

Translation – Original text in Japanese



Medium-Term Management Plan

Chori Innovation Plan 2025 (CIP2025)

~FY2023-FY2025~

April 28, 2023

CHORI CO., LTD.

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Medium- to Long-term Initiatives

- Corporate Philosophy
- Chori's History
- VISION2030: The Company We Aspire to Be
- Chori Innovation Plan 2022 Progress of KPIs
- Chori Innovation Plan 2025 KPIs
- Positioning and Background of Chori Innovation Plan

Corporate Philosophy

**As members of the global community,
we will work for the betterment of society.**

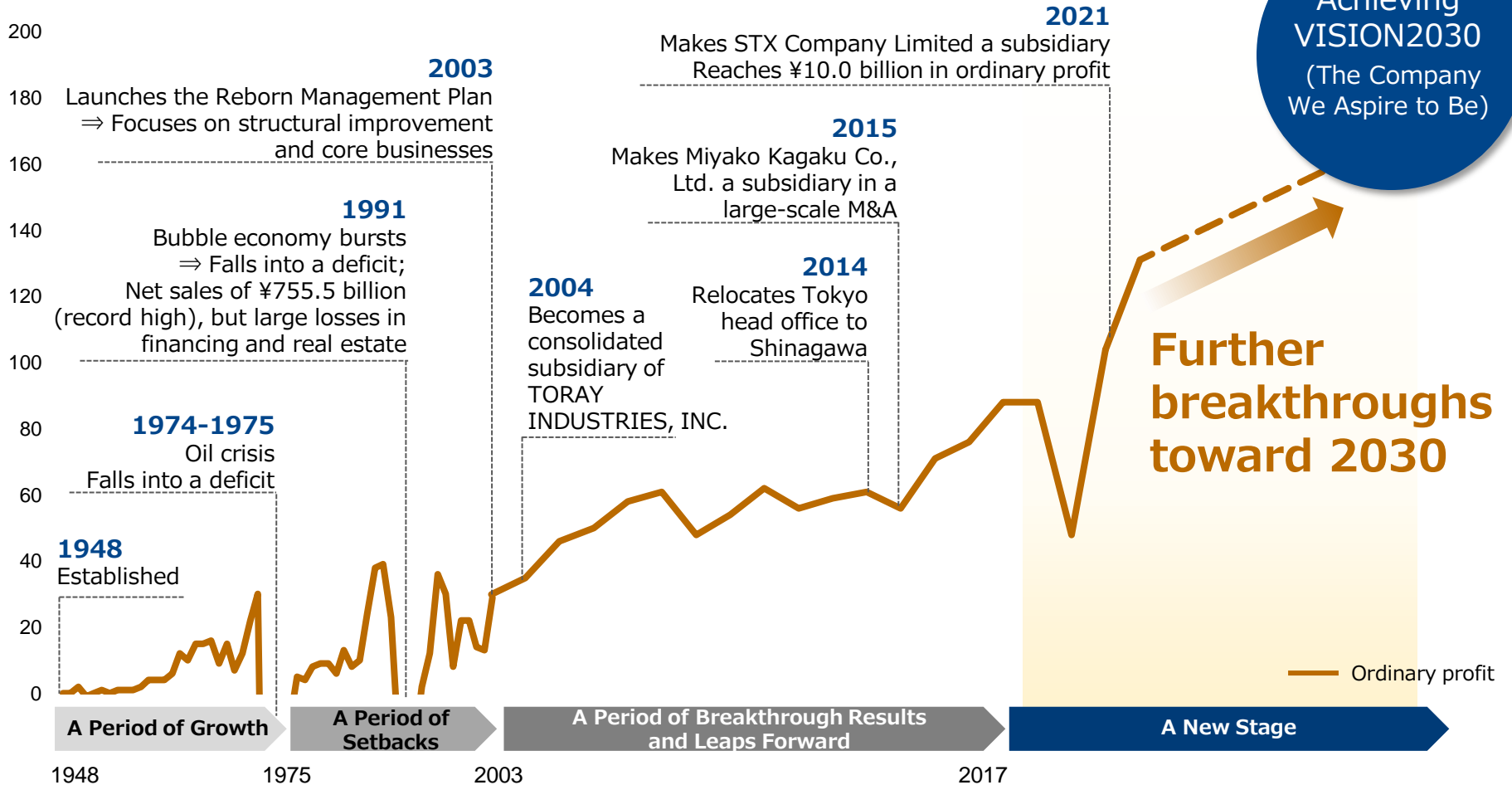
**We take pride in being fair and sincere,
and in continuing to offer superb service
in order to deliver superior customer satisfaction.**

Corporate Slogan

(We are) Making your dreams come true

- Solid management since the formulation of the Reborn Management Plan in 2003
- Global business development centered on the Fibers, Textiles, and Garments Business, Chemicals Business, and Machinery businesses

(Billions of yen)





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.

VISION 2030
The Company
We Aspire to Be

Net Sales

¥400.0 billion

Net Profit before
Income Taxes

¥20.0 billion

Chori Innovation Plan 2022 Progress of KPIs

- Laid a foundation for a new stage
(consistently delivered ordinary profit at the ¥10.0 billion level)
- Achieved all KPIs planned for FY2022
- Ordinary profit and net profit both hit new record highs

Unit: billions of yen	FY2020 results	FY2021 results	FY2022 results	FY2022 plan	3-year cumulative results	3-year cumulative plan
Net sales	¥216.2	¥284.1	¥329.4	¥280.0	¥829.7	¥720.0
Ordinary profit	¥4.7	¥10.3	¥12.4	¥11.0	¥27.4	¥27.0
Net profit attributable to owners of parent	¥1.2	¥6.8	¥8.1	¥7.3	¥16.2	¥17.8
ROA (ordinary profit basis)	4.1%	8.4%	9.0%	8% or higher	—	—
ROE (net profit* basis)	2.2%	11.0%	11.8%	11% or higher	—	—

* Net profit attributable to owners of parent

End of FY2019 Equity **¥57.2 billion** | Equity ratio **50.0%** ▶ End of FY2022 Equity **¥72.2 billion** | Equity ratio **¥50.4%**

Ongoing challenges ▶

Expansion of business revenue

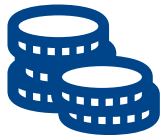
Sustainability response

Management structure suited to the new stage (human capital, DX)

Risk management

Targets for increasing corporate value

Financial targets



	FY2025 plan
Net sales	¥360.0 billion
Net profit before income taxes	¥16.0 billion
Net profit attributable to owners of parent	¥11.0 billion
ROA (net profit* ¹ basis)	7% or higher
ROE (net profit* ¹ basis)	12% or higher
ROIC* ²	Approx. 10%

*1: Net profit attributable to owners of parent

*2: ROIC (Return on Invested Capital)

= Operating profit after income taxes / (Equity + Interest-bearing debt)

Non-financial targets



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

Chori Innovation Plan

<Positioning>

Roadmap to a new stage, with CIP2025 as the final destination.

CIP2019

CIP2022

CIP2025

Priority measures and KPIs	FY2016	FY2019	FY2022	FY2025
Consolidated management centered on global business Overseas subsidiaries, trends in ordinary profit	¥1.2 billion	¥1.9 billion	¥3.2 billion	¥4.5 billion
M&A effect* Subsidiaries through M&A	¥0.3 billion	¥0.6 billion <small>ASADA U CO., LTD., Kozakura Shokai Co., Ltd.</small>	¥2.5 billion <small>STX</small>	¥4.0 billion
Shareholder returns Trends in dividend payout ratio	around 20%	25% or higher	30% or higher	30% or higher DOE of 3.5% or higher
Trends in ordinary profit	¥7.0 billion	¥8.7 billion	¥12.4 billion	¥16.0 billion
Trends in net profit before income taxes	¥7.2 billion	¥9.3 billion	¥12.8 billion	¥16.0 billion

*Ordinary profit of M&A subsidiaries - Amortization of goodwill, etc.

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Outline of the New Medium-Term Management Plan Chori Innovation Plan 2025 (FY2023-FY2025)

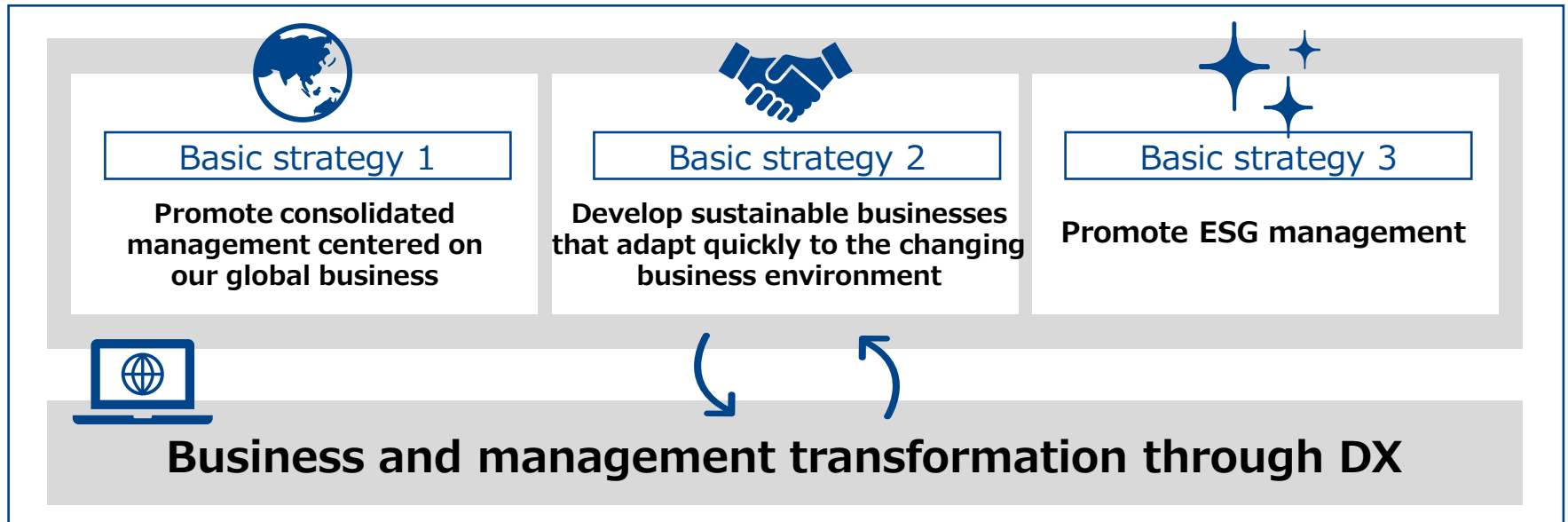
- Basic Policy and Basic Strategy
- [Basic Strategy 1](#) Promote consolidated management centered on our global business
- [Basic Strategy 2](#) Develop sustainable businesses that adapt quickly to the changing business environment
- [Basic Strategy 3](#) Promote ESG management E: Environmental
- [Basic Strategy 3](#) Promote ESG management S: Social
- [Basic Strategy 3](#) Promote ESG management G: Governance
- Shareholder Returns
- Business and Management Transformation through DX

Basic Policy and Basic Strategy

Basic strategy promotion ⇒ Corporate value improvement

Basic Policy

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

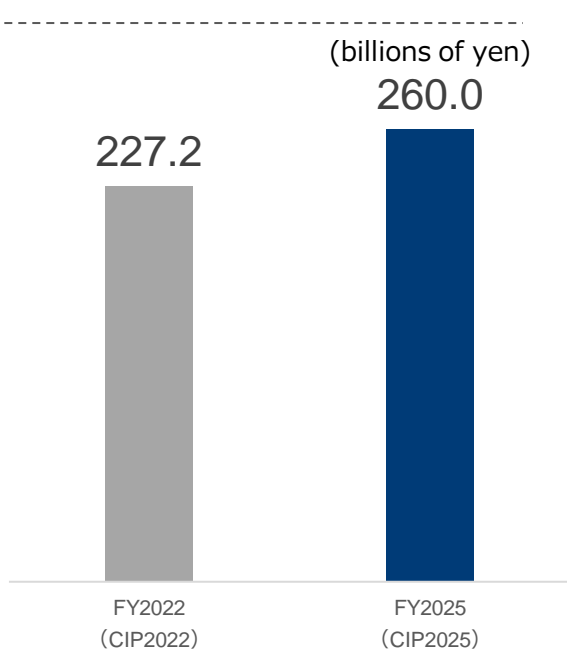




Strengthening and expansion of overseas business

- <Key points of strategy>
- Strengthen operating base at major overseas business sites
 - Review and brush up business portfolio
 - Strengthen overseas profitability
 - Integrate operations as a specialized group through Group synergy

Trade volume*



* Trade volume: Import sales + Export sales + Overseas sales



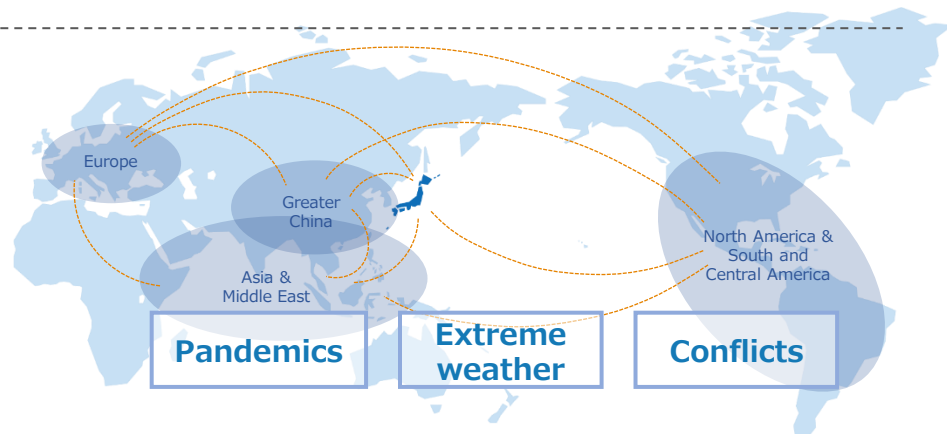
Responding to fast-paced change in the era of VUCA*

* Volatility, Uncertainty, Complexity, Ambiguity

- <Key points of strategy>
- Take a bird's-eye view of business risks and respond flexibly
 - New development and business investment
 - M&A

Diversification of global supply chains

Proactive business investment in growths areas and regions



+ others

Develop suppliers to meet diversifying customer needs

Turn changes in the global supply-demand balance into opportunities

Growth areas: environment, health and comfort, global

Market entry

Complement strengthened areas with business investment and M&A



Achieve a sustainable and prosperous society and coexist in harmony with society

Climate change

- Aim for carbon neutrality by 2050 in the Chori Group
- Implement measures based on TCFD recommendations

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

More environmentally friendly products

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

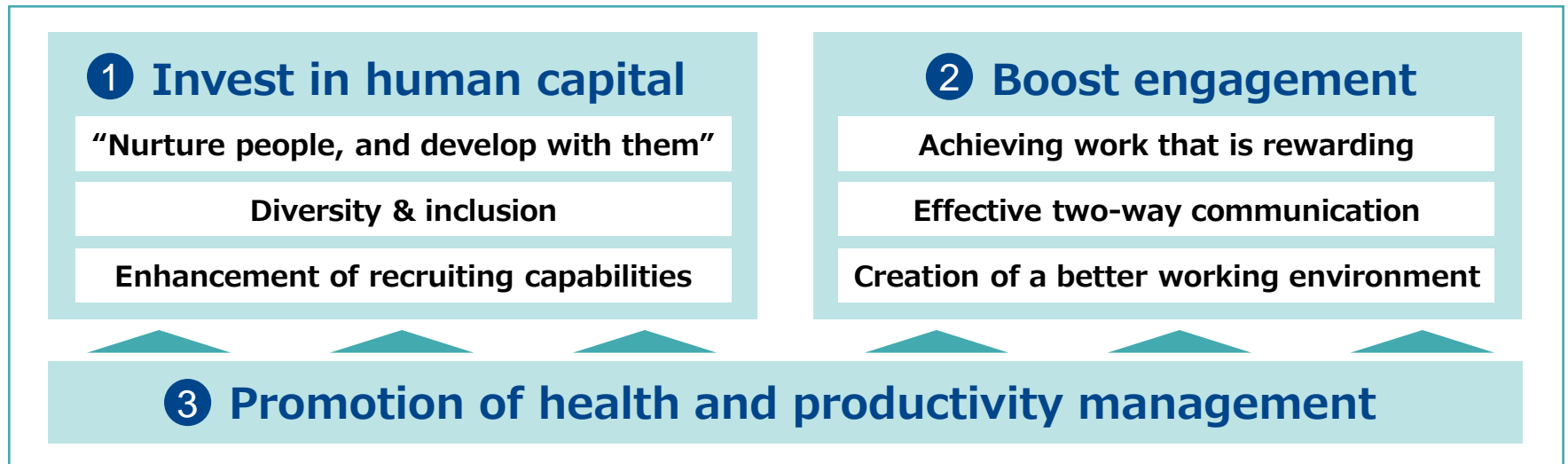


Ensuring the well-being of stakeholders

Human resource development

Ensure well-being

= Be company that provides employees with a rewarding and enjoyable workplace environment



Respect for human rights

- CSR-Based Procurement Surveys conducted regularly
- Strengthening initiatives with ESG-conscious companies



Establishing a sustainable supply chain



<Transition to Stronger Governance>



Corporate Governance

- Strengthening governance through the Governance Committee
- Awareness of cost of capital and stock price
- Enhanced dialogue with shareholders and investors to improve PBR

Compliance

- Focus on reinforcing corporate ethics and zero compliance violations
- Continuing to develop internal whistleblower system and conducting internal training sessions and surveys
- Strengthening product safety and quality assurance systems

Risk Management

- Strengthening risk management capabilities
- Systematizing and managing risks and strengthening risk sensitivity
- Strengthening response to emerging market risks and geopolitical risks

Shareholder Returns

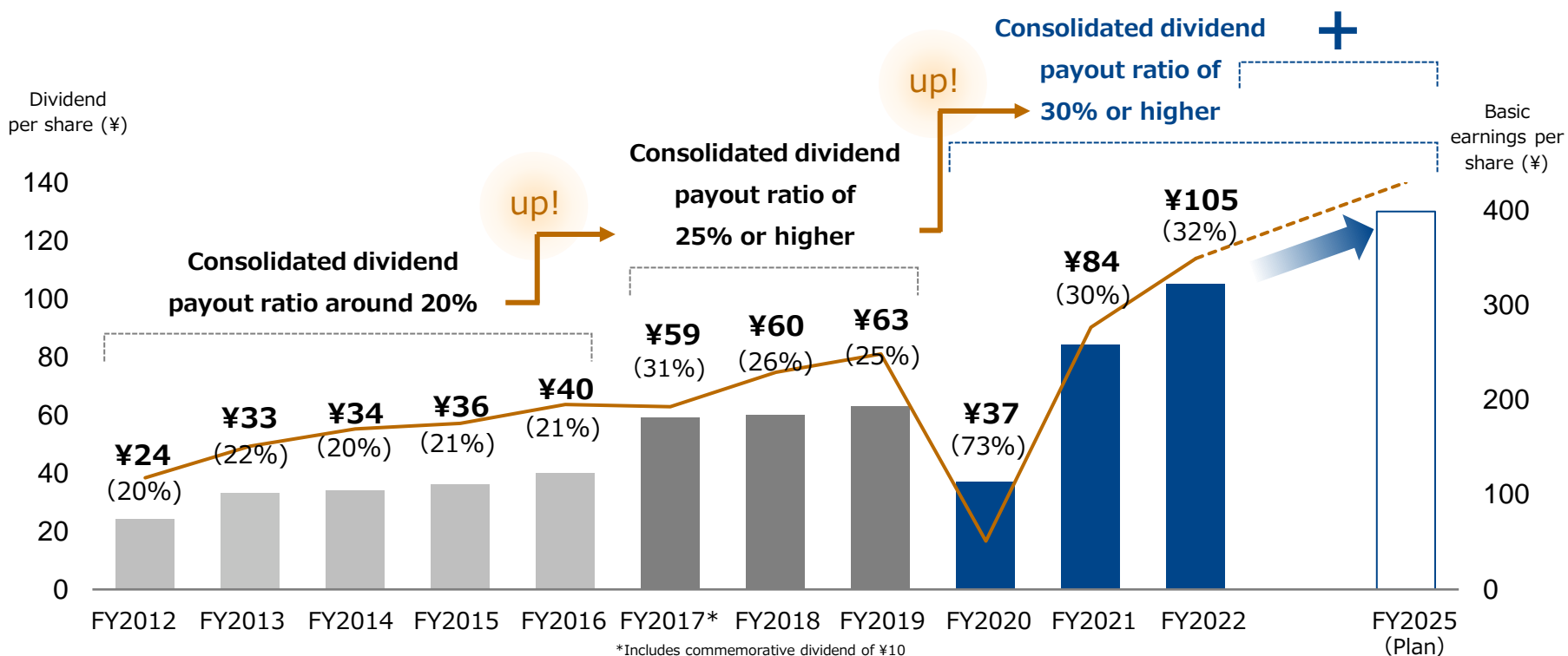
Basic Dividend Policy

- Provide stable and continuous dividends while securing appropriate funds for investments in basic profitability and growth strategies
- Dividend policy: Consolidated dividend payout ratio of 30% or more and dividend on equity ratio (DOE) of 3.5% or more (from FY2023)

<Trends in dividends> Dividend per share () : Consolidated dividend payout ratio

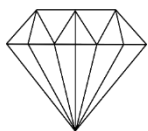
Basic earnings per share

DOE ratio of 3.5% or higher
(FY2023~)



Promotion of DX strategy: defensive and offensive perspectives

SAP introduction project CARAT launched in April 2022
(full-scale operation from FY2025)



CARAT (Company-wide business transformation project)

Chori **A**ccelerate **R**enovation **A**chievement **T**ransformation

CIP2025

**Introduction of SAP & Creation of
DX management structure**

Defensive DX

**Business transformation and
standardization**

**Data-driven management and
establishment of a platform
for the use of data**

**DX human resource development and
diversity**



Post-CIP2025

**Utilization of SAP & Improvement of
corporate value**

Offensive DX

**Realization of flexible management
resistant to change**

**Strengthening of sales
competitiveness through use of data**

Business model reform

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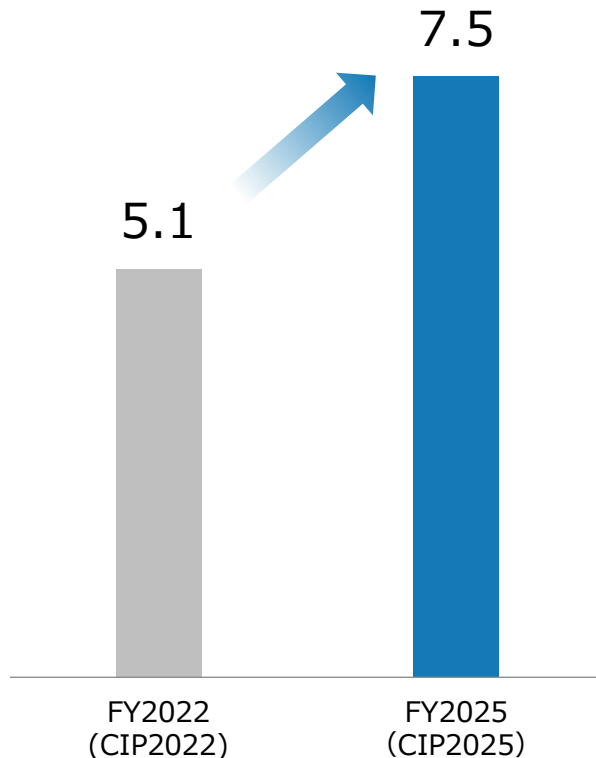
Outline of Strategies by Business

- Strategies by Business (1) Fibers, Textiles, and Garments
- Strategies by Business (2) Chemicals

Continue to enhance the strengths of “GLOBAL ONE STOP CHORI” And expand business in growth sectors

Segment profit

(billions of yen)



<Business strategies>

● Reinforce our proprietary business model

- Global One Stop Chori: Supply chain development from upstream to downstream
- Expansion of semi-industrial/semi-commercial business scheme: Strengthen material development and proposal capabilities
- Regional development

● Ensure stable growth in the three areas of materials, products and resources

- Materials: Optimized positioning of raw materials (yarn and cotton) and textiles to meet customer needs
- Products: Evolution of products and distribution by integrating product output and market entry
- Resources: Proposal-based sales responding to changes in the automobile, hygienic materials, and construction materials markets

● Expand business in growth sectors (environment, health and comfort)

- Environment: Establishment of a rational circular economy from raw materials to finished products
- Health and comfort: Establishment of a sportswear project across the Textile Division and the Fibers, Textiles, and Garments Business to generate synergy

● Continue to grow the business across the globe

- Establishment of a stable supply chain and expansion of production and sales in optimal locations
- Sales of parts and materials from China to Japan, capturing of domestic demand in China, and utilization of high value-added products
- Strengthening of functions and expansion of sales through collaboration with leading partner companies in East Asian countries

● Pursue exceptional levels of functionality and expertise and further set ourselves apart from the competition

- Brand marketing of BLUE CHAIN

Total business development, from upstream handling of raw materials and midstream handling textiles and materials to downstream handling finished products



Fiber Raw Materials Dept.

<Products> Synthetic raw materials, polyester yarn, nylon yarn
<Features> Develops products for apparel and material applications in Japan and overseas



Career Apparel & Workwear Dept.

<Products> Suits, uniforms, medical wear
<Features> Engaged in planning and manufacturing operations for the above products



Automotive Materials and Fabrics Dept.

<Products> Raw materials for vehicles and materials, upholstery for seats in cars
<Features> No. 1 market share in Japan



Apparel Dept.

<Products> Ladies' and men's fashion
<Features> Integrated global SCM from planning to distribution



Technical Textiles Dept.

<Products> Hygiene materials, household materials, construction materials, automotive parts
<Features> Handles products made of high-performance nonwoven fabrics



Performance Apparel Dept.

<Products> Sportswear, innerwear, etc.
<Features> Focuses on golf wear and athletic wear

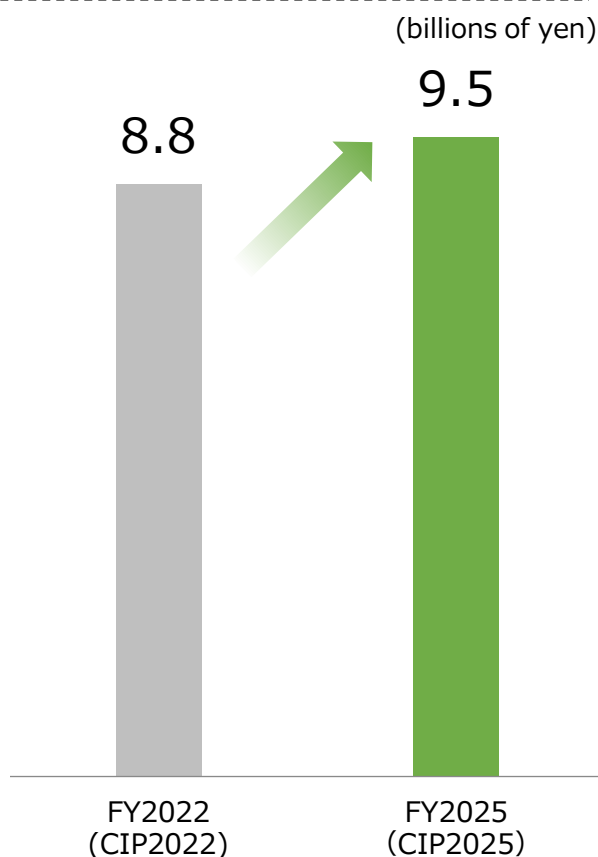


Textile-Fabric Dept.

<Products> Fabrics for sportswear, traditional garments worn in the Middle East, etc.
<Features> Engaged in everything from material proposals to product proposals

Develop new businesses through continuous innovation

Segment profit



<Business strategies>

- Promote consolidated management centered on our global business
 - Organizational management to create new businesses, expansion and utilization of human capital
 - Deepening of cooperation with affiliates and overseas business sites
- Establish environmentally conscious businesses that offer high levels of functionality and profitability in place of existing sub-standard businesses
 - Development of products that enable us to take initiative
 - Key fields: (1) Electronics, batteries, semiconductor materials, nonferrous metals (2) Healthcare (3) Food materials (4) Green business (5) Digital integration
- Develop frameworks and product domains that are resilient to charges in market and economic conditions
 - Markets: Explore new products, customers, markets, and needs
 - Supply Chain: Acquire new raw materials and sources of supply
 - Organization: Achieve a new organization that is market-driven and is suited to the next stage of growth
- Strengthen cooperative efforts with China, India, South Korea, and countries in Southeast Asia and South America
 - Dispatch of representatives and increase in local staff

Create unique business models in functional and specialized raw materials, fields, and markets



Performance Chemicals Dept.
<Products> Urethane materials, resin-related products, etc.
<Features> Expansion to overseas integrated chemical manufacturers, etc.



Fine Chemicals Dept.
<Products> Pharmaceutical and agrochemical intermediates, functional intermediates
<Features> Expanding business to pharmaceutical and agrochemical manufacturers, semiconductor materials manufacturers, etc.



Inorganic Fine Materials Dept.
<Products> Inorganic chemicals, glass materials, nonferrous metals, etc.
<Features> Expanding business to major domestic glass manufacturers, etc.



Life Science Dept.
<Products> Food additives, animal feed additives, health food materials, etc.
<Features> Engaged in food-related business



Industrial Chemicals Dept.
<Products> Electronic components-related products, phosphoric acid
<Features> Expanding business to major electronic component manufacturers, etc.



Making your dreams come true

CHORI CO., LTD.

Forecasts for operational performance, as well as future predictions described in this document, were prepared based on information available as of the day on which this document was released.

This document in no way guarantees the contents and operational performance of the company in the future.