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(Securities Code 8014)

May 31, 2023

(Date of commencement of electronic provision measures: May 25, 2023)

**To Shareholders with Voting Rights:**

Kazuo Sakihama  
President, CEO & COO  
Chori Co., Ltd.  
1-7-3, Awajimachi, Chuo-ku, Osaka,  
Japan

**NOTICE OF  
THE 76TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We are pleased to announce that the 76th Annual General Meeting of Shareholders of Chori Co., Ltd. (the “Company”) will be held for the purposes as described below.

In convening this General Meeting of Shareholders, the Company has taken measures for electronic provision and thus posted the matters subject to electronic provision on the Company’s website on the Internet as the “Notice of the 76th Annual General Meeting of Shareholders.”

The Company’s website: <https://www.chori.co.jp/english/ir/>

In addition to the above website, matters subject to electronic provision are also made available on the website of the Tokyo Stock Exchange (TSE). Please access the TSE website below, enter “CHORI” into “Issue name (company name)” or “8014” into “Code,” and select “Basic information” and “Documents for public inspection/PR information” in that order to find “Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting” in the “Filed information available for public inspection” section.

TES website (Listed Company Search)

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please review the information in the Reference Documents for the General Meeting of Shareholders as stated below and submit your vote by no later than 5:30 p.m. on Thursday, June 15, 2023, with reference to the Guidance for Exercising Your Voting Rights described on pages 3 to 4.

**Date and Time:** Friday, June 16, 2023 at 10:00 a.m. Japan time (Reception opens at 9:30 a.m.)

**Place:** Shinagawa Intercity Hall, located at 2-15-4, Konan, Minato-ku, Tokyo, Japan

**Agenda:**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 76th Fiscal Year (April 1, 2022 - March 31, 2023) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Committee
  2. Nonconsolidated Financial Statements for the Company's 76th Fiscal Year (April 1, 2022 - March 31, 2023)

**Proposals to be resolved:**

- Proposal No. 1:** Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
- Proposal No. 2:** Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member
- Proposal No. 3:** Introduction of Performance-linked Stock Compensation Plan for Directors

- In the event of any revisions to the matters subject to electronic provision, the revised information will be posted on the respective websites where such matters are posted.
- The following matters are not included in the document delivered to the shareholders who requested the delivery of the document, pursuant to the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company. Therefore, this document is a part of the documents audited by the Audit & Supervisory Committee and the Accounting Auditor in preparing the Audit Report.
  - Business Report: "Accounting Auditor" and "Company's Systems and Policies"
  - Consolidated Financial Statements: "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements"
  - Nonconsolidated Financial Statements: "Nonconsolidated Statement of Changes in Equity" and "Notes to the Nonconsolidated Financial Statements"
- As for measures in response to the novel coronavirus disease (COVID-19), if there are any major changes to the operation of the General Meeting of Shareholders due to future circumstances, an announcement will be made on the Company's website. We would like to ask for your understanding and cooperation for your safety and health and the people around you.

The Company's website: <https://www.chori.co.jp/english/ir/>

## Guidance for Exercising Your Voting Rights

Please review the information in the Reference Documents for the General Meeting of Shareholders provided below and exercise your voting rights.

You can exercise your voting rights through any of the three methods set out below.

### Exercising of Voting Rights by attending the General Meeting of Shareholders

Date and time of the General Meeting of Shareholders: Friday, June 16, 2023 at 10:00 a.m. Japan time

Please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue. In addition, attendees are requested to bring the Notice of the 76th Annual General Meeting of Shareholders (this document) with them.

### Exercise of Voting Rights in Writing

Deadline for the exercise of voting rights: Thursday, June 15, 2023 at 5:30 p.m. Japan time

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it to us by the deadline.

### Exercise of Voting Right via the Internet

Deadline for the exercise of voting rights: Thursday, June 15, 2023 at 5:30 p.m. Japan time

Please access the Website for Exercising Voting Rights using a PC, smartphone or mobile phone to indicate your vote for or against the proposals.

Website for Exercising Voting Rights: <https://soukai.mizuho-tb.co.jp/>

For more information, please read the instructions on page 4.

- When exercising your voting rights by proxy, (1) a letter of attorney signed by the shareholder, the grantor, or with his/her signature and seal and (2) Voting Rights Exercise Form of the shareholder, the grantor, or other documents to confirm the identification of the shareholder, need to be submitted.  
A proxy is limited to one shareholder who owns the Company's Voting Rights as stipulated in the Articles of Incorporation of the Company.
- If there is no indication of your vote for or against each proposal when you exercise your voting rights in writing, the Company will deem that you have voted for the proposals.
- If you exercise your voting rights both via the Voting Rights Exercise Form and the Internet, the vote exercised via the Internet will be recognized as valid. If you exercise your voting rights several times via the Internet, only the final vote will be deemed valid.

## Guidance for Exercising your Voting Rights via the Internet

### Scanning the QR Code “Smart Exercise”

1. Scan the QR code on the bottom right of your Voting Rights Exercise Form.
  2. Please follow the instructions on the screen to indicate your vote for or against the proposals.
- You can log in to the Website for Exercising Voting Rights without entering your voting rights exercise code or password.

### You can only exercise your voting rights once using “Smart Exercise”.

If you would like to change your votes after exercising your voting rights, please access the PC website and log in by entering the “voting rights exercise code” and “password” provided on the back of the right-hand side of your Voting Rights Exercise Form, and exercise your voting rights again.

\*If you scan the QR code again, you can access the PC website.

### Entering your voting rights exercise code and password

Website for Exercising Voting Rights URL: <https://soukai.mizuho-tb.co.jp/>

1. Access the Website for Exercising Voting Rights.
2. Enter the “voting rights exercise code” provided on your Voting Rights Exercise Form.
3. Enter the “password” provided on your Voting Rights Exercise Form.
4. Please follow the instructions on the screen to indicate your vote for or against the proposals.

### Inquiries

- Contact information for PC related technical inquiries  
Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.  
Internet related technical support  
Telephone: 0120-768-524 (Weekdays from 9:00 a.m. to 9:00 p.m.)
- Contact for other inquiries for stock-related administrative work  
Telephone: 0120-288-324 (Weekdays from 9:00 a.m. to 5:00 p.m.)
- The password serves as a tool to verify the voter’s identity. Please be sure to keep it in a safe place until the conclusion of this General Meeting of Shareholders. We are unable to provide your password over the phone.
- If you enter the wrong password for a specified number of times in succession, the web page will be locked and become unusable. In this case, you need to follow the instructions on the screen to try again.
- Please understand that shareholder is solely responsible for any expenses incurred to connect to the Internet.
- The Company has tested and confirmed the operation of the Website for Exercising Voting Rights, using general Internet access devices, but certain types of devices may not be able to access the website.
- If you are an institutional investor, you may use the Electronic Voting System Platform for institutional investors operated by ICJ, Inc.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References



Proposal No. 1 Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)


All of five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company will complete their terms of office at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members).


This proposal was determined by the Board of Directors after deliberation on the proposal by the Governance Committee, which is an advisory body for the Board of Directors. It was also reviewed by the Audit & Supervisory Committee, and no objection was raised.

The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows:

No.		Name	(Age)	Term of office	Current positions at the Company
1	[Reappointment]	Kazuo Sakihama	(67 years old)	10 years	President, CEO & COO President and Executive Officer
2	[Reappointment]	Tatsuyuki Sakoda	(58 years old)	1 year	Director Managing Executive Officer
3	[Reappointment]	Kazuhiro Tohge	(62 years old)	5 years	Director Executive Officer
4	[New appointment]	Kazuhiko Shuto	(65 years old)	0 year	
5	[Reappointment] [Outside Director] [Independent Officer]	Hiroko Noda	(62 years old)	1 year	Outside Director

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	 <p>Kazuo Sakihama May 2, 1956 67 years old</p> <p>[Term of office as Director] 10 years</p> <p>[Reappointment]</p>	<p>Apr. 1980 Joined the Company</p> <p>Jun. 2010 Executive Officer, Deputy General Manager of Chemicals &amp; Life Science, Machinery, Electronics Operations (China Business) of the Company, Deputy General Manager of Chori (China) Co., Ltd. and General Manager of Chori (Tianjin) Co., Ltd.</p> <p>Jun. 2013 Director, Executive Officer, Deputy General Manager of Chemicals &amp; Life Science, Machinery, Electronics Operations of the Company</p> <p>Jun. 2014 Director, Executive Officer, General Manager of Chemicals &amp; Life Science, Machinery, Electronics Operations of the Company</p> <p>Jan. 2015 President, CEO &amp; COO, President and Executive Officer of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1980, Mr. Kazuo Sakihama has worked mainly in the chemicals and machinery businesses. He has served as Deputy General Manager of Chori (China) Co., Ltd., General Manager of Chemicals &amp; Life Science, Machinery, Electronics Operations, and in other positions, and since his appointment as the President in 2015, he has led the implementation of growth strategies based on the medium-term management plan, and has achieved record-high profits (ordinary income) under the previous medium-term management plan. We believe that he is capable of contributing to the sustainable development of the Company and objectively supervising the management of the Company, and have therefore continuously nominated him as a candidate for Director.</p>	34,817 shares
2	 <p>Tatsuyuki Sakoda November 4, 1964 58 years old</p> <p>[Term of office as Director] 1 year</p> <p>[Reappointment]</p>	<p>Apr. 1989 Joined the Company</p> <p>Jun. 2018 Executive Officer, Deputy General Manager of Corporate Planning Division and Department Manager of Corporate Management Department of the Company, and President of Chori America, Inc.</p> <p>Jun. 2020 Executive Officer of the Company, President &amp; CEO of Miyako Kagaku Co., Ltd.</p> <p>Jun. 2021 Senior Executive Officer of the Company, President &amp; CEO of Miyako Kagaku Co., Ltd.</p> <p>Jun. 2022 Director, Managing Executive Officer, General Manager of Corporate Planning Division, Executive Chief Representative for China and General Manager of Pharmacovigilance &amp; Quality Assurance Office of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Director Since joining the Company in 1989, Mr. Tatsuyuki Sakoda has worked mainly in finance and accounting operations. He has served as Deputy General Manager of Corporate Planning Division and has been the President &amp; CEO of Miyako Kagaku Co., Ltd. since 2020. He has abundant business experience in the Company and the Group and broad knowledge in all the areas of management of a trading company. We believe that he is capable of carrying out appropriate business execution and objectively supervising the management of the Company, have therefore continuously nominated him as a candidate for Director.</p>	9,302 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	 <p data-bbox="272 775 472 864">Kazuhiro Tohge September 5, 1960 62 years old</p> <p data-bbox="240 898 504 954">[Term of office as Director] 5 years</p> <p data-bbox="292 983 453 1010">[Reappointment]</p>	<p data-bbox="544 277 1251 792"> Apr. 1984 Joined TORAY INDUSTRIES, INC.  Jun. 2010 Chief in charge of Corporate Marketing Planning Department and Chief in charge of Automotive Material Strategic Planning Department of TORAY INDUSTRIES, INC.  Jun. 2014 Director of P.T. Toray Industries Indonesia, Vice President of P.T. Indonesia Toray Synthetics and Director of P.T. OST FIBRE INDUSTRIES  May 2016 General Manager of Industrial &amp; Clothing Textile Division of TORAY INDUSTRIES, INC.  Jun. 2018 Director, Executive Officer, General Manager of Promoting Textile &amp; Garment Business Globalization of the Company  Jun. 2019 Director, Executive Officer, Special Appointee of the President (Textile Division) of the Company (to present) </p> <p data-bbox="544 801 1423 1227"> <b>■ Reasons for nominating the candidate for Director</b>  Since joining TORAY INDUSTRIES, INC. in 1984, Mr. Kazuhiro Tohge has engaged mainly in sales operations related to the fiber and textile business. He has served as Vice President of P.T. Indonesia Toray Synthetics and General Manager of Industrial &amp; Clothing Textile Division of TORAY INDUSTRIES, INC., and since 2018, as the Director, Executive Officer, General Manager of Promoting Textile &amp; Garment Business Globalization, and Special Appointee of the President (Textile Division) of the Company (current position), he has been promoting operations in the fiber and textile business for which he is responsible based on the medium-term management plan. He has abundant global business experience, and we believe that he is capable of carrying out appropriate business execution and objectively supervising management in the businesses and fields for which he is responsible, and have therefore continuously nominated him as a candidate for Director. </p>	9,551 shares

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	 <p data-bbox="272 719 480 808">Kazuhiko Shuto December 31, 1957 65 years old</p> <p data-bbox="245 842 507 893">[Term of office as Director] 0 year</p> <p data-bbox="284 927 469 956">[New appointment]</p>	<p data-bbox="552 277 1275 763">           Apr. 1980 Joined TORAY INDUSTRIES, INC.            Jun. 2016 Senior Vice President (Member of the Board) of TORAY INDUSTRIES, INC.            Jun. 2018 Retired from Senior Vice President (Member of the Board) of TORAY INDUSTRIES, INC.            Chief Representative for China of TORAY INDUSTRIES, INC., Chairman &amp; President of Toray Industries (China) Co., Ltd., Chairman of Toray Sakai Weaving &amp; Dyeing (Nantong) Co., Ltd.            Jun. 2020 Senior Vice President of TORAY INDUSTRIES, INC.            Jun. 2021 Senior Vice President of TORAY INDUSTRIES, INC.            Jun. 2022 Senior Vice President and Member of the Board of TORAY INDUSTRIES, INC. (to present)         </p> <p data-bbox="544 775 1406 1106"> <b>■ Reasons for nominating the candidate for Director</b>            Since joining TORAY INDUSTRIES, INC. in 1980, Mr. Kazuhiko Shuto has gained rich experience, knowledge, and deep expertise and is well versed in worksites over his many years of engagement mainly in sales related to the fiber and textile business. He has also acquired sufficient knowledge in management through performing his duties as a president of overseas affiliates and an overseas representative as well as an officer of TORAY INDUSTRIES, INC. We believe that he will objectively supervise management and provide useful suggestions for achieving sustainable growth from a viewpoint of corporate management based on his knowledge and ability. We have therefore newly nominated him as a candidate for Director.         </p>	0 shares



No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	 <p>Hiroko Noda July 3, 1960 62 years old</p> <p>[Term of office as Director] 1 year</p> <p>[Reappointment] [Outside Director] [Independent Officer]</p>	<p>Apr. 1987 Joined Minato Audit Corporation (currently KPMG AZSA LLC)</p> <p>Aug. 1987 Joined Tokyo Branch of Prudential Securities Incorporated</p> <p>Mar. 1990 Registered as a certified public accountant, Representative of Noda Certified Public Accountant Office (to present)</p> <p>Aug. 1992 Joined Tokyo Branch of Banque Indosuez S.A. (currently Crédit Agricole CIB)</p> <p>Jun. 2000 Joined Tokyo Branch of Canadian Bank of Commerce</p> <p>Jul. 2006 Joined BUSICOM Co., Ltd.</p> <p>Sep. 2007 Established Prominent Consulting Co., Ltd., Representative Director</p> <p>May 2010 Established Probity Consulting Co., Ltd., Representative Director (to present)</p> <p>Apr. 2014 Part-time lecturer, Graduate School of Asian and International Business Strategy, Asia University (to present)</p> <p>Mar. 2019 External Director of MODEC, Inc., (to present) Outside Director (Audit &amp; Supervisory Committee Member) of Okabe Co., Ltd. (to present)</p> <p>Jun. 2021 Outside Director of S.T. CORPORATION (to present)</p> <p>Jun. 2022 Outside Director of the Company (to present)</p> <p>■ Reasons for nominating the candidate for Outside Director and outline of expected roles Ms. Hiroko Noda has knowledge, experience and capabilities as a certified public accountant. She also has sufficient knowledge on management based on her abundant experience as an outside director and management consultant. We expect her to objectively supervise management and provide useful suggestions for achieving sustainable growth based on her knowledge and capabilities, and have therefore continuously nominated her as a candidate for Outside Director.</p> <p>■ Matters concerning independence Ms. Hiroko Noda is a candidate for Outside Director pursuant to Article 2, Paragraph 3, Item 7 of the Regulations for Enforcement of the Companies Act. She satisfies the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange and the Company, and the Company believes that her independence as Outside Director is sufficiently ensured. Accordingly, the Company has registered her as Independent Director with the Tokyo Stock Exchange.</p>	0 shares

- (Notes) 1. No material conflict of interest exists between the Company and any of the candidates for Directors.
2. The Company has entered into an agreement with Ms. Hiroko Noda to limit the liability for damages based on the Articles of Incorporation. Under this agreement, the limit of liability for damages shall be the minimum liability amount prescribed in Paragraph 1, Article 425 of the Companies Act, if she performs her duties in good faith and without gross negligence.

Proposal No. 2 Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member

In order to prepare for cases where the number of Directors who are Audit & Supervisory Committee Members falls short of the number stipulated by laws and regulations, the Company proposes the election of one (1) Substitute Director who is an Audit & Supervisory Committee Member.

This proposal was determined by the Board of Directors after deliberation by the Governance Committee, which is an advisory body to the Board of Directors. The Audit & Supervisory Committee has also consented to the proposal.

The candidate for Substitute Director who is an Audit & Supervisory Committee Member is as follows:

Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	Apr. 1996 Registered as a lawyer Apr. 2009 Civil Conciliator of Tokyo District Court (to present) May 2012 Auditor of Nichibenren Traffic Accident Consultation Center Jul. 2013 Outside Auditor of Nisshou Byoura Co., Ltd. (to present) Jun. 2016 Outside Director of Sanyu Construction Co., Ltd. (to present) Apr. 2017 Vice-president of Dai-Ichi Tokyo Bar Association, Managing Director of Kanto Federation of Bar Associations Feb. 2019 Deputy Secretary General of Japan Federation of Bar Associations Feb. 2021 Special Contract Advisor to Secretary General of Japan Federation of Bar Associations Mar. 2021 Outside Auditor of Oncolys BioPharma Inc. (to present) Jun. 2021 Outside Director of NIPPON KINZOKU CO., LTD. (to present) Sep. 2021 Partner Attorney at Law of KOHWA SOHGOH LAW OFFICES (to present)	0 shares
Yoshitomo Nagatsuka March 30, 1965 58 years old  [Outside Director] [Independent Officer]	<p>■ Reasons for nominating the candidate for Substitute Outside Director and outline of expected roles</p> <p>The Company believes that Mr. Yoshitomo Nagatsuka will appropriately fulfill his duties as Audit &amp; Supervisory Committee Member of the Company, on the grounds that he has high level legal knowledge as a lawyer and abundant experience and broad insight as outside auditor and outside director. We expect him to objectively supervise management and provide appropriate advice on the establishment of the Company's governance system, etc., based on his insight on corporate legal affairs as a lawyer, and have therefore nominated him as a candidate for Substitute Director who is an Audit &amp; Supervisory Committee Member.</p>	

- (Notes)
1. No material conflict of interest exists between the Company and the candidate.
  2. Mr. Yoshitomo Nagatsuka is a candidate for Substitute Outside Director. If Mr. Yoshitomo Nagatsuka assumes the office of Outside Director, the Company plans to register him as Independent Director as stipulated by the Tokyo Stock Exchange.
  3. The Company intends to enter into an agreement with Mr. Yoshitomo Nagatsuka to limit the liability for damages based on the Articles of Incorporation. Under this agreement, the limit of liability for damages shall be the minimum liability amount prescribed in Paragraph 1, Article 425 of the Companies Act, if he performs his duties in good faith and without gross negligence.

1. Reasons for this proposal and the grounds for its appropriateness

The Company hereby requests the approval of shareholders concerning the introduction of a new performance-linked stock compensation plan called “Board Benefit Trust-Restricted Stock (BBT-RS)” (the “Plan”) for Directors (excluding Directors who are Audit & Supervisory Committee Members and non-executive Directors; unless otherwise provided, the same applies hereinafter in this proposal) and Executive Officers of the Company (collectively, the “Eligible Officers”).

The purpose of considering the introduction of the Plan is to further clarify the linkage of the compensation for Eligible Officers and the Company’s business performance and its share value, and to enhance their motivation to contribute to the improvement of the Company’s business performance in the medium to long term and the enhancement of its corporate value by sharing not only the benefit of the rise in share prices but also the risks of a decline in share prices with the Company’s shareholders. The Company’s policy for determining the details of compensation, etc. of individual Directors is stated in “Compensation to Directors for the Current Fiscal Year” in the Business Report. Subject to the approval of this proposal, the Company plans to change the contents of the policy to those stated on pages 16-17. The Company believes that the contents of this proposal are appropriate, as they are also consistent with the above policy after the change.

This proposal requests shareholders to approve the specific calculation method of and the specific details of compensation, etc. for compensation to Eligible Officers of the Company based on the Plan, separate from the compensation amount for Directors (excluding Directors who are Audit & Supervisory Committee Members) approved at the 69th Annual General Meeting of Shareholders held on June 15, 2016 (up to ¥300 million per year; however, excluding the employee salary portion for Directors concurrently serving as employees). In addition, the details of the Plan are proposed to be entrusted to the Board of Directors within the range described in 2. below.

At the 70th Annual General Meeting of Shareholders held on June 15, 2017, the Company resolved, separate from the compensation amount for Directors (excluding Directors who are Audit & Supervisory Committee Members) approved at the 69th Annual General Meeting of Shareholders held on June 15, 2016, the total amount of monetary compensation claims to be paid to the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members and non-executive Directors) as restricted stock compensation, etc. shall not exceed ¥100 million per year, and the specific details. Subject to the approval of this proposal, the compensation limit for Directors related to the above resolution will be abolished, and no new allotment of restricted stock will be made in the future. However, the restricted stock already allocated to Directors (excluding Directors who are Audit & Supervisory Committee Members and non-executive Directors) will continue to exist.

If Proposal No. 1 is approved as proposed, the number of Directors subject to the Plan will be three.

2. Specific calculation method and specific details of compensation, etc. under the Plan

(1) Overview of the Plan

The Plan is a performance-linked stock compensation plan under which the Company’s shares are acquired through a trust (hereinafter the trust that is established based on the Plan is referred to as the “Trust”) using money contributed by the Company as the financial funds, and Eligible Officers are provided with the Company’s shares and an amount of money equivalent to the market value of the Company’s shares (the “Company’s Shares, etc.”) through the Trust, pursuant to the Share Benefit Regulations for Directors and Officers established by the Company. In principle, the time when Eligible Officers receive the Company’s shares shall be a certain time after the end of each applicable period (defined in (4) below), and the time when Eligible Officers receive cash benefits equivalent to the amount obtained by converting the Company’s shares at market value shall be upon retirement of Eligible Officers in principle. When Eligible Officers receive benefits of the Company’s shares during their term of office, they shall, prior to receiving the benefits of the Company’s shares, conclude a Transfer Restriction Agreement with the Company as described in 3. below. As a result, the Company’s shares that Eligible Officers receive during their term of office will be restricted from disposal by transfer, etc. until the retirement of the relevant Eligible Officers.

(2) Persons eligible for the Plan

Directors (the Plan shall not apply to Directors who are Audit & Supervisory Committee Members and non-executive Directors) and Executive Officers

(3) Trust period

From August 2023 (planned) until the termination of the Trust (Regarding the trust period of the Trust, the date of termination of the Trust shall not be specified and the Trust will continue as long as the Plan is not terminated. The Plan shall be terminated upon the delisting of the Company’s shares or abolition of the Share Benefit Regulations for Directors and Officers, or in certain other cases.)

(4) Trust amount

Subject to approval of this proposal, the Company will introduce the Plan for the three business years from the year ending March 31, 2024 to the year ending March 31, 2026 (hereinafter, such three business-year period is referred to as the “Initial Period,” and the Initial Period and the period to be determined in advance each time by the Board of Directors (minimum of one fiscal year and maximum of five fiscal years) following the Initial Period are respectively referred to as “Applicable Period”), as well as each Applicable Period that follows, and contribute money as defined below to the Trust as the financial funds for the Trust to acquire the Company’s shares for the purpose of providing the Company’s Shares, etc. to Eligible Officers.

First, at the time of establishing the Trust (scheduled in August 2023), the Company will contribute a considerable amount of money that is expected to be necessary corresponding to the Initial Period. Since the maximum points to be granted to Eligible Officers based on the Plan are, for each Applicable Period, the number of points obtained by multiplying the number of fiscal years for the Applicable Period by 80,000 points as stated in (6) below, the Company will, in establishing the Trust, contribute to the Trust the funds that are reasonably expected to be necessary for the acquisition of up to 240,000 shares, taking into consideration the last closing price of the Company’s common shares in ordinary transactions on the Tokyo Stock Exchange. For reference, the necessary funds will amount to approximately ¥638 million using the closing price as of May 17, 2023 of ¥2,661.

After the elapse of the Initial Period, until the time when the Plan is terminated, the Company shall, in principle, reasonably estimate the number of shares necessary to provide to Eligible Officers under the Plan for each Applicable Period, and make additional contributions to the Trust in the amount deemed necessary for the Trust to acquire such shares in advance. Provided, however, if, at the time of such additional contributions, there remain the Company’s shares (excluding the Company’s shares corresponding to the points, which were granted to Eligible Officers for each of the Applicable Periods to date, but have not been provided yet) and money (hereinafter collectively the “Remaining Shares, etc.”) in the trust assets, such Remaining Shares, etc. shall be appropriated for the funds of benefits based on the Plan in the subsequent Applicable Period, and therefore the amount of the Remaining Shares, etc. shall be taken into account when calculating the amount for additional contributions. Upon determination of additional contributions, the Company shall make appropriate disclosure in a timely manner.

Note: The money which the Company practically contributes to the Trust includes the estimated necessary expenses such as trust fees, in addition to the above funds contributed for the purpose of acquiring the Company’s shares.

(5) Method for acquiring the Company’s shares and number of shares to be acquired by the Trust

The Trust shall acquire the Company’s shares through a stock exchange market or by underwriting the disposition of the Company’s treasury shares using the money contributed by the Company in the manner set forth in (4) above as funds. Since the maximum points to be granted to Eligible Officers are, for each Applicable Period, the number of points obtained by multiplying the number of fiscal years for the Applicable Period by 80,000 points set forth in (6) below, the maximum number of the Company’s shares to be acquired by the Trust for each Applicable Period is the number of shares obtained by multiplying the number of fiscal years for the Applicable Period by 80,000 shares. The Company shall disclose the details of the acquisition of the Company’s shares by the Trust in a timely and appropriate manner.

(6) Maximum number of the Company’s Shares, etc. granted to Eligible Officers

For each fiscal year, Eligible Officers shall be provisionally granted the number of points determined based on their position in accordance with the Share Benefit Regulations for Directors and Officers. In principle, the points granted to Eligible Officers as a primary award for each fiscal year shall be adjusted after the end of each Applicable Period by multiplying the points by a coefficient based on the degree of achievement of the performance.

The maximum number of points that the Company may grant to Eligible Officers for each Applicable Period (the number of points after adjustment after the end of each Applicable Period) shall be the number of points obtained by multiplying the number of fiscal years for the Applicable Period by 80,000 points (including 40,000 points for Directors). These numbers were decided by comprehensively considering the current level of officers’ compensation as well as the trends and outlook in the number of Eligible Officers, and therefore are deemed appropriate.

Each point granted to Eligible Officers shall be converted into one share of the Company’s common shares at the time of the provision of the Company’s Shares, etc. as described in (7) below (provided, however, if, with regard to the Company’s shares, a share split, gratis allotment of shares, or consolidation of shares, etc. is carried out after the approval of this proposal, then the maximum number of points and the number of points already granted, or the conversion ratio shall be adjusted in a reasonable manner in proportion to the relevant ratios, etc.). The number of shares equivalent to the number of maximum points to be granted to Eligible Officers per fiscal year (80,000 shares) accounts for approximately 0.3% of the total number of outstanding shares (24,607,014 shares as of March 31, 2023, net of treasury shares).

In principle, the points for Eligible Officers that will be the basis for the provision of the Company's Shares, etc. in (7) below, shall be defined as the number of points granted to the Eligible Officers until the time of acquisition of beneficial rights as described in (7) below. (Points calculated in such manner shall be hereinafter referred to as "defined number of points.")

(7) Provision of the Company's Shares, etc. and specific calculation method of the compensation, etc.

When an Eligible Officer has satisfied the beneficiary requirements stipulated in the Share Benefit Regulations for Directors and Officers, such Eligible Officer shall, in principle, receive the Company's shares from the Trust at a certain time after the end of each Applicable Period, in the number corresponding to the defined number of points set forth in (6) above, by carrying out beneficiary certification procedures as required. Provided, however, if such Eligible Officer satisfies the requirements stipulated in the Share Benefit Regulations for Directors and Officers, he/she shall receive a certain portion of the benefit in money in lieu of the Company's shares upon retirement from office, in the amount equivalent to the market value of the shares. The Trust may sell the Company's shares in order to provide benefit in money.

When Eligible Officers receive benefits of the Company's shares during their term of office, they shall, prior to receiving the benefits of the Company's shares, conclude a Transfer Restriction Agreement with the Company as described in 3. below. As a result, the Company's shares that Eligible Officers receive during their term of office will be restricted from disposal by transfer, etc. until the retirement of the relevant Eligible Officers.

Note that if an Eligible Officer is dismissed by the resolution of a General Meeting of Shareholders or a Board of Directors meeting, retires in connection with certain illegal act while in office, or has engaged in misconduct or other act that causes damage to the Company while in office, then such Eligible Officer, whether he/she has been granted points or otherwise, shall not be given rights to receive the benefit.

The amount of compensation, etc., that Directors receive shall be based on the amount calculated by multiplying the number of total points to be granted to Directors by the carrying amount per share of the Company's shares held by the Trust at the time when points are granted (provided, however, if, with regard to the Company's shares, a share split, gratis allotment of shares, or consolidation of shares, etc. is carried out, there shall be reasonable adjustments based on relevant ratios, etc.). In cases where money is provided as a benefit exceptionally in accordance with the Share Benefit Regulations for Directors and Officers, such amount shall be added if deemed appropriate.

(8) Exercise of voting rights

The voting rights of the Company's shares within the Trust account shall not be exercised without exception in accordance with the instruction of the trust administrator. This is intended to ensure neutrality in the Company's management in relation to the exercise of voting rights of the Company's shares within the Trust account.

(9) Treatment of dividends

The dividends of the Company's shares within the Trust account shall be received by the Trust and mainly used for the acquisition of the Company's shares or trust fees to the trustee pertaining to the Trust. In case the Trust is terminated, dividends etc. remaining in the Trust shall be provided to Eligible Officers then in office in proportion to the number of points that each of them holds, pursuant to the provisions of the Share Benefit Regulations for Directors and Officers.

(10) Treatment upon termination of the trust

The Trust shall be terminated on the occurrence of an event such as delisting of the Company's shares or abolition of the Share Benefit Regulations for Directors and Officers.

The Company's shares in the residual assets of the Trust at the time of the termination of the Trust shall be wholly acquired by the Company without consideration, and canceled by resolution of the Board of Directors. As for the monetary portion of the residual assets of the Trust at the time of the termination of the Trust, the amount remaining after deducting the amount to be paid to Eligible Officers according to (9) above shall be provided to the Company.

3. Outline of the Transfer Restriction Agreement pertaining to the Company's shares to be granted to Eligible Officers

When Eligible Officers receive benefits of the Company's shares during their term of office, they shall, prior to receiving benefits of the Company's shares, conclude a transfer restriction agreement (the "Transfer Restriction Agreement") with the Company that includes, in outline, the following details (Eligible Officers shall receive benefits of the Company's shares subject to concluding the Transfer Restriction Agreement). However, in cases such as when an Eligible Officer has already retired at the time of the delivery of shares, the Company's shares may be delivered without concluding the Transfer Restriction Agreement.

(i) Details of transfer restrictions

Eligible Officers may not transfer, set up collateral or otherwise dispose of the Company's shares they have received during the period from the day they receive the shares until the day they retire from all positions as Directors, Executive Officers or other employees of the Company.

(ii) Acquisition by the Company without consideration

In the event of certain acts of misconduct, etc., or if the requirements for cancellation of transfer restrictions as described in (iii) below are not met, the Company shall acquire the shares concerned without consideration.

(iii) Cancellation of transfer restrictions

In the event that an Eligible Officer retires from office for justifiable reasons or due to death, and on the condition that the Eligible Officers has continuously been a Director, Executive Officer or other employee, etc. during the period from the date of receipt of benefits of the Company's shares to the date of retirement, the transfer restrictions shall be cancelled at such point in time.

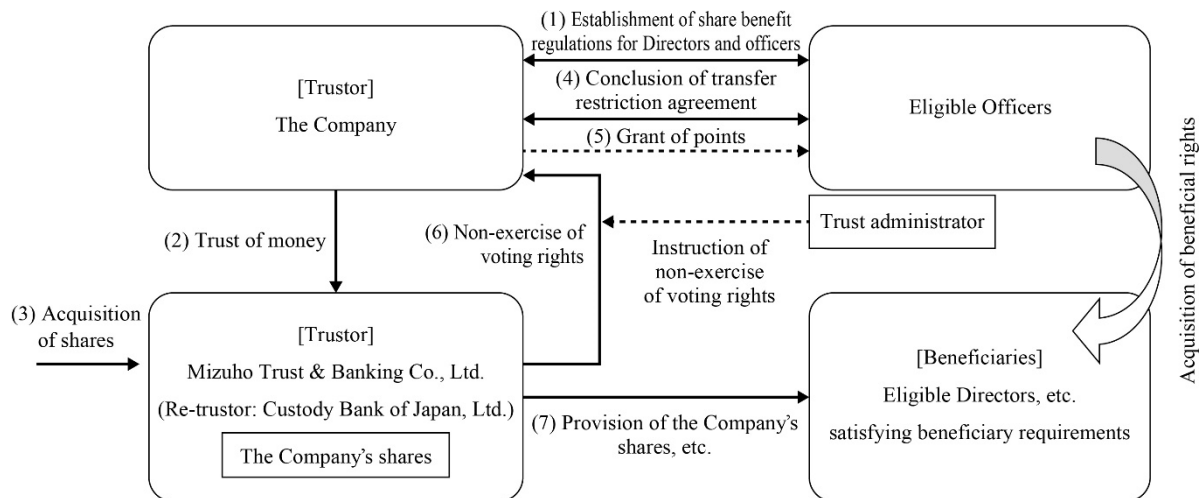
(iv) Treatment in organizational restructuring, etc.

In the event that a merger agreement or other organizational restructuring, in which the Company becomes the dissolving company, is approved at a General Meeting of Shareholders of the Company, etc., during the transfer restriction period, the transfer restrictions shall be cancelled by a resolution of the Board of Directors of the Company as of the business day immediately prior to the effective date of such organizational restructuring, etc.

The Company's shares subject to the transfer restrictions under the Transfer Restriction Agreement will be managed in a dedicated account opened by the subject Eligible Officers at a securities company designated by the Company during the transfer restriction period so that they cannot be transferred, set up collateral or otherwise disposed of during the transfer restriction period.

In addition to the above, the method of indication of intention and notification in the Transfer Restriction Agreement, the method of revision of the Transfer Restriction Agreement, and other matters to be determined by the Board of Directors shall be included in the Transfer Restriction Agreement.

<Reference: Structure of the Plan>



- (i) The Company will establish the “Share Benefit Regulations for Directors and Officers” within the scope of the framework approved regarding this proposal.
- (ii) The Company will entrust the money within the limit of the approval of this proposal.
- (iii) The money entrusted as described in (ii) is used by the Trust as financial funds for acquisition of the Company’s shares through the stock exchange market on which the Company’s shares are listed or by subscribing to the Company’s treasury shares disposed.
- (iv) Eligible Officers shall conclude the Transfer Restriction Agreement with the Company that restricts the disposition by transfer, etc. of the Company’s shares they have received during their term of office until their retirement, and that includes a provision that the Company may acquire the shares without consideration.
- (v) The Company will grant points to Eligible Officers based on the “Share Benefit Regulations for Directors and Officers.”
- (vi) In accordance with the instruction of the trust administrator independent of the Company, the Trust shall not exercise the voting rights for the Company’s shares within the Trust account.
- (vii) At a certain time after the end of each Applicable Period, the Trust will provide Eligible Officers who fulfill the beneficiary requirements stipulated in the “Share Benefit Regulations for Directors and Officers” (the “Beneficiaries”) with the Company’s shares in proportion to the number of points that each of the Beneficiaries have been respectively granted. However, if the Eligible Officers fulfill the requirements stipulated in the “Share Benefit Regulations for Directors and Officers,” the Trust will provide them with an amount of money equivalent to the market value of the Company’s shares for a certain proportion of their points upon retirement from office.

<Reference: Decision-making policy regarding details of compensation for individual Directors (Plan)>

<Basic Policy>

The system of compensation for Directors of the Company (excluding Audit & Supervisory Committee Members; the same applies hereinafter) shall be linked with shareholder interests, in such a way as to fully bring to bear incentive mechanisms intended to sustainably improve corporate value. Compensation for individual Directors shall as a basic policy be set at an appropriate level in light of executive position and performance. Director compensation comprises three elements: basic monthly compensation and annual bonus, to which is added performance-linked stock compensation through “Board Benefit Trust-Restricted Stock (BBT-RS).” However, compensation for non-executive Directors is limited to basic monthly compensation. The composition and calculation method of compensation for Directors and matters related to the compensation system are decided at a Board of Directors meeting after deliberation by the Governance Committee, an advisory body for the Board of Directors, and taking into consideration the opinions of the Audit & Supervisory Committee.

1. Policy for determining the amount of compensation, etc. by individual Director for basic compensation (including policy for determining the timing to grant compensation, etc. or the terms and conditions thereof)

<Basic compensation>

- Definition: Fixed basic monthly compensation based on each Director’s position
- Decision-making policy: The Board of Directors decides after deliberation by the Governance Committee (an advisory body for the Board of Directors).

2. Policy for determining the content of performance indicators related to performance-linked compensation, etc. and the method for determining the amount or number, and policy for determining the content and amount or number or calculation method of non-monetary compensation, etc. (including policy for determining the timing to grant compensation, etc. or the terms and conditions thereof)

<Performance-linked compensation, etc.>

- Definition: Cash compensation (bonus)
- Calculation policy: Calculation is based on the results of profit before income taxes and the implementation status of the medium-term management plan.
- Timing of payment: The payment is made at a certain time each year.
- Decision-making policy: The Board of Directors decides after deliberation by the Governance Committee (as an advisory body for the Board of Directors).

<Non-monetary compensation, etc.>

- Definition: Board Benefit Trust-Restricted Stock (BBT-RS)
- Calculation policy: Based on the position of each Director, the Company provisionally grants each fiscal year to each Director the number of service points stipulated in the Share Benefit Regulations for Directors and Officers, and shall, in principle, determine the number of points as performance-linked points after the completion of the medium-term management plan by multiplying the performance-linked coefficient by the achievement level of cumulative profit before income taxes. In principle, in proportion to the number of points determined, the Company delivers the Company’s shares equivalent to one Company’s share per point and a cash payment equivalent to the amount obtained by converting the Company’s shares at market value.
- Timing of payment: The timing of receipt of the benefits of shares shall be a certain time after the end of each Applicable Period (the three business years from the year ending March 31, 2024 to the year ending March 31, 2026 (hereinafter, such three business-year period is referred to as the “Initial Period,” and the Initial Period and the period to be determined in advance each time by the Board of Directors (minimum of one fiscal year and maximum of five fiscal years) following the Initial Period are respectively referred to as “Applicable Period”)), and the timing of receipt of the benefits of cash equivalent to the amount of the Company’s shares converted at market value shall be, in principle, upon retirement from office. When Directors receive benefits of the Company’s shares during their term of office, they shall, prior to receiving the benefits of the Company’s shares, conclude a Transfer Restriction Agreement with the Company. As a result, the Company’s shares that Directors receive during their term of office will be restricted from disposal by transfer, etc. until the retirement of the relevant Directors.
- Condition of cancellation: Retired from office for justifiable reasons or due to death, and continuously served as a Director, Executive Officer, or other employee, etc. during the period from the date of receipt of the benefits of the Company’s shares to the date of retirement.
- Timing of cancellation: The date of retirement from all positions as Director, Executive Officer, or other employee of the Company after the date of receipt of the benefits of the Company’s shares.
- Decision-making policy: The Board of Directors decides after deliberation by the Governance Committee (as an advisory body for the Board of Directors).



3. Policy on determining the proportion of the amount of monetary compensation, performance-linked compensation, etc., or non-monetary compensation, etc., to the amount of compensation, etc., for individual Directors
  - Proportion: In the case of 100% attainment of the cumulative profit before income taxes target for the period of the medium-term management plan and the profit before income taxes target for the final year of the medium-term management plan, the proportions of compensation to Directors by position are, broadly: 45% basic compensation and 55% performance-linked compensation, etc. (including non-monetary compensation, etc.). In performance-linked compensation, the ratio of bonus to Board Benefit Trust-Restricted Stock (BBT-RS) shall be 45% to 10%.
  - Decision-making policy: The Board of Directors decides after deliberation by the Governance Committee (as an advisory body for the Board of Directors).
4. Matters concerning determination of details of compensation, etc. for individual Directors
  - <Determination of details of basic compensation>
    - The Board of Directors resolves the amount of basic compensation for each Director's position and other matters based on the deliberations of the Governance Committee.
  - <Determination of the amount of the bonus for each individual>
    - Delegate the determination of individual amounts to the President, CEO & COO based on the policy approved by the Board of Directors.
    - President, CEO & COO determines the amount of the bonus for each individual based on deliberation of the Governance Committee in advance.
  - <Determination of details of Board Benefit Trust-Restricted Stock (BBT-RS)>

To be determined in accordance with the Share Benefit Regulations for Directors and Officers. The Share Benefit Regulations for Directors and Officers shall be revised or abolished by a resolution of the Board of Directors based on deliberation of the Governance Committee.

## (Reference) Stance on Corporate Governance and Corporate Governance Structure

### 1. The Company's Stance on the Appointment of Candidates for Directors

#### (1) Policies and Procedures for the Appointment of Candidates for Directors

The Board of Directors consists of members with diverse perspectives, experiences, and skills so that it can make transparent, fair, prompt, and decisive decisions. With respect to Outside Directors who are Audit & Supervisory Committee Members, a high degree of independence is ensured in order for them to exercise effective supervisory functions. In addition, they are expected to have a certain level of knowledge of the trading industry to which the Company belongs.

##### 1) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The nomination of candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) is proposed to the Board of Directors by the President, CEO & COO and the Governance Committee after deliberation by the Governance Committee, and submitted as a proposal to the General Meeting of Shareholders after a resolution of the Board of Directors.

##### 2) Directors (Directors who are Audit & Supervisory Committee Members)

The nomination of candidates for Directors who are Audit & Supervisory Committee Members is also proposed to the Board of Directors by the President, CEO & COO and the Governance Committee after deliberation by the Governance Committee and with the consent of the Audit & Supervisory Committee, and submitted as a proposal to the General Meeting of Shareholders.

#### (2) Independence of Outside Directors

In accordance with the requirements under the Companies Act and the requirements for independence set forth by the Tokyo Stock Exchange, Inc., the Company determines independence based on the fact that there is no special personal relationship, capital relationship, or other interests between the Company and Outside Directors.

#### (3) Composition of the Board of Directors

In order to ensure the objectivity and appropriateness of the Board of Directors, more than one-third of Directors are Outside Directors, and thereby the Company is striving to strengthen corporate governance.

### Skill Matrix of the Board of Directors after the General Meeting of Shareholders (Planned)

(Note) The skill matrix of the Board of Directors if the candidates described in this Notice are elected as proposed is as follows:

Name	Positions	Expertise and Experience				
		Independence	Corporate Management Experience	Global Business	Finance and Accounting	Legal Work and Compliance
Kazuo Sakihama	President, CEO & COO President and Executive Officer		●	●		
Tatsuyuki Sakoda	Director Managing Executive Officer		●	●	●	
Kazuhiro Tohge	Director Executive Officer		●	●		
Kazuhiko Shuto	Director		●	●		
Hiroko Noda	Outside Director	●			●	●
Shigemasa Yabu	Director Audit & Supervisory Committee Member				●	●
Masaaki Sawano	Outside Director Audit & Supervisory Committee Member	●				●
Hiromasa Suzuki	Outside Director Audit & Supervisory Committee Member	●	●			

(Note) The above table represents expertise and does not represent all the knowledge possessed by each officer.

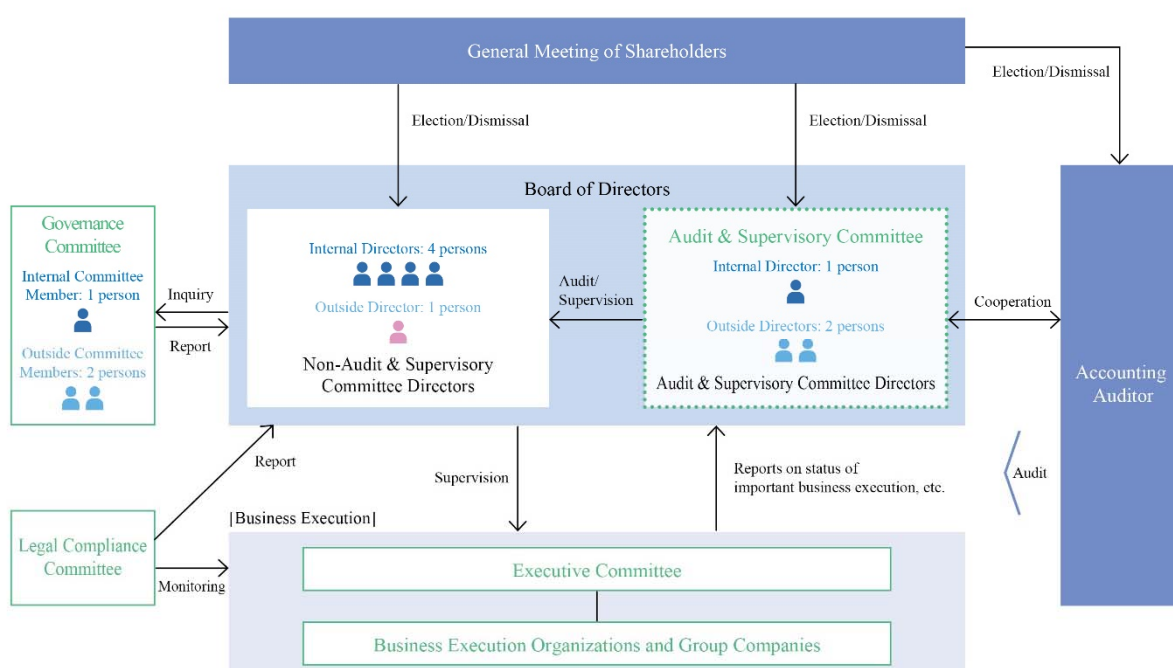
## 2. Basic Stance on Corporate Governance

Aiming for sound management and sustainable growth, the Company is working to develop a structure to ensure the appropriateness of its operations.

The Company positions the Board of Directors as a body to make a strategy decision and oversight business, and is striving to strengthen corporate governance while complying with laws and social norms, conducting operations effectively and efficiently, and ensuring the reliability of financial reporting. Furthermore, as a company with an Audit & Supervisory Committee, the Company has established an Audit & Supervisory Committee in which the majority of members are Outside Directors, and the Company is working to further strengthen the supervisory function of the Board of Directors and to enhance the transparency of management through the exercise of voting rights at the Board of Directors' meetings by Directors who are Audit & Supervisory Committee Members.

In addition, on March 25, 2020, the Company established the Governance Committee as a voluntary advisory body for the board of Directors, where the majority of members are Outside Directors. The Governance Committee deliberates on matters such as the nomination of candidates for Directors, policies for determining the compensation of Directors, and matters related to the protection of minority shareholder interests, and reports on these matters at the Board of Directors meeting, and thereby the Company is working to further strengthen corporate governance.

### ●Corporate Governance Structure



\*The number of persons indicates the status if Proposals No.1 is approved at this General Meeting of Shareholders.

# **Business Report**

(April 1, 2022 - March 31, 2023)

## **1. Overview of the Company Group**

### **1. Business Progress and Results**

In the world economy during the fiscal year ended March 31, 2023 (hereinafter the “current fiscal year”), there was no end in sight of the Russian invasion of Ukraine, and prices of energy and raw materials, etc. continued to rise and remained high for a long period of time. China has shifted from the zero-COVID policy, but economic growth lacks strength due to uncertainty in the real estate market. Although European and U.S. countries reduced the range of increases in policy interest rates, they were unable to dispel fears of inflation. Meanwhile, the setbacks of European and U.S. financial institutions became apparent, exposing an unstable financial system. In the Japanese economy, expectations for inbound consumption increased due to the spread of the with-COVID lifestyle and the increase in the number of foreign tourists visiting Japan, but the situation remains unpredictable as there is no end in sight to the price rises of various consumer goods in a wide range of fields.

Under these circumstances, the Group is further implementing “defensive” measures such as risk management, while steadily promoting basic strategies for sustainable growth in order to immediately respond to the drastically changing social and economic environment, based on the basic strategies of the medium-term management plan “Chori Innovation Plan 2022” published on May 29, 2020.

As a result, with regard to the consolidated performance for the current fiscal year, sales and profits increased year on year. Ordinary income and net income attributable to owners of the parent reached record highs following the previous fiscal year. Net sales increased 15.9% year on year to ¥329,389 million, operating income increased 35.7% year on year to ¥12,656 million and ordinary income increased 21.1% year on year to ¥12,437 million, while net income attributable to owners of the parent increased 19.3% year on year to ¥8,124 million.

## 2. Trends in Assets and Income

(Millions of Japanese Yen)

Item	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023 (Current fiscal year)
Net sales	329,360	216,233	284,096	329,389
Operating income	8,219	3,663	9,328	12,656
Ordinary income	8,685	4,656	10,274	12,437
Net income attributable to owners of the parent	6,101	1,247	6,811	8,124
Net income per share (Yen)	248.46	50.73	276.82	330.16
Total assets	114,400	110,591	134,121	143,200
Total net assets	57,279	58,831	65,096	72,158
Net assets per share (Yen)	2,328.79	2,390.06	2,643.55	2,932.46

(Notes) 1. Net income per share is calculated based on the average number of shares during the period, while net assets per share is calculated based on the number of shares outstanding at the end of the period. The total number of shares outstanding at the end of the period does not include treasury stocks.

2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 (revised 2020), issued on March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 (revised 2021), issued on March 26, 2021) have been applied from fiscal 2021. The Accounting Standard for Revenue Recognition, etc. have been applied in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition.

## Business Performance by Segment

The Group engages in domestic sales, export and import of various products, and overseas transactions, which are classified into four business segments: fibers, textiles and garments, chemicals, machinery, and others as follows.

### Fibers, textiles and garments

Major products or services

- Raw materials for various synthetic fibers and natural fibers, various textiles, knitting, nonwoven fabrics and related products, various clothing products, as well as industrial fiber materials and related products

In this segment, due to the recovery trend in the domestic clothing field and the expansion of sales of sustainable products, net sales increased 25.4% year on year to ¥144,846 million and segment income (ordinary income) increased 71.2% year on year to ¥5,102 million.

### Chemicals

Major products or services

- Various chemicals such as urethane raw materials, raw materials for resins, additives for resins, raw materials for cosmetics, raw materials for glass, raw materials for electronic components, battery-related materials, pharmaceutical and agrochemical intermediates, surface treatment agents, food ingredients and additives, and feed and feed additives

This segment has remained robust overall. Particularly, due to the expansion of trade transactions, net sales increased 9.7% year on year to ¥180,013 million and segment income (ordinary income) increased 18.4% year on year to ¥8,775 million.

### Machinery

Major products or services

- Transportation equipment such as automobiles, motorcycles and trucks, agricultural machinery, construction machinery and related materials

In this segment, net sales increased 2.9% year on year to ¥4,448 million mainly due to strong sales to Europe and Central America. In terms of earnings, segment loss (ordinary loss) was ¥1,256 million (segment loss (ordinary loss) in the previous fiscal year was ¥6 million) due to the additional recording of provision of allowance for doubtful accounts for trade receivables from a counterparty in the United Arab Emirates.

### Others

Major products or services

- Office outsourcing services

In this segment, net sales increased 6.0% year on year to ¥81 million, and segment income (ordinary income) increased 27.2% year on year to ¥57 million.

Fiscal years		Fiscal 2022	Fiscal 2023	Year-on-year comparison	Sales composition ratio
Business segment	Account	Amount	Amount	Increase (decrease) ratio	
		Millions of Japanese Yen	Millions of Japanese Yen	%	%
Fibers, Textiles and Garments	Net sales	115,539	144,846	25.4	44.0
	Ordinary income	2,980	5,102	71.2	—
Chemicals	Net sales	164,155	180,013	9.7	54.7
	Ordinary income	7,410	8,775	18.4	—
Machinery	Net sales	4,323	4,448	2.9	1.3
	Ordinary income (loss)	(6)	(1,256)	—	—
Others	Net sales	77	81	6.0	0.0
	Ordinary income	45	57	27.2	—

(Note) Net sales represent net sales from external customers.

### 3. Fund Procurement

The Company has been promoting the liquidation of notes receivable-trade, etc. during the current fiscal year aimed at diversification and lower levels of interest in fund procurement. The Company has concluded a commitment line contract with a total amount of ¥10,000 million with three financial institutions centered on Mizuho Bank, Ltd. as an arranger for the purpose of stabilizing fund procurement.

### 4. Issues to be Addressed

The global economy is expected to remain in an uncertain business environment due to country risks such as the Russian invasion of Ukraine, rising inflation, and concerns of economic recession due to tightening monetary policies although China has shown signs of recovery with the shift from its zero-COVID policy. In Japan, prices of various consumer goods continue to rise and consumer confidence lacks strength, and the economic outlook remains uncertain.

Under these business circumstances, the Group will steadily implement “promote consolidated global business axis management,” “create sustainable businesses that respond instantly to changes,” and “promote ESG management.” which are the three basic strategies of the medium-term management plan “Chori Innovation Plan 2025” disclosed on April 28, 2023, and further enhance corporate value.

## Review of the previous medium-term management plan “Chori Innovation Plan 2022” (“CIP2022”)

Consolidated results for fiscal 2023 achieved all of the fiscal 2023 plan KPIs set forth in CIP2022. Consolidated ordinary income reached the 10 billion yen level for two consecutive fiscal years in fiscal 2022 and fiscal 2023, and a foundation for a new stage “consistently deliver ordinary income at the ¥10.0 billion level” was established. We will continue to focus on expanding business earnings, addressing sustainability, building a management foundation appropriate for the new stage, and risk management in order to further enhance corporate value.

## Chori Innovation Plan 2025 (“CIP2025”)

On April 28, 2023, we announced a new medium-term management plan CIP2025 covering the three-year period from fiscal 2024 to fiscal 2026. We have succeeded the Chori Innovation Plan, which is a roadmap to a new stage, and CIP2025 is positioned as the final stage of the Chori Innovation Plan. The following is a summary of the plan.

For details of the medium-term management plan, please refer to the following Company’s website:

Company’s website: <https://www.chori.co.jp/english/ir/>

## VISION 2030

The Group has set our vision as “VISION 2030.”

- A company that realizes a sustainable and prosperous society and can coexist in harmony with society
- A company that realizes the wellbeing of its stakeholders and makes them feel rewarded and happy in their work
- A company that can build new businesses and generate revenue by continuous innovation and investing in growth areas

## Financial Targets

Targets for enhancing corporate value (KPI)

(Billions of Japanese Yen)	
Target for fiscal 2026	
Net sales	360.0
Profit before income taxes	16.0
Net income attributable to owners of the parent	11.0
ROA (Net income*1 base)	≥7%
ROE (Net income*1 base)	≥12%
ROIC*2	10% (approx.)

\*1) Net income attributable to owners of the parent

\*2) ROIC (return on invested capital) = Operating income after income taxes / (Net assets + Interest-bearing liabilities)

## Non-Financial Targets

- Expansion of handling of SDGs products with consideration for the environment, etc.
- Percentage of female employees in total number of career-track positions hired and job title changes to career-track positions: 30% or more
- Increase the percentage of male employees taking childcare leave
- Increase ratio of female employees in management positions



- Continue certification as an outstanding organization under the Certified Health & Productivity Management Outstanding Organizations Recognition Program
- Total investment in DX (SAP introduction): approximately 5.0 billion yen

## Basic Policy

Corporate group continues to evolve and change on a global scale, underpinned by our exceptional capabilities and expertise

We will promote our basic strategies to enhance corporate value.

### Basic Strategy 1 Promotion of consolidated global operations by each business department

We will focus on strengthening and expanding overseas business, which is the key to business expansion. We will strengthen the operational foundation of our major overseas bases, review and brush up our business portfolio, and operate as an integrated professional group through group synergies.

### Basic Strategy 2 Creation of sustainable businesses that are responsive to change

We will respond immediately to fast-paced social changes, take a bird's-eye view of business and other risks, respond flexibly, and execute new development, business investment, and M&A.

### Basic Strategy 3 Promotion of ESG management

To realize a sustainable and prosperous society, we aim to be carbon neutral by 2050. We will also realize the wellbeing of our stakeholders through human resource development and respect for human rights. In governance, we will implement various measures of corporate governance, compliance, and risk management.

## [Business and Management Transformation through DX]

### Promote “defensive” and “offensive” DX strategies

We will continue to promote an SAP implementation project, “CARAT (Chori Accelerate Renovation Achievement Transformationpromo),” with the aim of full-scale operation from fiscal 2026, to achieve business and management reform. We will achieve business transformation and operational standardization, data-driven management and data utilization infrastructure building, and DX human resource development and diversity.

## Return to shareholders: Basic policy on dividends

We will pay stable and continuous dividends, paying attention to securing funds for investment in business development.

From fiscal 2024, we will change our dividend policy to a consolidated dividend payout ratio of 30% and dividend on equity (DOE) ratio of 3.5% or more (addition of DOE criteria) to enhance dividend payments.

## 5. Parent Company and Major Subsidiaries

### 1) Relationship with parent company

The Company's parent company, TORAY INDUSTRIES, INC., holds the Company's common stock of 12,967 thousand shares (voting right ratio of 52.77%).

The Company's transactions with the parent company for the current fiscal year amounted to ¥2,251 million in net sales and ¥5,800 million in net purchases.

### 2) Agreement with parent company on important financial and business policies and outline of the agreement

The Company and its parent company, TORAY INDUSTRIES, INC., have entered into an agreement to implement the following items in order to achieve sustainable growth and enhance corporate value.

(a) Examination of the appropriateness of maintaining the Company's listing

(b) Execution of appropriate transactions between the Company and TORAY INDUSTRIES, INC.

(c) Ensuring the effectiveness of governance that takes into consideration the interests of the Company's general shareholders

(d) Appropriate execution of risk management as the TORAY Group (including matters for prior consultation on certain matters pertaining to governance and internal control)

### 3) Status of major subsidiaries

Company name	Capital	Voting right ratio (%)	Principal business
STX Company Limited	¥830 million	100.00	Manufacturing and sale of clothing, fabric materials, etc.
Asada U Co., Ltd.	¥20 million	100.00	Sale of vehicle interior materials and packaging materials
Miyako Kagaku Co., Ltd.	¥296 million	100.00	Sale of raw materials and products, etc. of chemicals, synthetic resins, pharmaceuticals, food, electronic components, etc.
Kozakura Shokai Co., Ltd.	¥60 million	100.00	Sale of Chemicals products (lubricating oil additives, fuel oil additives, etc.)
CHORI GLEX CO., LTD.	¥499 million	100.00	Import and sales of chemicals, construction materials and industrial products
Chori Machinery Co., Ltd.	¥100 million	100.00	Sale of transportation equipment, etc.
Business Anchor Corporation	¥10 million	100.00	Office outsourcing services
Chori America, Inc.	US\$4,000 thousand	100.00	Sales in the United States, export and import, and overseas transactions of various products
Chori (China) Co., Ltd.	CNY55,314 thousand	100.00	Sales in China, export and import, and overseas transactions of various products
Thai Chori Co., Ltd.	THB202,000 thousand	100.00	Sales in Thailand, export and import, and overseas transactions of various products
Chori Co., (Hong Kong) Ltd.	HK\$20,000 thousand	100.00	Sales in Hong Kong and its neighboring countries, export and import, and overseas transactions of various products
Taiwan Chori Merchandise Cooperation Ltd.	NT\$30,000 thousand	100.00	Sales in Taiwan, export and import, and overseas transactions of various products
PT. Chori Indonesia	US\$750 thousand	100.00	Sales in Indonesia, export and import, and overseas transactions of various products

Company name	Capital	Voting right ratio (%)	Principal business
Chori Vietnam Co., Ltd.	US\$250 thousand	100.00	Sales in Vietnam, export and import, and overseas transactions of various products
Chori (Dalian) Trading Co., Ltd.	CNY8,112 thousand	100.00	Sales in China, export and import, and overseas transactions of various products
Chori Singapore Pte. Ltd.	S\$4,000 thousand	100.00	Export and import and overseas transactions of various products
Chori Europe GmbH	€1,375 thousand	100.00	Sales in European countries, export and import, and overseas transactions of various products

#### 4) Specified wholly-owned subsidiaries as of the balance sheet date

There are no subsidiaries that fall under specified wholly-owned subsidiaries.

## 6. Major Locations, etc.

### 1) Major offices of the Company

- 1 Osaka Head Office (Chuo-ku, Osaka)
- 2 Tokyo Head Office (Minato-ku, Tokyo)
- 3 Hokuriku Branch (Kanazawa-shi, Ishikawa)

### 2) Offices of principal subsidiaries

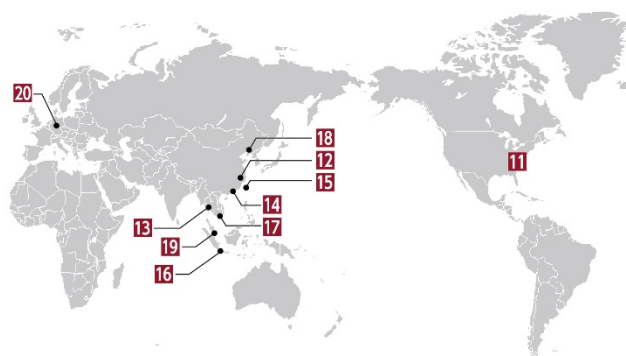
Domestic subsidiaries:

- 4 STX Co., Ltd. (Chiyoda-ku, Tokyo)
- 5 Asada U Co., Ltd. (Nagoya-shi, Aichi)
- 6 Miyako Kagaku Co., Ltd. (Chiyoda-ku, Tokyo)
- 7 Kozakura Shokai Co., Ltd. (Minato-ku, Tokyo)
- 8 CHORI GLEX CO., LTD. (Minato-ku, Tokyo)
- 9 Chori Machinery Co., Ltd. (Minato-ku, Tokyo)
- 10 Business Anchor Corporation (Chuo-ku, Osaka)



Overseas subsidiaries:

- 11 Chori America, Inc. (United States)
- 12 Chori (China) Co., Ltd. (China)
- 13 Thai Chori Co., Ltd. (Thailand)
- 14 Chori Co., (Hong Kong) Ltd. (China)
- 15 Taiwan Chori Merchandise Cooperation Ltd. (Taiwan)
- 16 PT. Chori Indonesia (Indonesia)
- 17 Chori Vietnam Co., Ltd. (Vietnam)
- 18 Chori (Dalian) Trading Co., Ltd. (China)
- 19 Chori Singapore Pte. Ltd. (Singapore)
- 20 Chori Europe GmbH (Germany)



## 7. Employees

Status of employees of the Chori Group

Business segment	Number of employees			Year-on-year comparison
Fibers, Textiles and Garments	746	< 49	>	(37)
Chemicals	349	< 51	>	(2)
Machinery	15	< 6	>	(1)
Others	49	< 19	>	(2)
Companywide (common)	126	< 22	>	5
Total	1,285	< 147	>	(37)

(Notes) 1. The number of employees represents the number of persons in employment.

2. The number in < > in the column of the number of employees represents the average number of temporary staff for the current fiscal year.

The status of employees of the Company is as follows.

Number of employees	Year-on-year comparison	Average age (years old)	Average years of service
331	(9)	40.3	14.1

(Note) The number of employees represents the number of persons in employment. However, employees hired locally at overseas representative offices are not included.

## 8. Major Lenders

There are no loans payable at the end of the current fiscal year that need special mention.

(Note) The Company has concluded a commitment line contract with a total amount of ¥10,000 million with a syndicate of three financial institutions. There was no outstanding loan balance under such contract as of the end of the current fiscal year.

## 2. Status of Shares

**1. Total Number of Shares Authorized to be Issued** 55,000,000 shares

**2. Total Number of Shares Outstanding** 25,303,478 shares

**3. Number of Shareholders** 7,202 persons

**4. Number of Shares of One Unit** 100 shares

## 5. Major Shareholders

Shareholder name	Number of shares held (shares)	Percentage of shares held (%)
TORAY INDUSTRIES, INC.	12,967,310	52.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,428,100	5.80
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,418,484	5.76
Hurex Co., Ltd.	735,700	2.99
Custody Bank of Japan, Ltd. (Trust Account)	627,200	2.55
Wacoal Corporation	548,890	2.23
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	296,000	1.20
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	253,600	1.03
BBH FIDELITY GROUP TRUST BENEFIT PRINCIPAL ALL SECTOR SUBPORTFOLIO	205,599	0.84
HSBC PRIVATE BANK (SUISSE) SA GENEVA - SEGREG UK IND1 CLT ASSET	204,000	0.83

- (Notes)
1. Treasury stocks of the Company of 696,464 shares are excluded from the above table of Major Shareholders.
  2. The Company's treasury stocks (696,464 shares) were excluded in the calculation of the percentage of shares held.

## 6. Stocks Delivered to Company Officers as Consideration for the Execution of Their Duties During the Current Fiscal Year

### (Restricted Stock)

At the 70th Annual General Meeting of Shareholders held on June 15, 2017, the Company resolved to introduce a restricted stock compensation system with the objectives of offering incentives to achieve the sustained enhancement of the corporate value of the Company, of further promoting the sharing of that value between the relevant officers and shareholders, and of utilizing treasury stocks held by the Company. Based on this resolution, the Company resolved at the Board of Directors meeting held on June 28, 2022 to dispose of treasury stocks as restricted stock compensation.

The number of restricted stocks delivered to the Company's Directors and Executive Officers as consideration for the execution of their duties during the current fiscal year is as follows.

Officer position	Number of allotted shares	Number of recipients
Director (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members)	596	1
Outside Directors (excluding Directors who are Audit & Supervisory Committee Members)	—	—
Directors (Audit & Supervisory Committee Members)	—	—
Executive Officers	1,192	1

### 3. Company Officers

#### 1. Directors (as of March 31, 2023)

Position	Name	Responsibilities and significant concurrent positions
President, CEO & COO	Kazuo Sakihama	CEO & COO
Director	Tatsuyuki Sakoda	General Manager of Corporate Planning Division, Executive Chief Representative for China and General Manager of Pharmacovigilance & Quality Assurance Office
Director	Kazuhiro Tohge	Special Appointee of the President (Textile Division)
Director	Mitsuo Ohya	Executive Vice President and Representative Member of the Board of TORAY INDUSTRIES, INC.
Director	Hiroko Noda	Representative of Noda Certified Public Accountant Office Representative Director of Probity Consulting Co., Ltd. Part-time lecturer, Graduate School of Asian and International Business Strategy, Asia University External Director of MODEC, Inc. Outside Director (Audit & Supervisory Committee Member) of Okabe Co., Ltd. Outside Director of S.T. CORPORATION
Director (Full-time Audit & Supervisory Committee Member)	Shigemasa Yabu	
Director (Audit & Supervisory Committee Member)	Masaaki Sawano	Partner of CITY-YUWA PARTNERS Member of Advisory Council on Fundamental Issues in Corporate Management of Urban Renaissance Agency Member 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 Chairman of Tokyo Metropolitan Government Election Administration Commission Director of Japan Bar Association
Director (Audit & Supervisory Committee Member)	Hiromasa Suzuki	Outside Director of Nitta Gelatin Inc.

(Notes) 1. Changes in Directors for the current fiscal year

Appointment: At the 75th Annual General Meeting of Shareholders held on June 16, 2022, Mr. Tatsuyuki Sakoda and Ms. Hiroko Noda were newly elected and appointed as Director and Mr. Shigemasa Yabu and Mr. Hiromasa Suzuki were newly elected and appointed as Director who is an Audit & Supervisory Committee Member.

Retirement: At the conclusion of the 75th Annual General Meeting of Shareholders held on June 16, 2022, Mr. Shigemasa Yabu and Mr. Hiromasa Suzuki retired from the office of Director and Mr. Jun Furuya and Ms. Noriko Morikawa retired from the office of Director who is an Audit & Supervisory Committee Member.

- Directors, Ms. Hiroko Noda, Mr. Masaaki Sawano and Mr. Hiromasa Suzuki, are Outside Directors as provided in Item 15, Article 2 of the Companies Act.
- Directors, Ms. Hiroko Noda, Mr. Masaaki Sawano and Mr. Hiromasa Suzuki, are registered as Independent Officers with the Tokyo Stock Exchange.
- Deeming that audits by a full-time member are essential to ensure the effectiveness of Audit & Supervisory Committee activities, the Company has elected a Full-time Audit & Supervisory Committee Member.
- A Director (Full-time Audit & Supervisory Committee Member), Mr. Shigemasa Yabu, has considerable knowledge of all the areas of the management, legal affairs, finance and accounting of trading companies, gained through the engagement mainly in finance and accounting, legal work and compliance, and IR and public relations operations for many years.



6. An Outside Director (Audit & Supervisory Committee Member), Mr. Masaaki Sawano, has extensive experience and broad insight acquired in his career as a lawyer.
7. An Outside Director (Audit & Supervisory Committee Member), Mr. Hiromasa Suzuki, has been involved in corporate management for many years and has extensive insight in group management.
8. The Company has introduced the Executive Officer System to promptly and appropriately respond to changes in the business environment, to speed up decision-making related to business executions, as well as to enhance management efficiency.

The following are 9 Executive Officers. (as of March 31, 2023)

Title	Name	Major positions and responsibilities
President and Executive Officer	Kazuo Sakihama	CEO & COO
Managing Executive Officer	Hiroshi Yoshida	General Manager of Textile Division, Senior Manager of Synthetic Fiber Business Department, General Manager of Logistics Department (Textile) and General Manager of Hokuriku Branch
Managing Executive Officer	Yoshihiro Teratani	General Manager of Chemicals Division, Senior Manager of Life & Fine Chemicals Business Department and General Manager of Logistics Department (Chemicals)
Managing Executive Officer	Tatsuyuki Sakoda	General Manager of Corporate Planning Division, Executive Chief Representative for China, and General Manager of Pharmacovigilance & Quality Assurance Office
Senior Executive Officer	Satoko Nakayama	Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department, Information System Department), and General Manager of CHORI Innovation Activities
Executive Officer	Kazuhiro Tohge	Special Appointee of the President (Textile Division)
Executive Officer	Masao Nakamura	Senior Manager of Chemical & Materials Business Department
Executive Officer	Naohiko Ashida	Senior Manager of Technical Material & Garments Business Department, Chairman of Chori (Dalian) Trading Co., Ltd., and Chairman of Chori (Dalian) Commercial Import Export Co., Ltd.
Executive Officer	Satoshi Shiragami	Deputy General Manager of Corporate Planning Division (Corporate Management Department, Affiliate Business Department)

## 2. Summary of the Limited Liability Agreement

The Company has entered into an agreement with its Directors (excluding Executive Directors, etc.) to limit their liability for damages due to their negligence of duties, pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act. Under the agreement, the amount limit of liability for damages shall be the minimum liability amount prescribed by laws and regulations.

### 3. Compensation to Directors for the Current Fiscal Year

#### (1) Total compensation to Directors

	Total compensation (Millions of Japanese Yen)	Total of compensation by type (Millions of Japanese Yen)			No. of eligible Directors*4
		Fixed compensation (monetary)	Performance-linked compensation		
			Bonus (monetary) *3	Restricted stock compensation (non-monetary)*3	
Directors (excluding Audit & Supervisory Committee Members) *1 *2 (Of which, Outside Directors)	165 (7)	91 (7)	58 (-)	15 (-)	6 (2)
Directors (Audit & Supervisory Committee Members) (Of which, Outside Directors)	36 (18)	36 (18)	- (-)	- (-)	5 (3)
Total (Of which, Outside Directors)	201 (25)	128 (25)	58 (-)	15 (-)	11 (5)

\*1)Not including the portion of employee's salary for Directors who concurrently serve as employees.

\*2)The number of eligible Directors above does not include one Director (excluding Directors who are Audit & Supervisory Committee Members) serving without compensation.

\*3)Of the above items, bonuses and restricted stock compensation are stated as payment amounts corresponding to a performance benchmark of ¥12,400 million for consolidated ordinary income for fiscal 2023.

\*4)Although the total number of Directors paid is shown, the actual number of Directors eligible for payment was 9 (including 4 Outside Directors).

#### (2) Matters pertaining to benchmarks for performance-linked compensation (bonuses and restricted stock compensation)

To ensure sustainable improvement in corporate value, the Company strives to improve growth prospects and efficiency. With regard to the decision concerning performance-linked compensation (bonuses and restricted stock compensation) for Directors (excluding Directors who are Audit & Supervisory Committee Members), the benchmarks include consolidated ordinary income performance and progress in implementation of the medium-term management plan.

Performance-linked compensation introduced by the Company is as stated in “Method of calculation of monetary or other totals for performance-linked compensation” of (5) Decision-making policy regarding details of compensation for individual Directors.

#### (3) Details of non-monetary compensation (restricted stock compensation)

Details of restricted stock compensation, a performance-linked non-monetary form of compensation introduced by the Company, are stated in “Method of calculation of monetary or other totals for performance-linked compensation” of (5) Decision-making policy regarding details of compensation for individual Directors. In the current fiscal year, a total of 1,788 restricted shares were allotted through disposal of treasury stock to Directors of the Company (excluding Outside Directors and Audit & Supervisory Committee Members) and its Executive Officers (including 596 for Directors).

(4) Matters concerning determination of compensation

Breakdowns and maximum totals for compensation (decided by resolution of the General Meeting of Shareholders) for Directors of the Company are as follows.

	Basic compensation	Bonuses (performance-linked)	Restricted stock compensation (performance-linked)
Payable to			
Directors *1 (excluding Audit & Supervisory Committee Members)	●	●	●
Directors *1 (Audit & Supervisory Committee Members)	●	-	-
Outside Directors	●	-	-
Fixed/Variable	Fixed	Variable (single fiscal year)	Variable (mid-to-long-term)
Maximum amount of compensation *2	Up to ¥300 million per year for Directors (excluding Audit & Supervisory Committee Members) (69th Annual General Meeting of Shareholders held on June 15, 2016) (Number of members*3: 7)		Up to ¥100 million per year (70th Annual General Meeting of Shareholders held on June 15, 2017) (Number of members*3: 6) Maximum of shares for allocation: up to 65,000 per year
	Directors (Audit & Supervisory Committee Members) Up to ¥100 million per year (69th Annual General Meeting of Shareholders held on June 15, 2016) (Number of members*3: 3)		-
Mechanism for performance-linked compensation	-	Calculations are made in light of consolidated ordinary income performance, progress in implementing the medium-term management plan, and other factors.	The level of compensation is decided based on the position of the individual Director. A basic total of compensation is determined for each position for a single business year; as a rule, the total of shares to be allocated for each position is decided by division of a sum equivalent to remuneration of performance of duties over three years, the same as the period of the medium-term management plan, by a baseline share price. Conditions for removal of restrictions: Contingent on degree of achievement of the cumulative consolidated ordinary income target in the medium-term management plan and on fulfilment of duties.

\*1) Excluding Outside Directors

\*2) Not including the portion of employee's salary for Directors who concurrently serve as employees.

\*3) Number of eligible Directors is stated as the number of such Directors at the time of conclusion of the relevant General Meeting of Shareholders.

(5) Decision-making policy regarding details of compensation for individual Directors

- Method of establishing decision-making policy

The Governance Committee, a voluntary advisory body for the Board of Directors comprising two independent Outside Directors and the President, CEO & COO (established March 25, 2020), deliberates on policy for decision-making on the specifics of compensation for individual Directors of the Company. Based on the details reported by this committee, the Board of Directors of the Company passed a resolution at a meeting held on February 26, 2021 regarding policy on decision-making on the specifics of compensation of individual Directors of the Company (the “Decision-Making Policy”).

- Decision-Making Policy

The system of compensation for Directors of the Company (excluding Audit & Supervisory Committee Members; the same applies hereinafter) shall be linked with shareholder interests, in such a way as to fully bring to bear incentive mechanisms intended to sustainably improve corporate value. Compensation for individual Directors shall as a basic policy be set at an appropriate level in light of executive position and performance.

Director compensation comprises three elements: basic monthly compensation and annual bonus, to which is added restricted stock compensation. With regard to decision-making on compensation, decisions shall be made within the scope of a compensation framework adopted by a resolution of the General Meeting of Shareholders, within which appropriate levels shall be determined.

Fixed compensation, a monetary element, is paid as a monthly sum. A basic annual total, pegged to the role and position, etc., of the Director, is divided into 12 monthly payments.

Policies for bonuses, a performance-linked monetary form of compensation, and performance-linked non-monetary restricted stock compensation, are described below.

Compensation for Outside Directors comprises fixed monetary compensation only, determined in light of the role and independence of the individual concerned. This is an annual total divided into 12 monthly payments.

- Method of calculation of monetary or other totals for performance-linked compensation

The Company pays its Directors (excluding Audit & Supervisory Committee Members) performance-linked compensation in the forms of bonuses and restricted stock. The bonus is calculated by multiplying a basic amount for each position by a coefficient reflecting consolidated ordinary income performance (consolidated ordinary income for fiscal 2023: ¥12,400 million) and progress in implementing the medium-term management plan for the fiscal year in question, in such a way as to realize the incentive program for the plan. Payment is made at a predetermined time each year.

This system was introduced based on a resolution of the 70th Annual General Meeting of Shareholders, held on June 15, 2017. At the same time as further strengthening the linkage with performance, the system aims to raise awareness of improvement of mid-to-long-term business performance and of contribution to increased corporate value. The compensation standard is decided based on the position of individual Directors: the standard amount of compensation is set for a single fiscal year, and as a rule, the number of allotted shares for each position is decided by division of an amount equivalent to remuneration of performance of duties over three years, the same as the period of the medium-term management plan, by a baseline share price. All the shares are granted in the first fiscal year of the medium-term management plan, and the restriction on transfer is lifted after three years in principle, according to the degree of achievement of cumulative consolidated ordinary income targets in the medium-term management plan and fulfilment of duties, in such a way as to serve as an incentive for the achievement of the plan.

- Policy regarding proportions for allocation of Director compensation by type

Policy regarding proportions for allocation of compensation for Directors (excluding Audit & Supervisory Committee Members) by type is decided at a Board of Directors meeting after deliberation by the Governance Committee.

In the case of 100% attainment of cumulative consolidated ordinary income targets in the medium-term management plan and of targets for consolidated ordinary income in the final year of the mid-term plan, the proportions of compensation are, broadly: 55% basic compensation and 45% performance-linked compensation (including non-monetary compensation). In performance-linked compensation, the ratio of bonus to stock compensation shall be 35% to 10%.



- Policy for procedures for deciding the specifics of compensation on an individual basis

Among compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members), specific details of bonus decisions in individual cases are entrusted to the President, CEO & COO. When deciding amounts of compensation in individual cases, the President, CEO & COO as entrusted by the Board of Directors shall make a decision based on the content of a report received from the Governance Committee, which deliberates the draft version; such decision being conditional on compliance with a resolution of the General Meeting of Shareholders and geared to ensuring the appropriateness of the compensation level and the transparency of the performance evaluation.

For compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members), decisions on basic compensation and restricted stock compensation are made on an individualized basis through resolution of the Board of Directors, based on deliberations at the Governance Committee.

(6) Reasons why the Board of Directors judged that the details of the compensation for individual Directors for the current fiscal year are in line with the Decision-Making Policy

Regarding the determination of details of compensation for individual Directors, the Governance Committee undertook a comprehensive review of the draft, including its consistency with the Decision-Making Policy, and the Board of Directors likewise reached its decision with due respect for the contents of the report, so that the Board of Directors concluded that the Decision-Making Policy was complied with.

(7) Matters pertaining to delegation of authority relating to decisions on compensation for individual Directors

In the current fiscal year, a resolution was passed at a Board of Directors meeting on June 16, 2022 with regard to performance-linked bonuses for Directors, to the effect that delegation of authority for details of decision-making in individual cases shall be vested in President, CEO & COO Kazuo Sakihama.

The reason for delegating these matters to the President, CEO & COO is that he is best positioned to judge the remits and duties of individual Directors while keeping an eye on performance on a Companywide basis. Assigned from the Board of Directors, the President, CEO & COO when deciding on a sum of bonus on a case-by-case basis shall, as a measure to ensure the proper exercise of his authority, the draft proposal is reviewed by the Governance Committee to ensure the appropriateness of the compensation level and the transparency of performance evaluation. Based on the report, the Board of Directors shall make a decision on the draft proposal.

## 4. Outside Officers

- 1) Significant concurrent positions of Outside Officers held in other companies and relationship between the Company and such companies

A Director of the Company, Ms. Hiroko Noda, concurrently serves as a Representative of Noda Certified Public Accountant Office, a Representative Director of Probitry Consulting Co., Ltd., a part-time lecturer, Graduate School of Asian and International Business Strategy, Asia University, an External Director of MODEC, Inc., an Outside Director (Audit & Supervisory Committee Member) of Okabe Co., Ltd., and an Outside Director of S.T. CORPORATION. There is no relationship between the Company and said companies, etc., that should be disclosed.

A Director (Audit & Supervisory Committee Member) of the Company, Mr. Masaaki Sawano, concurrently serves as a Partner of CITY-YUWA PARTNERS, a member of Advisory Council on Fundamental Issues in Corporate Management of Urban Renaissance Agency, a member of Advisory Council on Fundamental Issues in Corporate Management and Rent Council of Urban Renaissance Agency, a member of Business Evaluation Monitoring Committee of Urban Renaissance Agency, an Outside Auditor of Japan Federation of Certified Public Tax Accountants' Associations, a member of Kanto Regional Government Asset Council, Kanto Local Finance Bureau, Ministry of Finance, the Chairman of Tokyo Metropolitan Government Election Administration Commission, and a Director of Japan Bar Association. There are no relationships between the Company and these organizations that should be disclosed.

A Director (Audit & Supervisory Committee Member) of the Company, Mr. Hiromasa Suzuki, concurrently serves as an Outside Director of Nitta Gelatin Inc. There is no relationship between the Company and said company that should be disclosed.

### 2) Main activities

Name	Attendance at Board of Directors meetings, etc. (Note)	Main activities (including an outline of duties performed in relation to the expected role)
Hiroko Noda (appointed in June 2022)	Board of Directors meetings 11/12	Ms. Noda was expected to perform objective supervision of management based on knowledge, experience and capabilities as a certified public accountant and abundant experience as an outside director and management consultant, and she actively provided opinions and advice based on such expertise and contributed to the deepening of discussions. Ms. Noda also contributed to discussions regarding all the areas of management and played an important role in establishing a highly transparent governance structure.
Masaaki Sawano (appointed in June 2018)	Board of Directors meetings 15/16 Audit & Supervisory Committee meetings 15/15 Governance Committee meetings 5/5	Mr. Sawano was expected to play a role in supervising the execution of business at the Company by utilizing his insight related to corporate legal work acquired in his career as a lawyer, and he actively provided opinions and advice based on such expertise and contributed to the deepening of discussions. Mr. Sawano also served as chairman of the Governance Committee and contributed to discussions regarding the compensation, nomination, and evaluation of Directors and Executive Officers, and played an important role in establishing a highly transparent governance structure.
Hiromasa Suzuki (appointed in June 2021)	Board of Directors meetings 16/16 Audit & Supervisory Committee meetings 11/11 Governance Committee meetings 3/3	Mr. Suzuki was expected to perform objective supervision of management from a perspective of a corporate manager and provide valuable suggestions for achieving sustainable growth, and he actively provided opinions and advice based on such expertise and contributed to the deepening of discussions. Mr. Suzuki also contributed to discussions regarding compensation, nomination, evaluation, etc. of Directors and Executive Officers as Governance Committee member and played a role as Governance Committee member in establishing a highly transparent governance structure.

- (Notes)
- Attendance at the Board of Directors meetings, Audit & Supervisory Committee meetings, and Governance Committee meetings held in fiscal 2023.
  - The number of attendances of Ms. Hiroko Noda at the Board of Directors meetings is the number of times since assuming the office of Director.
  - The number of attendances of Mr. Hiromasa Suzuki at the Audit & Supervisory Committee meetings and Governance Committee meetings is the number of times since assuming the office of Director (Audit & Supervisory Committee Member) and Governance Committee member.

## 4. Accounting Auditor

### 1. Accounting Auditor's Name

Deloitte Touche Tohmatsu LLC

### 2. Summary of the Limited Liability Agreement

Not applicable

### 3. Accounting Auditor's Compensation, etc. for the Current Fiscal Year

- |   |              |
|---|--------------|
| 1) Accounting Auditor's compensation, etc., for the current fiscal year | ¥75 million  |
| 2) Total amount of compensation paid by the Company or its subsidiaries | ¥108 million |

- (Notes)
1. The Audit & Supervisory Committee carries out the necessary verification to determine whether the Accounting Auditor's audit plan, performance of accounting audit duties, and grounds for calculation of compensation estimates are appropriate in light of the content and scale of the Company's business, and consequently makes a decision on consent with regard to the amount of compensation for the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.
  2. The Company's major overseas subsidiaries are audited by certified public accountants (or audit corporations) other than the Company's Accounting Auditor.
  3. Under the audit agreement between the Company and its Accounting Auditor, the amount of compensation, etc. for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and cannot be virtually separated. Consequently, the amount of compensation, etc. for the current fiscal year reflects the total amount of compensation for these audits.

### 4. Description of Non-Audit Services

Advisory services on disclosure of climate-related financial disclosures (TCFD) and response to corporate governance code

### 5. Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

The Audit & Supervisory Committee shall decide on a proposal concerning the termination or nonrenewal of the Accounting Auditor's appointment in the event that the Audit & Supervisory Committee determines that it is necessary to do so because the execution of duties by the Accounting Auditor is hindered or for other reasons, and, based on that decision, the Board of Directors shall submit the proposal to the General Meeting of Shareholders.

In cases where the Accounting Auditor falls under any one of the items of Paragraph 1, Article 340 of the Companies Act, the Audit & Supervisory Committee shall terminate the Accounting Auditor's appointment upon consent of all Audit & Supervisory Committee Members. Under these circumstances, an Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee shall report the termination of the Accounting Auditor and the reasons for the termination at the first General Meeting of Shareholders following the termination of the appointment.

## **5. Company's Systems and Policies**

### **1. System to Ensure Proper Execution of Business and Operating Status of That System**

1. System to Ensure that the Directors and Employees of the Group Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation
  - 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.
  - The Company shall acknowledge its corporate social responsibilities and sever and eliminate relations with antisocial forces and groups that threaten social order and security.
  - In order to make all of 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 as a chairman shall be established to discuss important matters regarding compliance of the Group and report the results to the Board of Directors and the Executive Committee as necessary.
  - Directors and Executive Officers who are in charge of business operations are responsible for analyzing compliance matters unique to each operation of the Group and shall develop specific measures for them.
  - Internal control system to ensure the reliability of financial reporting, based on the Internal Control Rules, shall be established and operated accordingly.
  - The Governance Committee shall be established as an advisory body for the Board of Directors. The Governance Committee shall deliberate on matters related to the nomination and compensation of Directors and Executive Officers and determine policies, original plans, etc., in order to ensure objectivity and transparency regarding the nomination, compensation, etc. of Directors.
  - The Internal Auditing Department shall conduct audits on the status of compliance of the Group based on the Internal Audit Rules, and its activities will be reported to the Board of Directors and the Audit & Supervisory Committee on a regular basis.
  - An internal whistleblower system, where Directors, Executive Officers and employees of the Group can provide information directly to the Legal Compliance Committee, the lawyer in charge at the law firm with which the Company has concluded advisory agreement, the Audit & Supervisory Committee and a lawyer who has no conflict of interest with the Company, shall be set up, and prevention of disadvantageous treatment on the grounds of the provision of such information shall be ensured.
  - For violations of laws and regulations, the Articles of Incorporation, and internal regulations and rules, specific punishment shall be determined by the Board of Directors and the Executive Committee through discussion at the Disciplinary Committee.

(Operating Status of the System)

The Group has established rules such as the Guidelines for Corporate Behavior and developed a system aimed at promoting compliance with laws and regulations and social ethics in order to establish internal controls concerning compliance and to carry out supervision.

Furthermore, in order to make all Group Directors, Executive Officers and employees fully aware of compliance, compliance training and other educational programs are carried out on a regular basis.

2. System for Storage and Management of Information related to the Execution of Duties of the Company's Directors
  - The storage and management of the minutes of meetings, approval request documents, financial information and other important documents and information related to decision-making on business shall be prescribed in the Document Management Rules and other internal rules. Each of the said documents shall be recorded and stored in the form of paper or electromagnetic media (hereinafter the "documentations").
  - Such documentations shall be kept accessible by Directors and Executive Officers whenever necessary.
  - The Company shall clearly assign personnel who are responsible for the management of documentations recorded and stored by electromagnetic means in order to thoroughly control such documentations and take measures for the prevention of unauthorized access from outside the Group.

(Operating Status of the System)

The Document Management Rules and other internal rules regarding storage and management of the minutes of meetings, approval request documents, financial information and other important documents



and information related to decision-making on business have been established. Recorded and stored documents are kept accessible by Directors and Executive Officers whenever necessary.

3. Rules or any other Systems of the Group for Management of Risk of Loss
  - The Company shall identify potential risks in 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 department in charge and be fully understood by all through trainings and the preparation and distribution of manuals. Those rules shall be continuously reviewed and revised.
  - Corporate Divisions and Business Administration Sections 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.

(Operating Status of the System)

With regard to the Group's monitoring of risk status and risk response, 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 have been established, and training and preparation and distribution of manuals are carried out regularly.

4. System to Ensure the Efficient Execution of Duties by the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members)
  - The Authority Rules shall be established as rules for decision-making, in which decision authorities held by each position, such as the Board of Directors and the President, shall be clearly stated.
  - The Governance Committee shall periodically deliberate and confirm the effectiveness of the Board of Directors as a whole.
  - The Executive Committee comprising Executive Officers shall be set up as a body that deliberates matters to be discussed at the Board of Directors and matters specified for decisions by the President, for efficient execution of duties.
  - The Board of Directors shall consist of Directors, including Directors who are Audit & Supervisory Committee Members, and divide business execution duties to each Director and Executive Officer, and such Executive Directors and Executive Officers shall manage and supervise their relevant departments and subsidiaries in accordance with the Rules for Division of Duties.
  - The Group's goals that shall be shared among all Executive Directors, Executive Officers, and employees shall be developed, and each department and subsidiary shall set up respective operational targets and budgets to meet said goals and conduct performance management on a timely basis.
  - The Board of Directors and the Executive Committee shall analyze monthly performance and take measures for improvement.
  - The operational and clerical efficiency improvement and expense rationalization project shall be established to promote the vitalization and efficiency of any business operation.

(Operating Status of the System)

The Executive Committee comprising Executive Officers has been set up as a deliberation body that facilitates decisions by the President for efficient execution of duties, in addition to matters to be discussed at meetings of the Board of Directors, and holds monthly meetings. In addition, the Board of Directors and the Executive Committee analyze monthly performance and formulate measures for improvement.

5. System to Ensure the Proper Operations of the Company Group, comprising the Group as well as its Parent Company
  - The Subsidiaries and Associates Management Rules and the Overseas Branches Management Rules shall be established for the purpose of ensuring consistency in operations and efficient business execution while respecting the autonomy of management of subsidiaries.
  - Executive Directors, Executive Officers, each Senior Manager, and each Department Manager shall develop and operate a system to ensure appropriateness of business execution at subsidiaries associated with business area which they are in charge of.
  - In order to ensure the appropriateness of business execution at subsidiaries, a system shall be established under which the Company's prior approval shall be given and discussion held for important management matters based on relevant rules. In addition, a system shall be established for reporting performance regularly, or as necessary when important matters arise.
  - The Internal Auditing Department shall conduct internal audits under the direct control of the President based on the Internal Auditing Rules regarding the legitimacy, propriety, and efficiency of business execution at each of subsidiaries. The result will be reported to relevant departments and

said departments will provide support and advice for guidance and implementation of measures for improvement as needed.

- The Governance Committee shall periodically deliberate on the status of transactions with TORAY INDUSTRIES, INC., the Company's parent company, and ensures their appropriateness.
- Information exchange with TORAY INDUSTRIES, INC., the Company's parent company, shall be carried out on a regular basis to understand issues on legal compliance and issues from the viewpoint of efficiency.

(Operating Status of the System)

With regard to the management of subsidiaries, the Subsidiaries and Associates Management Rules and the Overseas Branches Management Rules have been established to ensure proper business execution at subsidiaries, and a system has been established for prior approval and consultation with the Company regarding important management matters.

Furthermore, based on the Internal Auditing Rules, the Internal Auditing Department conducts internal audits and regularly conducts audits regarding the legitimacy, propriety, and efficiency of business execution at each subsidiary.

6. Matters regarding Employees who Assist the Duties of the Audit & Supervisory Committee, and the Independence of such Employees as well as Matters regarding Ensuring of Effectiveness of Instructions to such Employees

- Dedicated staff shall be assigned to assist the duties of the Audit & Supervisory Committee. In addition, the Internal Auditing Department shall assist the Audit & Supervisory Committee.
- Dedicated staff of the Audit & Supervisory Committee and employees of the Internal Auditing Department who are requested to assist the duties necessary for auditing shall perform such duties as instructed by Audit & Supervisory Committee Members and shall not be directed or ordered by Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers, or the Department Manager of the Internal Auditing Department.
- The Audit & Supervisory Committee shall be consulted in advance concerning the personnel change and evaluation of such dedicated staff and employees.

(Operating Status of the System)

Dedicated staff who are independent of the executive departments are assigned to assist the duties of the Audit & Supervisory Committee. In addition, the Internal Auditing Department assists duties necessary for auditing.

7. System to Report to the Company's Audit & Supervisory Committee by the Group's Directors (excluding Directors who are Audit & Supervisory Committee Members) and Employees, other Reporting System to the Audit & Supervisory Committee and System to Ensure that the Persons who Reported do not Receive Disadvantageous Treatment on the Grounds of such Reporting

- Executive Directors, Executive Officers, and employees of the Group shall report matters concerning the execution of duties upon requests from the Audit & Supervisory Committee.
- System shall be established for Audit & Supervisory Committee Members to attend the Board of Directors meetings and other important meetings to understand material decision-making process as well as the status of execution of business.
- System shall be developed so that material matters concerning the performance status of internal auditing and risk management as well as important items concerning compliance will be reported to the Audit & Supervisory Committee in a timely manner, and it shall be ensured that the persons reporting such matters do not receive disadvantageous treatment on the grounds of such reporting to the Audit & Supervisory Committee.

(Operating Status of the System)

Each Audit & Supervisory Committee Member attends the Executive Committee and other important meetings, in addition to meetings of the Board of Directors, to confirm the status of business execution and status of compliance by the Directors, etc., and conducts exchanges of information with the Accounting Auditor and others, thereby strengthening and enhancing the management monitoring function.

8. Matters regarding Policy on Expenses Incurred for Execution of Duties of the Audit & Supervisory Committee and Other Systems to Ensure that Audits by the Audit & Supervisory Committee are Effective

- Based on the audit policies and plans prescribed by the Audit & Supervisory Committee, Audit & Supervisory Committee Members shall conduct individual meetings with each Director (excluding Directors who are Audit & Supervisory Committee Members), Executive Officer, and important employee, and set up regular opportunities to exchange information with the President.
- System shall be ensured so that the Audit & Supervisory Committee can appoint, as needed, lawyers, certified public accountants, and other experts such as external advisers to seek advice on performing audits.

- When the Audit & Supervisory Committee requests advance payment or reimbursement of the necessary expenses for executing its duties, such expenses or debts shall be promptly paid or reimbursed.

(Operating Status of the System)

Based on the audit policies and plans prescribed by the Audit & Supervisory Committee, Audit & Supervisory Committee Members conduct individual meetings with each Director, Executive Officer, and important employee, and regularly exchange information with them.

## **2. Basic Policy regarding the Company's control**

No specific provisions are prescribed on this matter.

## **3. Items Concerning Transactions with the Parent Company and Others**

The Company has transactions with its parent company, TORAY INDUSTRIES, INC., including for the purchase and sale of fibers and chemicals, etc., but the terms of these transactions are decided by negotiation with reference to market price, etc. In addition, the Company engages in transactions with TORAY INDUSTRIES, INC. to borrow or deposit funds, but these transactions are based on the TORAY Group's Cash Management System, and are at reasonable interest rates taking into consideration market interest rates.

The Company's Board of Directors understands the details of the above transactions, and because the final decision-making is carried out independently of the parent company, the Board of Directors deems that there is no harm to the Company's interests.

## 6. A Policy concerning the Decision on the Distribution of Surplus

The Company recognizes that the distribution of profits to shareholders is an important management issue, and sets it as its basic policy to pay dividends twice a year, an interim dividend and a year-end dividend, which are performance-linked dividends corresponding to net income attributable to owners of the parent of the year, from the viewpoint of ensuring the flexible return of profits and the stability of management and financial affairs.

The decision-making body for these dividends is not the General Meeting of Shareholders, but the Board of Directors, based on Paragraph 1, Article 459 of the Companies Act, except as otherwise provided in laws and regulations. With regard to the amount of dividends for the current fiscal year, the Company targets approximately 30% (annual) or more of the consolidated dividend ratio based on net income attributable to owners of the parent, considering the business environment and other matters comprehensively while maintaining sufficient investment funds for business growth.

Based on the above-mentioned policy, the Company plans to pay a year-end dividend of ¥55 yen per share, as per the dividend forecast in the “Notice Regarding Revisions to the Forecast of Consolidated Financial Results for the Year Ending March 31, 2023 and Revisions to the Dividend Forecast” announced on January 27, 2023. Consequently, the total dividend for the current fiscal year will be ¥105 per share, including an interim dividend of ¥50 per share.

Regarding dividends for the next fiscal year, the Board of Directors approved a dividend policy on April 28, 2023, which calls for a consolidated dividend payout ratio of 30% of net income attributable to owners of the parent and a dividend on equity (DOE) ratio of 3.5% or more. Based on this policy, the Company expects to pay an annual dividend of ¥116 per share (interim dividend of ¥58 and year-end dividend of ¥58) for the next fiscal year, which is an increase of ¥11 per share from the current fiscal year.

### (Reference) Trends in dividend per share



#### (Remarks)

Figures shown in millions of Japanese yen in this Report are rounded down to the nearest million.

## CONSOLIDATED BALANCE SHEET

As of March 31, 2023

ASSETS	
Item	Amounts
	Millions of Japanese Yen
<b>Current assets</b>	¥122,081
Cash and deposits	16,463
Deposits paid to subsidiaries and associates	2,500
Notes and accounts receivable-trade	77,130
Merchandise and finished goods	19,212
Work in process	831
Raw materials and supplies	17
Goods in transit	1,967
Other	6,614
Allowance for doubtful accounts	(2,656)
<b>Non-current assets</b>	21,118
<b>Property, plant and equipment</b>	1,919
Buildings and structures	847
Accumulated depreciation	(574)
Machinery, equipment and vehicles	2,555
Accumulated depreciation	(1,734)
Tools, Furniture and fixtures	813
Accumulated depreciation	(619)
Construction in progress	13
Land	259
Leased assets	764
Accumulated depreciation	(404)
<b>Intangible assets</b>	2,855
Goodwill	645
Customer-related assets	893
Other	1,316
<b>Investments and other assets</b>	16,344
Investment securities	10,766
Long-term loans receivable	1,436
Distressed receivables	6,536
Deferred tax assets	789
Other	3,378
Allowance for doubtful accounts	(6,562)
<b>Total assets</b>	¥143,200

<b>LIABILITIES AND NET ASSETS</b>	
<b>Item</b>	<b>Amounts</b>
	Millions of Japanese Yen
<b>Current liabilities</b>	¥67,663
Notes and accounts payable-trade	52,919
Short-term loans payable	4,816
Current portion of long-term loans payable	113
Accrued income taxes	2,387
Accrued employee bonuses	927
Allowance for losses from liquidation of subsidiaries and associates	42
Other	6,456
<b>Non-current liabilities</b>	3,378
Long-term loans payable	132
Deferred tax liabilities	797
Retirement benefit liabilities	2,233
Other	215
<b>Total liabilities</b>	71,041
<b>Net assets</b>	
<b>Shareholders' equity</b>	68,549
Capital stock	6,800
Capital surplus	1,804
Retained earnings	60,634
Treasury stock	(689)
<b>Accumulated other comprehensive income</b>	3,609
Valuation difference on available-for-sale securities	1,392
Deferred gains or losses on hedges	(138)
Foreign currency translation adjustments	2,421
Remeasurements of defined benefit plans	(66)
<b>Total net assets</b>	72,158
<b>Total liabilities and net assets</b>	¥143,200

## CONSOLIDATED STATEMENT OF INCOME

Year Ended March 31, 2023

Item	Amounts	
	Millions of Japanese Yen	
Net sales		¥329,389
Cost of sales		<u>292,330</u>
Gross profit		37,058
Selling, general and administrative expenses		<u>24,401</u>
Operating income		12,656
Non-operating income		
Interest income	294	
Dividend income	232	
Share of profit of entities accounted for using equity method	185	
Gain on adjustment of account payable	51	
Miscellaneous income	<u>383</u>	1,146
Non-operating expenses		
Interest expenses	542	
Loss on sale of notes receivable - trade	403	
Foreign exchange losses	288	
Miscellaneous expenses	<u>130</u>	<u>1,365</u>
Ordinary income		12,437
Extraordinary income		
Gain on sale of investment securities	390	
Gain on sale of non-current assets	9	
Gain on liquidation of subsidiaries and associates	<u>7</u>	407
Extraordinary losses		
Loss on valuation of investment securities	35	
Loss on disposal of non-current assets	18	
Loss on valuation of golf club membership	<u>2</u>	<u>57</u>
Profit before income taxes		12,788
Income taxes		
Current	4,608	
Deferred	<u>54</u>	<u>4,663</u>
Net income:		8,124
Net income attributable to non-controlling interests		<u>0</u>
Net income attributable to owners of the parent		¥8,124

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended March 31, 2023

(Millions of Japanese Yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)		
Balance as of April 1, 2022	¥6,800	¥1,799	¥54,804	¥(689)	¥62,714	¥1,221	¥285	¥917	¥(84)	¥2,340	¥41	¥65,096
Changes of items during the period												
Dividends from earnings			(2,263)		(2,263)							(2,263)
Net income attributable to owners of the parent			8,124		8,124							8,124
Purchases of treasury stock				(1)	(1)							(1)
Disposals of treasury stock		1		1	3							3
Change in ownership interest of parent due to transactions with non-controlling interests		2			2							2
Other			(30)		(30)							(30)
Net changes of items other than shareholders' equity during the period						171	(424)	1,503	17	1,268	(41)	1,227
Total changes of items during the period	-	4	5,830	0	5,835	171	(424)	1,503	17	1,268	(41)	7,062
Balance as of March 31, 2023	¥6,800	¥1,804	¥60,634	¥(689)	¥68,549	¥1,392	¥(138)	¥2,421	¥(66)	¥3,609	¥-	¥72,158



(Reference)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended March 31, 2023

Item	Amounts
	Millions of Japanese Yen
Net income	¥8,124
Other comprehensive income	
Valuation difference on available-for-sale securities	171
Deferred gains or losses on hedges	(424)
Foreign currency translation adjustments	1,231
Remeasurements of defined benefit plans, net of tax	17
Share of other comprehensive income of entities accounted for using equity method	276
Total other comprehensive income	1,272
Comprehensive income	9,397
Total comprehensive income attributable to:	
Owners of the parent	9,393
Non-controlling interests	4

## Notes to the Consolidated Financial Statements

Amounts less than one million yen were rounded down in the consolidated financial statements.

### Significant Items Forming the Basis of Preparation for the Consolidated Financial Statements

#### 1. Scope of Consolidation

##### (1) Consolidated subsidiaries

- |  |   |
|--|---|
| a) Number of consolidated subsidiaries | 32  |
| b) Names of significant subsidiaries   | STX Company Limited; Asada U Co., Ltd.; Miyako Kagaku Co., Ltd.;<br>Kozakura Shokai Co., Ltd.; Chori Glex Co., Ltd.;<br>Chori Machinery Co., Ltd.; Business Anchor Corporation;<br>Chori America, Inc.; and Chori (China) Co., Ltd. |

##### (2) Unconsolidated subsidiaries

- |  |   |
|--|---|
| a) Name of major unconsolidated subsidiary               | Chori Iran Co., Ltd.  |
| b) Reasons for exclusion from the scope of consolidation | Total assets, sales, net income/loss and retained earnings (amounts corresponding to the equity interest) of the unconsolidated subsidiary were excluded from the scope of consolidation as they would not have a material effect on the consolidated financial statements. |

#### 2. Application of the Equity Method

##### (1) Unconsolidated subsidiaries and associates accounted for by the equity method

- |   |                  |
|---|------------------|
| a) Number of unconsolidated subsidiaries and associates | 9                |
| b) Name of major company                                | Megachem Limited |

##### (2) Unconsolidated subsidiaries and associates not accounted for by the equity method

- |  |   |
|--|---|
| a) Name of major company                     | Fieltex Industria Textil Ltda.  |
| b) Reason for not applying the equity method | This company was excluded from the scope of application of the equity method. It has suspended its business activities and become dormant and its exclusion has no significant influence on the consolidated financial statements and is not material as a whole. |

#### 3. Changes in the Scope of Consolidation and Application of the Equity Method

##### (1) Consolidation

One company was excluded from the scope of consolidation due to liquidation.

##### (2) Equity method

Not applicable.

#### 4. Matters related to Accounting Policies

##### (1) Valuation standards and methods for significant assets

###### a) Securities

###### Available-for-sale securities

Other than nonmarketable available-for-sale securities: Fair value (unrealized gains and losses are included in the net assets section of the balance sheet, and costs of securities sold are generally calculated using the moving-average method).

Nonmarketable available-for-sale securities: Valued at cost, generally by the moving-average method.

###### b) Derivatives are stated at fair value.

###### c) Inventories are stated at cost, generally by the monthly average method.

(Carrying costs on the consolidated balance sheet are written down based on the decreased profitability of such assets.)

(2) Depreciation and amortization methods for significant depreciable assets

- a) Property, plant and equipment (excluding leased assets) are generally depreciated using the straight-line method.

The useful lives of major assets are summarized as follows.

Buildings and structures 2-38 years

Machinery, equipment and vehicles 2-15 years

- b) Intangible assets (excluding leased assets) are amortized using the straight-line method.

Software for internal use is generally amortized using the straight-line method over their estimated useful lives (five years or less).

Customer-related assets are amortized using the straight-line method over their useful lives (9 to 14 years).

- c) Leased assets are depreciated or amortized using the straight-line method over the lease term with a residual value of zero.

(3) Accounting standards for allowances

- a) Allowance for doubtful accounts

To provide for losses due to bad debt expense, the allowance for doubtful accounts is recorded at amounts considered to be appropriate based upon past credit loss experience for general receivables with specific consideration for certain receivables deemed doubtful of collection.

- b) Accrued employee bonuses

Accrued employee bonuses are provided for based on estimated amounts attributable to services rendered by employees for the current fiscal year, which are paid in the following fiscal year.

- c) Allowance for losses from liquidation of subsidiaries and associates

To provide for a loss arising from the liquidation of an unconsolidated subsidiary, the estimated loss to be borne by the Company exceeding equity investments in and loans receivables from this subsidiary was recorded.

(4) Accounting for retirement benefits

- a) Method of attributing projected retirement benefits to periods

The liability for retirement benefits was determined based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis.

- b) Method of amortizing net actuarial gains and losses for retirement benefits

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 12 years (in principle), no longer than the expected average remaining service period of the employees.

- c) Adoption of the simplified method for small-sized companies

Certain consolidated subsidiaries have adopted the simplified method for calculating the liability for retirement benefits and net periodic benefit costs, by determining retirement benefit obligations based on the hypothetical amount of voluntary retirement payments that would have been payable at fiscal yearend.

(5) Accounting standards for revenue and expenses

The Group recognizes revenue based on the following five-step approach.

Step 1: Identifying the contract(s) with a customer

Step 2: Identifying the performance obligations in the contract

Step 3: Determining the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognizing revenue when (or as) the entity satisfies a performance obligation

The Group sells products including textiles, chemicals, and machinery. Revenue from product sales is primarily recognized at time of delivery as our performance obligation is satisfied when the customer takes control of the goods upon delivery. For certain product sales in Japan, revenue is recognized at a specific point in time (upon shipment) before a customer obtains control of the goods.

Revenue is measured at the consideration promised in contracts with customers, less discounts, returns, rebates, etc. A significant financing component is not included since the consideration in the sales contract is primarily recovered within one year from when the performance obligations are satisfied.

Revenue is recognized as a net amount if the nature of its promise in contracts with customers is a performance obligation to arrange for goods or services to be provided by another party as an agent. The Group determines whether the nature of its promise is a principal or an agent based on comprehensive consideration of whether it has primary responsibility, discretion in pricing, inventory risk, etc.

For transactions where the Group supplies materials to a customer with charge under repurchase agreement, the Group accounts for such transactions as a financial transaction and recognizes the physical inventory of such supplied materials retained by the customer at the end of fiscal year as "Work in process" and the consideration received from said customer as "Deposits received (financial liabilities)."

(6) Standards for translation of foreign currency denominated assets and liabilities into Japanese Yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. The resulting translation gains or losses are included in the determination of net income. Assets, liabilities, revenue and expenses of overseas subsidiaries are translated into Japanese yen based on spot exchange rates at their respective fiscal closing dates. Differences arising from such translations are included in “Foreign currency translation adjustments” in the net assets section of the balance sheet.

(7) Significant hedge accounting methods

a) Hedge accounting methods

In principle, the Company uses deferred hedging. Forward exchange contracts qualifying for hedge accounting are translated at the contracted rates.

b) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Related hedged items</u>
Forward exchange contracts	Receivables, payables, and forecasted transactions denominated in foreign currencies

c) Hedging policies

The Company and certain consolidated subsidiaries use derivatives to mitigate the risk of foreign exchange fluctuations in accordance with internal management rules.

d) Methods of assessing hedging effectiveness

Forward exchange contracts are entered into for the same currencies and the same periods in accordance with hedging policies, and as their correlations related to subsequent fluctuations in market exchange rates are already determined, assessments of the effectiveness of the forward exchange contracts as of the balance sheet date are omitted.

(8) Amortization of goodwill

Goodwill is generally amortized ratably over five years, but is written off in its entirety in the year of occurrence when such amounts are not significant.

(9) Other significant items for preparation of the consolidated financial statements

Accounting for non-deductible consumption tax

Non-deductible consumption taxes, etc., pertaining to assets are included in expenses for the fiscal year in which they occur.

**Notes to Accounting Estimates**

Measurement of allowance for doubtful accounts

(1) Carrying amounts in the current year’s consolidated financial statements

(Millions of Japanese Yen)

	Current fiscal year
Allowance for doubtful accounts (current assets)	¥(2,656)
Allowance for doubtful accounts (non-current assets)	(6,562)

(2) Information on the nature of significant accounting estimates for identified items

(i) Method in making the accounting estimates

Allowance for doubtful accounts is recorded at amounts considered to be appropriate based upon past credit loss experience for general receivables with specific consideration for certain receivables deemed doubtful of collection.

(ii) Key assumptions used in making the accounting estimates

For general receivables, the estimated doubtful accounts are measured based on past credit loss experience and other factors over a certain period of time, assuming that credit risk does not fluctuate significantly. In addition, the estimated doubtful accounts are measured based on basic information, such as the status of collection at the end of the reporting period and historical credit loss experience, estimates in solvency of debtors and collateral value, and assumptions for forward-looking information of the economic conditions, after determining whether there is a significant increase in credit risk since initial recognition.

(iii) The effect on the following fiscal year’s consolidated financial statements

The Company estimates the allowance for doubtful accounts after careful consideration based on available information. However, changes in the past credit loss experience, changes in the financial position of individual counterparties and the status of collections may affect the amount of the allowance for doubtful accounts in the consolidated financial statements for the following fiscal year.

## Notes to the Consolidated Balance Sheet

(Millions of Japanese Yen)

1. Assets Pledged as Collateral and Secured Liabilities		
(1) Assets pledged as collateral		
Cash and deposits		¥22
Investment securities		1,871
	Total	¥1,893
(2) Secured liabilities		
Notes and accounts payable-trade		¥5,733
2. Contingent Liabilities		
Discounted export notes		¥9,057
Endorsed notes receivable		1,311
Repurchase obligations for notes receivable sold		967
Tax litigation		
A consolidated subsidiary in Indonesia, PT. Chori Indonesia, has incurred a total contingent liability of ¥361 million (converted from IDR40,164 million at the fiscal year end exchange rate), due to a difference in opinion with Indonesian tax authorities related to additional VAT (value-added tax) for fiscal years ended March 31, 2017, 2019 and 2020.		
PT. Chori Indonesia filed a tax case for the fiscal year ended March 31, 2017 in October 2020, another case for the fiscal year ended March 31, 2019 in May 2021 and another case for the fiscal year ended March 31, 2020 in June 2022, to assert the validity of its opinions. Depending on the outcome of the case and other factors, some surcharges, etc. may be imposed.		
The Company has not recorded an allowance for this matter, with respect to the potential impact on the Company's consolidated financial position and operating results for the current fiscal year, as the outcome is dependent on the judgment of the court, and due to the difficulty of making a reasonable estimate.		
3. Tax Purpose Reduction		
Acquisition costs for certain machinery, equipment and vehicles acquired using subsidies were reduced by ¥380 million based on certain tax regulations.		
4. Notes and Accounts Receivable-Trade from Contracts with Customers		
Notes receivable-trade		¥11,931 million
Accounts receivable-trade		65,198 million

## Notes to the Consolidated Statement of Changes in Equity

### 1. Numbers and Types of Shares Issued and Treasury Stock

(Shares)

Types of stock	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Shares issued				
Common stock	25,303,478	-	-	25,303,478
Total	25,303,478	-	-	25,303,478
Treasury stock				
Common stock	694,494	3,758	1,788	696,464
Total	694,494	3,758	1,788	696,464

(Summary of reasons for changes)

- The increase in treasury stock of common stock was due to the acquisition of 3,148 shares without compensation for shares with transfer restrictions that have not been rified and an increase of 610 shares from the purchase of fractional shares.
- The decrease in the number of common stock shares of treasury stock is due to a decrease of 1,788 shares from disposal of treasury stock as restricted stock compensation.

### 2. Dividends

#### (1) Amount of dividends paid

(Millions of Japanese Yen unless otherwise specified)

Resolution	Type of stock	Total amount of dividends	Dividends per share (Japanese Yen)	Record date	Effective date
Board of Directors Meeting (April 28, 2022)	Common stock	¥1,033	¥42.00	March 31, 2022	June 1, 2022
Board of Directors Meeting (October 28, 2022)	Common stock	1,230	50.00	September 30, 2022	December 1, 2022

(2) Dividends for which the record date is in the fiscal year ended March 31, 2023 and the effective date is in the following fiscal year.

(Millions of Japanese Yen unless otherwise specified)

Resolution	Type of stock	Dividend source	Total amount of dividends	Dividends per share (Japanese Yen)	Record date	Effective date
Board of Directors Meeting (April 28, 2023)	Common stock	Retained earnings	¥1,353	¥55.00	March 31, 2023	June 1, 2023

## Notes to Financial Instruments

### 1. Matters Concerning Financial Instruments

The Group restricts its investment of funds to short-term deposits, etc. and procures funds through loans from financial institutions.

Risk reduction of customer credit risks related to notes and accounts receivable-trade are handled in accordance with internal management rules.

Investment securities primarily consist of stock, and the market values of listed shares are checked quarterly.

The usage of loans payable, etc. is mainly for working capital purposes. Derivatives are utilized based on actual demand and in accordance with internal management rules.

### 2. Matters Concerning the Fair Value of Financial Instruments

Carrying amounts on the consolidated balance sheet, fair values and their differences as of March 31, 2023 (current consolidated closing date) are as follows.

(Millions of Japanese Yen)

	Carrying amount on the consolidated balance sheet	Fair value	Unrealized gain
(1) Investment securities (*2)			
Investments in unconsolidated subsidiaries and associates	¥1,641	¥2,091	¥449
Available-for-sale securities	7,445	7,445	-
(2) Derivatives (*3)	(314)	(314)	-

(\*1) Cash and deposits, notes and accounts receivable-trade, notes and accounts payable-trade, short-term loans payable, and accrued income taxes omitted as the carrying values of these items approximate fair value because of their short maturities.

(\*2) The financial instruments below are not included in "(1) Investment securities" as they are investments with no market price. These financial instruments are recorded as below on the consolidated balance sheet.

(Millions of Japanese Yen)

Category	Current fiscal year (March 31, 2023)
Unlisted equity securities	1,680

(\*3) Net receivables and payables arising from derivatives are stated on a net basis and items in parentheses represent net debt in total.

#### Derivatives

a) Derivative transactions to which hedge accounting is not applied: The contracted amounts or principal-equivalent amounts set forth in contracts, market values, unrealized gain or loss, and method of calculating market values for each type of transaction item as of the fiscal year end are as follows.

Currency related (the calculation method for market value is based on market forward exchange rates.)

(Millions of Japanese Yen)

Category	Type of derivative financial instrument	Contract amount		Fair value	Unrealized gain /loss
			Due after 1 year		
Transactions other than market transactions	Foreign currency forward contracts				
	Selling				
	U.S. Dollar	¥20	-	¥(0)	¥(0)
	Yen	3,889	494	(152)	(152)
	Rupiah	12	-	(0)	(0)
	Foreign currency forward contracts				
	Buying				
	U.S. Dollar	245	-	0	0
	Total	¥4,167	494	¥(152)	¥(152)

b) Derivative transaction to which hedge accounting is applied: The contract amounts or principal-equivalent amounts set forth in contracts for each hedge accounting method as of the consolidated fiscal year end are as follows.

(Millions of Japanese Yen)

Hedge accounting method	Type of derivative financial instrument	Hedged item	Contract amount	Contract amount due after 1 year	Fair value (*1)
Forward contracts qualifying for hedge accounting translated at contract rates	Foreign currency forward contracts Selling U.S. Dollar Yuan	Accounts receivable	¥6,741 226	- -	(*2)
	Foreign currency forward contracts Buying U.S. Dollar Yuan Euro Yen Baht	Accounts payable	5,963 412 34 6 1	- - - - -	(*2)
Forward contracts qualifying for hedge accounting for which gains and losses are deferred	Foreign currency forward contracts Selling U.S. Dollar Yuan	Accounts receivable	7,455 62	- -	¥14 (0)
	Foreign currency forward contracts Buying U.S. Dollar Yuan Euro	Accounts payable	15,346 1,149 0	- - -	(176) 0 0

(\*1) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution with which the Company has transactions.

(\*2) The foreign currency forward contracts qualifying for hedge accounting translated at contract rates are accounted for together with the underlying receivables and payables, and their market values are included in the market values of such receivables and payables.

### 3. Matters Concerning Breakdown of Fair Value of Financial Instrument by Appropriate Classifications

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured by using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured by using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured by using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in the level of the lowest priority in the fair value measurement among the levels to which each of these inputs belongs.

(Note) Valuation method and inputs related to the measurement of fair value

#### Investment securities

Listed equity securities are evaluated at market prices. The fair value of listed equity securities is classified into Level 1 as they are traded in active markets.

#### Derivative transactions

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution with which the Company has transactions and classified into Level 2.



## Notes to Revenue Recognition

### 1. Disaggregation of Revenue from Contracts with Customers

Year Ended March 31, 2023

(Millions of Japanese Yen)

	Reportable segments				Others (Note)	Total
	Fibers, textiles and garments	Chemicals	Machinery	Subtotal		
Domestic	¥36,105	¥65,987	¥19	¥102,113	¥81	¥102,195
Import	57,703	41,093	—	98,797	—	98,797
Export	10,520	27,107	1,894	39,521	—	39,521
Overseas	40,516	45,825	2,534	88,875	—	88,875
Total	¥144,846	¥180,013	¥4,448	¥329,307	¥81	¥329,389

(Note) “Others” is a business segment not included in the reportable segments and includes provision of various services such as entrusted administrative work.

Above transactions are defined as below:

- Domestic: Sales at the Company and its domestic consolidated subsidiaries which are purchased from and sold to domestic corporations
- Import: Sales at the Company and its domestic consolidated subsidiaries which are purchased from foreign corporations and sold to domestic corporations
- Export: Sales at the Company and its domestic consolidated subsidiaries which are purchased from domestic corporations and sold to foreign corporations
- Overseas: Sales at the Company and its domestic consolidated subsidiaries which are purchased from corporations and sold to foreign corporations and sales at overseas consolidated subsidiaries.

### 2. Basic Information to Understand Revenues from Contracts with Customers

Basic information to understand revenues from contracts with customers is stated in “4. Matters related to Accounting Policies (5) Accounting standards for revenue and expenses (Significant Items Forming the Basis of Preparation for the Consolidated Financial Statements).”

### 3. Information About the Relationship Between Satisfaction of Performance Obligations and Cash Flows Arising from the Contracts with Customers, and Information on the Expected Amount and Timing of Revenue Recognition which is included in the contract balance at the End of the Current Consolidated Fiscal Year

#### (1) Contract balance

The balance of contract liabilities is as follows:

(Millions of Japanese Yen)

	Year Ended March 31, 2023
Contract liabilities (balance at beginning of the year)	¥1,178
Contract liabilities (balance at end of the year)	1,795

Contract liabilities mainly consist of advances received from customers before a delivery or shipment of products. The amount of revenue recognized, which is included in the balance of contract liabilities at beginning of the year, is not material for the year ended March 31, 2023. The amount of revenue recognized from performance obligations which had been satisfied in the past year is not material for the year ended March 31, 2023.

#### (2) Transaction price allocated to the remaining performance obligation

The Group has no significant transactions with individual expected contractual terms exceeding one year. In addition, there is no significant amount in consideration from contracts with customers which is not included in the transaction price.

## Per Share Information

(Japanese Yen)

- (1) Net assets per share ¥2,932.46
- (2) Net income per share 330.16

## Notes for Significant Subsequent Events

Not applicable.

## NONCONSOLIDATED BALANCE SHEET

As of March 31, 2023

ASSETS	
Item	Amounts
	Millions of Japanese Yen
<b>Current assets</b>	¥56,276
Cash and deposits	2,664
Deposits paid in subsidiaries and associates	5,150
Notes receivable-trade	6,413
Accounts receivable-trade	26,643
Merchandise and finished goods	11,422
Work in process	268
Goods in transit	876
Advance payments	837
Prepaid expenses	46
Short-term loans receivable	14
Other	2,024
Allowance for doubtful accounts	(87)
<b>Non-current assets</b>	30,362
<b>Property, plant and equipment</b>	880
Buildings	142
Structures	0
Machinery and equipment	632
Tools, Furniture and fixtures	105
<b>Intangible assets</b>	1,109
Software	113
Other	996
<b>Investments and other assets</b>	28,372
Investment securities	4,237
Investments in shares of subsidiaries and associates	18,573
Investments in capital	266
Investments in capital of subsidiaries and associates	2,405
Long-term loans receivable	1,405
Long-term loans receivable from subsidiaries and associates	30
Distressed receivables	6,443
Deferred tax assets	804
Other	651
Allowance for doubtful accounts	(6,446)
<b>Total assets</b>	¥86,639

<b>LIABILITIES AND NET ASSETS</b>	
<b>Item</b>	<b>Amounts</b>
	Millions of Japanese Yen
<b>Current liabilities</b>	¥26,909
Notes payable-trade	3,056
Accounts payable-trade	15,257
Current portion of long-term loans payable	113
Accounts payable-other	879
Accrued expenses	102
Accrued income taxes	1,640
Advances received	1,051
Deposits received	4,100
Accrued employee bonuses	599
Allowance for losses from liquidation of subsidiaries and associates	42
Other	66
<b>Non-current liabilities</b>	2,129
Long-term loans payable	132
Liability for retirement benefits	1,997
<b>Total liabilities</b>	29,038
<b>Net assets</b>	
<b>Shareholders' equity</b>	56,964
Capital stock	6,800
Capital surplus	1,801
Legal capital surplus	1,700
Other capital surplus	101
Retained earnings	49,052
Other retained earnings	49,052
Retained earnings brought forward	49,052
Treasury stock	(689)
<b>Valuation and translation adjustments</b>	637
Valuation difference on available-for-sale securities	680
Deferred gains or losses on hedges	(43)
<b>Total net assets</b>	57,601
<b>Total liabilities and net assets</b>	¥86,639

## NONCONSOLIDATED STATEMENT OF INCOME

Year Ended March 31, 2023

Item	Amounts	
	Millions of Japanese Yen	
Net sales		¥163,507
Cost of sales		<u>145,210</u>
Gross profit		18,297
Selling, general and administrative expenses		<u>10,684</u>
Operating income		7,612
Non-operating income		
Interest income	93	
Dividend income	2,163	
Foreign exchange gains	691	
Gain on adjustment of account payable	49	
Miscellaneous income	<u>132</u>	3,130
Non-operating expenses		
Interest expenses	91	
Loss on sale of notes receivable-trade	134	
Provision of allowance for doubtful accounts	425	
Miscellaneous expenses	<u>31</u>	<u>683</u>
Ordinary income		10,060
Extraordinary income		
Gain on sale of investment securities	390	
Gain on sale of non-current assets	<u>0</u>	390
Extraordinary losses		
Loss on valuation of investment securities	26	
Loss on valuation of shares of subsidiaries and associates	16	
Loss on disposal of non-current assets	12	
Loss on valuation of golf club membership	2	
Loss on sale of investment securities	0	
Loss on liquidation of subsidiaries and associates	<u>0</u>	<u>57</u>
Profit before income taxes		10,393
Income taxes		
Current	2,860	
Deferred	<u>(19)</u>	<u>2,841</u>
Net income		¥7,552

## NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended March 31, 2023

(Millions of Japanese Yen)

	Shareholders' equity							Valuation and translation adjustments			Total net assets	
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings						
Balance as of April 1, 2022	¥6,800	¥1,700	¥99	¥1,799	¥43,763	¥43,763	¥(689)	¥51,673	¥695	¥173	¥868	¥52,541
Changes of items during the period												
Dividends from earnings					(2,263)	(2,263)		(2,263)				(2,263)
Net income					7,552	7,552		7,552				7,552
Purchases of treasury stock							(1)	(1)				(1)
Disposals of treasury stock			1	1			1	3				3
Net changes of items other than shareholders' equity during the period									(14)	(216)	(230)	(230)
Total changes of items during the period	-	-	1	1	5,288	5,288	0	5,290	(14)	(216)	(230)	5,059
Balance as of March 31, 2023	¥6,800	¥1,700	¥101	¥1,801	¥49,052	¥49,052	¥(689)	¥56,964	¥680	¥(43)	¥637	¥57,601

## Notes to the Nonconsolidated Financial Statements

Amounts less than one million yen have been rounded down in the nonconsolidated financial statements.

### Significant Accounting Policies

#### 1. Valuation Standards and Methods for Assets

(1) Securities

Stocks of subsidiaries and associates: Valued at cost by the moving-average method

Available-for-sale securities:

Other than nonmarketable available-for-sale securities: Fair value

(Unrealized gains and losses are included in the net assets section of the balance sheet, and cost of securities sold is calculated using the moving-average method.)

Nonmarketable available-for-sale securities: Valued at cost by the moving-average method

(2) Derivatives are stated at fair value.

(3) Inventories are valued at cost, determined by the monthly average method.

(Carrying costs on the balance sheet were written down based on the decreased profitability of such assets.)

#### 2. Depreciation and Amortization Methods for Non-current Assets

(1) Property, plant and equipment are depreciated using the straight-line method.

The ranges of useful lives for assets are summarized as follows.

Buildings, structures            2-37 years

Machinery and equipment    2-10 years

(2) Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over estimated useful lives (five years or less).

#### 3. Standards for Translation of Foreign Currency Denominated Assets and Liabilities into Japanese Yen

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. The resulting translation gains or losses are included in the determination of net income.

#### 4. Accounting Standards for Allowances

(1) Allowance for Doubtful Accounts

To provide for losses due to bad debt expense, the allowance for doubtful accounts is recorded at amounts considered to be appropriate based upon past credit loss experience for general receivables with specific consideration for certain receivables deemed doubtful of collection.

(2) Accrued Employee Bonuses

Accrued employee bonuses are provided for based on estimated amounts attributable to services rendered by employees for the current fiscal year, which are paid in the following fiscal year.

(3) Allowance for losses from liquidation of subsidiaries and associates

To provide for a loss arising from the liquidation of an unconsolidated subsidiary, the estimated loss amounts to be borne by the Company exceeding equity investments in and loans receivables from the subsidiary was recorded.

(4) Liability for Retirement Benefits

Liability for retirement benefits are provided for based on the projected retirement benefit obligations as of the end of the current fiscal year.

a) Method of Attributing Projected Retirement Benefits to Periods

To calculate retirement benefit obligations, projected retirement benefits attributable through the end of the current fiscal year are determined by the benefit formula method.

b) Method of Amortizing Net Actuarial Gains and Losses for Retirement Benefits

Net actuarial gains and losses are amortized ratably using the straight-line method over a fixed period (12 years) not longer than the average remaining service years of employees for the fiscal year in which the differences occurred, beginning with the following fiscal year.

## 5. Hedge Accounting Methods

### (1) Methods of Hedge Accounting

In principle, the Company uses deferred hedging. Forward exchange contracts qualifying for hedge accounting are translated at the contracted rates.

### (2) Hedging Instruments and Hedged Items

#### Hedging Instruments

Forward exchange contracts

#### Related Hedged Items

Receivables, payables, and forecasted transactions denominated in foreign currencies

### (3) Hedging Policies

The Company uses derivatives to mitigate the risk of foreign exchange fluctuations in accordance with internal management rules.

### (4) Methods of Assessing Hedging Effectiveness

Forward exchange contracts are entered into for the same currencies and the same periods in accordance with hedging policies, and as their correlations related to subsequent fluctuations in market exchange rates are already determined, assessments of the effectiveness of the forward exchange contracts as of the balance sheet date are omitted.

## 6. Accounting Standards for Revenue and Expenses

The Company recognizes revenue based on the following five-step approach.

Step 1: Identifying the contract with a customer

Step 2: Identifying the performance obligations in the contract

Step 3: Determining the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognizing revenue when (or as) the entity satisfies a performance obligation

The Company sells products including textiles and chemicals, among others. Revenue from product sales is primarily recognized at time of delivery as our performance obligation is satisfied when the customer takes control of the goods upon delivery. For certain product sales in Japan, revenue is recognized at a specific point in time (upon shipment) before a customer obtains control of the goods.

Revenue is measured at the consideration promised in contracts with customers, less discounts, returns, rebates, etc. A significant financing component is not included since the consideration in the sales contract is primarily recovered within one year from when the performance obligations are satisfied. Revenue is recognized as a net amount if the nature of its promise in contracts with customers is a performance obligation to arrange for goods or services to be provided by another party as an agent. The Company determines whether the nature of its promise is a principal or an agent based on comprehensive consideration of whether it has primary responsibility, discretion in pricing, inventory risk, etc.

For transactions where the Company supplies materials to a customer with charge under repurchase agreement, the Company accounts for such transactions as a financial transaction and recognizes the physical inventory of such supplied materials retained by the customer at the end of fiscal year as "Work in process" and the consideration received from said customer as "Deposits received (financial liabilities)."

## 7. Other Significant Items Forming the Basis of Preparation for the Nonconsolidated Financial Statements

### (1) Accounting for Retirement Benefits

The accounting method for unrecognized net actuarial gains and losses related to retirement benefits is different from the method used in the consolidated financial statements.

### (2) Accounting for Non-deductible Consumption Tax

Non-deductible consumption taxes, etc., pertaining to assets are included in expenses for the fiscal year in which they occur.

## Notes to Accounting Estimates

### Measurement of allowance for doubtful accounts

#### (1) Carrying amounts in the current year's nonconsolidated financial statements

(Millions of Japanese Yen)

	Current fiscal year
Allowance for doubtful accounts (current assets)	¥(87)
Allowance for doubtful accounts (non-current assets)	(6,446)

#### (2) Information on the nature of significant accounting estimates for identified items

##### (i) Method in making the accounting estimates

Allowance for doubtful accounts is recorded at amounts considered to be appropriate based upon past credit loss experience for general receivables with specific consideration for certain receivables deemed doubtful of collection.

##### (ii) Key assumptions used in making the accounting estimates

For general receivables, the estimated doubtful accounts are measured based on past credit loss experience and other factors over a certain period of time, assuming that credit risk does not fluctuate significantly. In addition, the estimated doubtful accounts are measured based on basic information, such as the status of collection at the end of the reporting period and historical credit loss experience, estimates in solvency of debtors and collateral value, and assumptions for forward-looking information of the economic conditions, after determining whether there is a significant increase in credit risk since initial recognition.

##### (iii) The effect on the following fiscal year's nonconsolidated financial statements

The Company estimates the allowance for doubtful accounts after careful consideration based on available information. However, changes in the past credit loss experience, changes in the financial position of individual counterparties, and the status of collections may affect the amount of the allowance for doubtful accounts in the nonconsolidated financial statements for the following fiscal year.



**Notes to the Nonconsolidated Balance Sheet**

Millions of Japanese Yen

- |   |                 |
|---|-----------------|
| 1. Accumulated Depreciation of Property, Plant and Equipment  | ¥1,488          |
| 2. Monetary Receivables from and Payable to Subsidiaries and Associates   |                 |
| Monetary receivables from and payable to subsidiaries and associates, other than those separately presented, are set out below.                     |                 |
| Short-term monetary receivables   | ¥3,013          |
| Long-term monetary receivables  | 6,115           |
| Short-term monetary payable   | 5,478           |
| 3. Contingent Liabilities   |                 |
| Discounted export notes   | ¥62             |
| Repurchase obligations for notes receivable sold  | 967             |
| 4. Amount of Reduction Entry  |                 |
| The amount of reduction entry deducted from the acquisition cost for property, plant and equipment was 380 million yen for machinery and equipment. |                 |
| 5. Debt Guarantees  |                 |
| The Company guarantees the following affiliated companies' transactions with financial institutions.  |                 |
| Chori Machinery Co., Ltd.   | ¥53,000 million |
| (Note) The maximum amount of guarantees is stated.  |                 |

**Notes to the Nonconsolidated Statement of Income**

Millions of Japanese Yen

Transactions with Subsidiaries and Associates	Net sales	¥12,140
	Amount of purchase	19,271
	Non-operating transactions	707

**Notes to the Nonconsolidated Statement of Changes in Equity**

Numbers and Types of Treasury Stock

(Shares)

Types of stock	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common stock	694,494	3,758	1,788	696,464
Total	694,494	3,758	1,788	696,464

(Summary of reasons for changes)

- The increase in treasury stock of common stock was due to the acquisition of 3,148 shares without compensation for shares with transfer restrictions that have not been lifted and an increase of 610 shares from the purchase of fractional shares.
- The decrease in common stock shares of treasury stock is due to a decrease of 1,788 shares due to disposal of treasury stock as restricted stock compensation.

## Notes to Tax Effect Accounting

### Breakdown of Major Factors for Deferred Tax Assets and Deferred Tax Liabilities

(Millions of Japanese Yen)

Deferred tax assets	
Loss on valuation of goods	¥7
Impairment loss on investment securities	31
Impairment loss on stocks of subsidiaries and associates	305
Loss on valuation of golf club membership	2
Allowance for doubtful accounts	1,998
Accrued enterprise tax	90
Accrued employee bonuses	183
Allowance for losses from liquidation of subsidiaries and associates	12
Liability for retirement benefits	610
Deferred gains or losses on hedges	19
Other	456
Subtotal deferred tax assets	3,717
Valuation allowances	(2,648)
Total deferred tax assets	¥1,068
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥ (264)
Total deferred tax liabilities	(264)
Net deferred tax assets	¥804

## Notes to Transactions with Related Parties

Parent Company, Major Corporate Shareholders, etc.

(Millions of Japanese Yen)

Company type	Company name or person's name	Location	Capital stock or equity investments	Description of business or occupation	Percentage of ownership (or owned) of voting rights, etc.	Relation with the related party	Details of transactions	Amount of transactions	Account	Balance at the end of fiscal year
Parent company	TORAY INDUSTRIES, INC.	Chuo-ku, Tokyo	¥147,873	Manufacture, processing and sale and purchase of fibers, chemicals, etc.	(Owned) Directly: 52.77% Indirectly: -	Sale and purchase of fibers, chemicals, etc.; common director; borrowing of funds and deposit of funds	Sale of fibers, chemicals, etc.	¥2,251	Accounts receivable-trade	¥612
							Purchase of fibers, chemicals, etc.	5,800	Accounts payable-trade	1,366
							Borrowing of funds	7,000	-	-
							Deposit of funds	2,500	Deposits paid in subsidiaries and associates	2,500

Terms and conditions of transactions and policies for their determination

- (Notes)
- Terms and conditions concerning sales and purchases of fibers, chemicals, etc. are determined through negotiation based on market prices, etc.
  - Consumption taxes are not included in the amounts of transactions, while consumption taxes are included in the balances at fiscal year-end (excluding deposits paid in subsidiaries and associates).
  - The borrowing of funds and deposit of funds are made through the Toray Group's Cash Management System. Interest rates on these transactions are determined at reasonable levels after due consideration of market interest rates. In addition, since the borrowing of funds and deposit of funds are made on a daily basis, the amounts for both transactions are reported at their maximum amounts.

## Subsidiaries and Associates, Etc.

(Millions of Japanese Yen unless otherwise specified)

Company type	Company name or person's name	Location	Capital stock or equity investments	Description of business or occupation	Percentage of ownership (or owned) of voting rights, etc.	Relation with the related party	Details of transactions	Amount of transactions	Account	Balance at the end of fiscal year
Subsidiary	Chori (China) Co., Ltd.	Shanghai (China)	55,314 thousand yuan	Sale in China, export and import, and overseas transactions of various products	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of fibers, chemicals, etc.; common officers	Sale of fibers, chemicals, etc.	¥3,404	Accounts receivable-trade	¥424
Subsidiary	Miyako Kagaku Co., Ltd.	Chiyoda-ku, Tokyo	¥296	Sale of chemicals, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of chemicals, etc.; custody and deposit of funds; common officers	Custody of funds	1,300	Deposits received	1,000
Subsidiary	Kozakura Shokai Co., Ltd.	Minato-ku, Tokyo	¥60	Sale of chemicals, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of chemicals, etc.; custody of funds	Custody of funds	1,500	Deposits received	1,200
Subsidiary	Tohcho Co., Limited	Minato-ku, Tokyo	¥50	Sale of chemicals, etc.	(Ownership) Directly: 60.00% Indirectly: -	Financial support	Loan of funds	6,115	Distressed receivables	6,115
Subsidiary	STX Company Limited	Chiyoda-ku, Tokyo	¥830	Manufacturing and distribution of clothing, fabric materials, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of fibers, etc.; financial support; common officers	Deposit of funds	3,500	Deposits paid in subsidiaries and associates	2,400
Subsidiary	Chori Machinery Co., Ltd.	Minato-ku, Tokyo	¥100	Sale of transportation equipment, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale of transportation equipment, etc.; financial support; debt guarantees	Deposit of funds	4,000	Deposits paid in subsidiaries and associates	0
							Debt guarantees	53,000	-	-
Subsidiary	Thai Chori Co., Ltd.	Bangkok (Thailand)	THB202,000 thousand	Sale in Thailand, export and import, and overseas transactions of various products	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of fibers, chemicals, etc.	Custody of funds	899	Deposits received	800

Terms and conditions of transactions and policies for their determination

- (Notes)
1. Terms and conditions concerning sales of fibers, chemicals, etc. are determined through negotiation based on market prices, etc.
  2. Consumption taxes are not included in the amounts of transactions or in the balances at fiscal year end.
  3. Custody and deposit of funds are managed in accordance with funding needs. Interest rates on these transactions are determined at reasonable levels after due consideration of market interest rates. In addition, since the custody and deposit of funds are made on a daily basis, the amounts for both transactions are reported at their maximum amounts.
  4. The Company recorded an allowance for doubtful accounts of ¥6,092 million for bankruptcy and reorganization claims (loans receivable) due from Tohcho Co., Limited in the current fiscal year. The Company does not receive interest on such claims for the purpose of providing financial support related to the delayed collection of receivables.
  5. The Company guarantees Chori Machinery Co., Ltd.'s bank lines of credit for trade transactions such as LC openings, Japanese loans, and export bill discounts. The maximum amount of guarantees is stated. The Company receives a guarantee fee of 0.05% per annum.

**Notes to Revenue Recognition**

These notes are omitted since the same information is provided in "Notes to Revenue Recognition" in "Notes to the Consolidated Financial Statements."

**Per Share Information**

(Japanese Yen)

(1) Net assets per share	¥2,340.85
(2) Net income per share	306.91

**Notes for Significant Subsequent Events**

Not applicable.