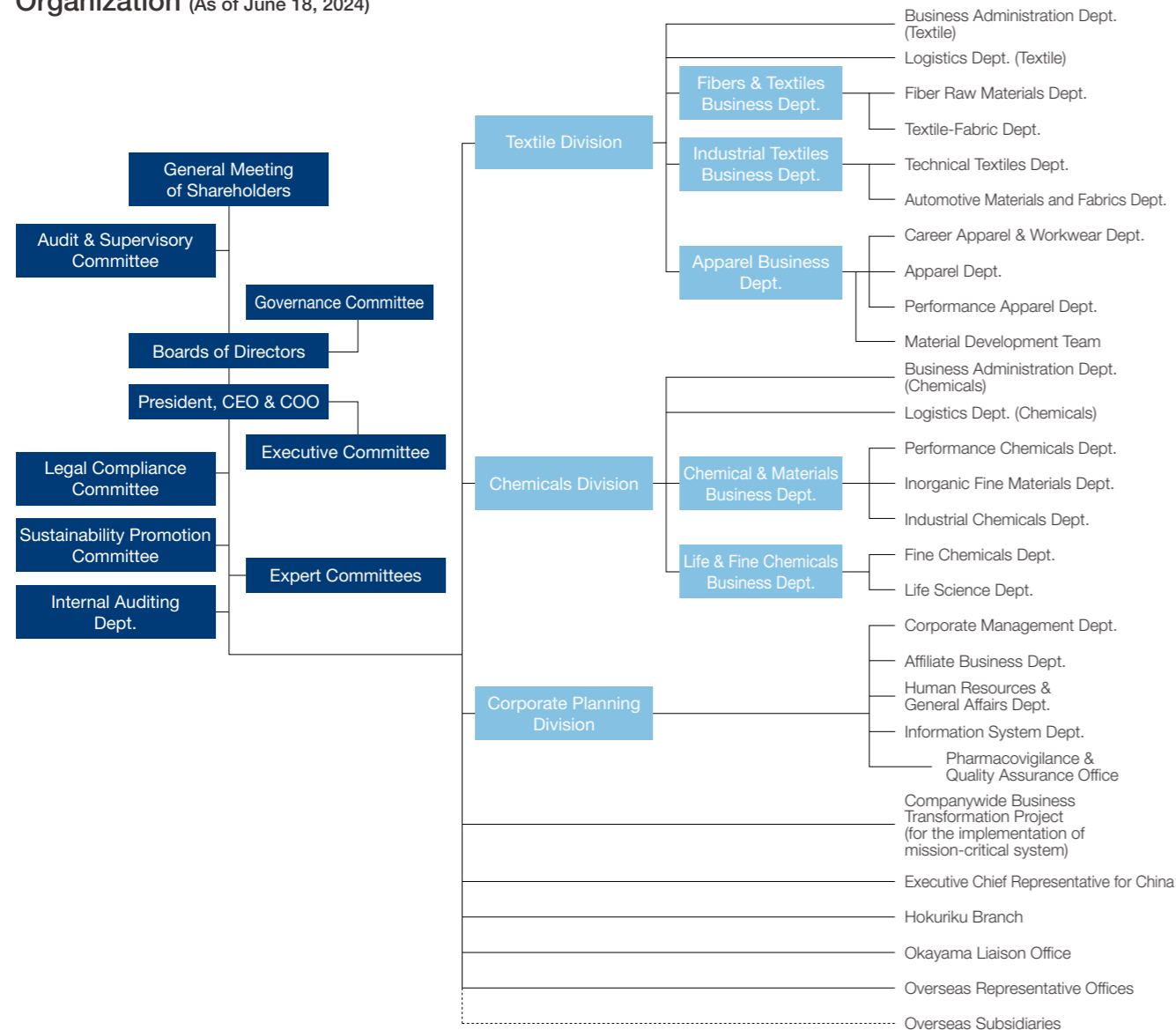
Investor Information

Securities Code	8014 (Prime Market of the Tokyo Stock Exchange)
Total Number of Shares Authorized to Be Issued	55,000,000
Total Number of Shares Outstanding	25,303,478
Number of Shareholders	7,767
Trading Unit	100
Shareholder Register Agent for Common Stock	Mizuho Trust & Banking Co., Ltd.
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Breakdown of Shareholders by Investor Type



Organization (As of June 18, 2024)



Major Shareholders

Shareholder name	Number of shares held (Thousand shares)	Percentage of shares held (%)
Toray Industries, Inc.	12,967	52.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,750	7.06
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	989	3.99
Hurex Co., Ltd.	735	2.97
Custody Bank of Japan, Ltd. (Trust Account)	733	2.96
Wacoal Corporation	548	2.21
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	341	1.38
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	296	1.19
RE FUND 107-CLIENT AC	244	0.99
J.P. MORGAN SE-LUXEMBOURG BRANCH 381639	204	0.82

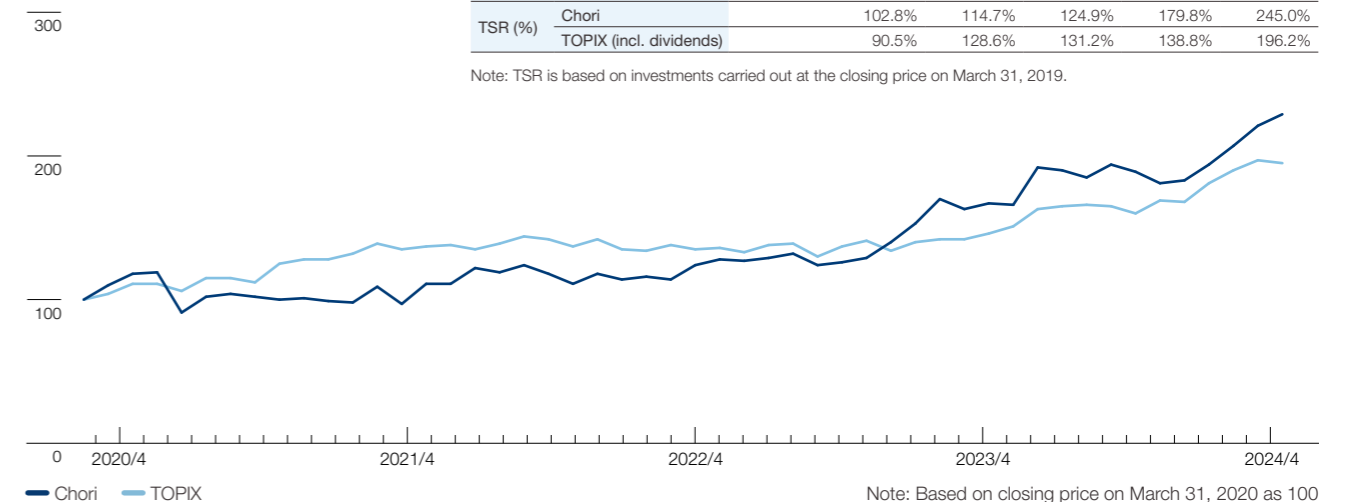
Notes: 1. In addition to the above, the Company owns 522,180 shares of treasury stock.
 2. The percentages of shares held exclude the 522,180 shares of treasury stock.
 3. The number of shares held are rounded down to the nearest thousand shares.
 4. The percentages of shares held are rounded to the nearest second decimal place.
 5. All shares held by the Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are related to trust services.

Total Shareholder Return (TSR)

Total Shareholder Return (TSR)-Related Data

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Stock price at end of March (yen)	1,556	1,537	1,685	1,759	2,508	3,405
Dividends per share (yen)	60	63	37	84	105	118
TSR (%)						
Chori	102.8%	114.7%	124.9%	124.9%	179.8%	245.0%
TOPIX (incl. dividends)	90.5%	128.6%	131.2%	138.8%	196.2%	

Note: TSR is based on investments carried out at the closing price on March 31, 2019.



Note: Based on closing price on March 31, 2020 as 100