

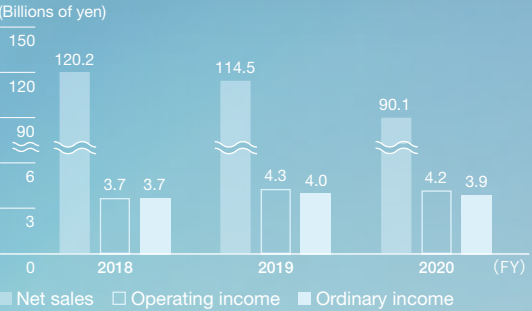
Overview and Strategies by Business Segment



Fibers, Textiles, and Garments Business

In light of the severe operating environment, our overseas business, including hygienic materials, stood strong, while apparel products and other sectors in the Japanese market felt the effects of COVID-19, leading to store closures that translated into a loss of sales opportunities and weaker consumer sentiment. As a result, the Fibers, Textiles, and Garments Business posted net sales of ¥90.1 billion (compared with ¥114.5 billion in fiscal 2019) and ordinary income of ¥3.9 billion (down 3.8% year on year) in fiscal 2020.

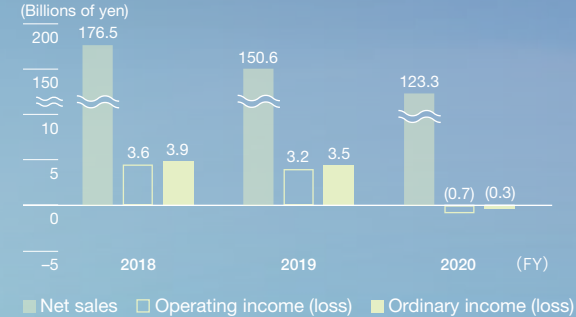
Moreover, the adoption of the Accounting Standard for Revenue Recognition, etc., resulted in a ¥5.8 billion decrease in net sales.



Chemicals Business

Despite signs of recovery in the latter half of fiscal 2020, we could not offset the deterioration of the organic chemicals and electronic materials markets fueled by the effects of COVID-19, resulting in net sales of ¥123.3 billion (compared with ¥150.6 billion in fiscal 2019). In terms of profit, provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group that was recorded under selling, general and administrative expenses led to an ordinary loss of ¥0.3 billion (compared with ordinary income of ¥3.5 billion in fiscal 2019).

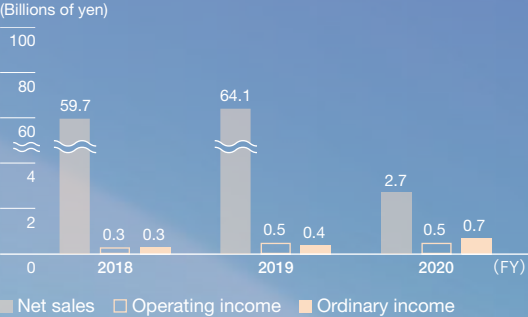
Moreover, due to the adoption of the Accounting Standard for Revenue Recognition, etc., net sales fell ¥2.8 billion.



Machinery Business

Primarily due to the impact of the adoption of the Accounting Standard for Revenue Recognition, etc., in fiscal 2020, the Machinery Business posted net sales of ¥2.7 billion (compared with ¥64.1 billion in fiscal 2019). Owing to profitability improvement measures, ordinary income amounted to ¥0.7 billion (up 69.0% year on year).

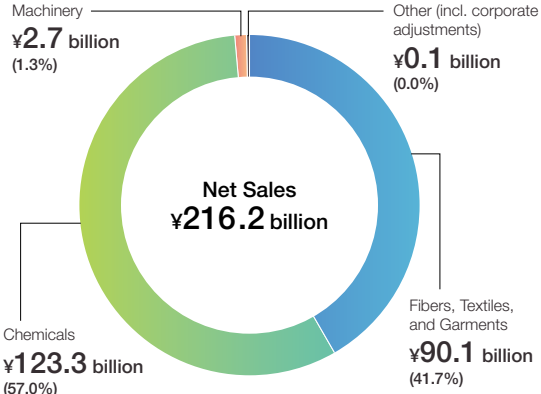
Moreover, net sales decreased ¥33.1 billion due to the adoption of the aforementioned standards.



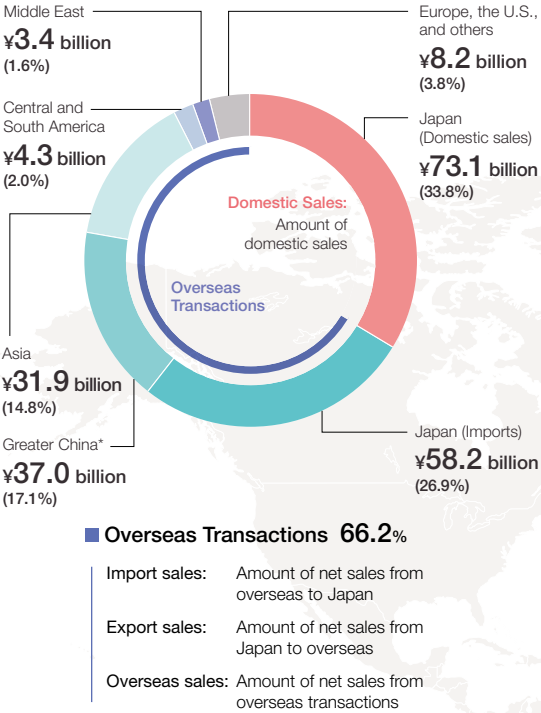
Overview

| Group Structure | | | (As of March 31, 2021) |
|-----------------|---|--|---|
| | Major Subsidiaries | Main Business | |
| CHORI CO., LTD. | Fibers, Textiles, and Garments Business: 10 companies | ASADA U CO., LTD. CHORI MODA CO., LTD. | Sales of automotive interior and packaging materials Planning of fashion apparel |
| | Chemicals Business: 9 companies | Miyako Kagaku Co., Ltd. KOZAKURA SHOKAI CO., LTD. CHORI GLEX CO., LTD. | Sales of chemical products, industrial materials, pharmaceuticals, and food-related ingredients Sales of lubricating oil additives and various other chemicals Import sales of chemical products, construction materials, and industrial products |
| | Machinery Business: 1 company | Chori Machinery Co., Ltd. | Sales of transportation equipment and other products |
| | Other: 2 companies | Business Anchor Corporation | Outsourcing of administrative work |
| | Overseas subsidiaries: 20 companies | CHORI AMERICA, INC. CHORI (CHINA) CO., LTD. THAI CHORI CO., LTD. | Import and export sales, overseas transactions, and domestic sales of various products in the U.S. Import and export sales, overseas transactions, and domestic sales of various products in China Import and export sales, overseas transactions, and domestic sales of various products in Thailand |

Fiscal 2020 Net Sales by Segment



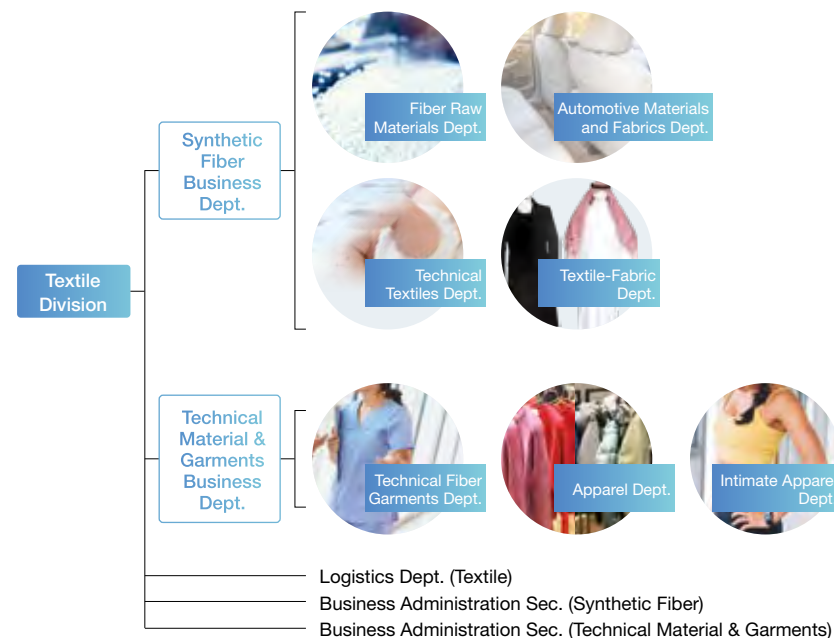
Fiscal 2020 Net Sales by Region



* Includes China, Taiwan, and Hong Kong

Overview and Strategies by Business Segment

Fibers, Textiles, and Garments Business



By merging the three divisions of the Fibers, Textiles, and Garments Business to form a single division in fiscal 2020, Chori established its Textile Division. Doing so has eliminated divisional boundaries and united the divisions to operate as a single entity.

The ability to seamlessly conduct operations as a result of establishing this single division has allowed the Fibers, Textiles, and Garments Business to conduct cross-divisional projects, share ideas and know-how, and engage in joint efforts with manufacturers as well as with partners in industry and academia. The restructuring has also facilitated the development of unique materials with water-repellent, odor-eliminating, and antibacterial features, in addition to proposals of optimal solutions at each stage of the material production process.

SWOT Analysis of the Fibers, Textiles, and Garments Business

Strengths

- Two-pronged business model involving manufacturing and commercial capabilities in fiber, fabric, and other products
- Customer base in the Hokuriku region, the largest textile-producing region in the world
- Well-versed team of personnel in Japan and overseas
- Operation of original equipment manufacturer business that integrates supply chain processes, encompassing production to distribution, by leveraging the capabilities of production sites in China, Thailand, and Vietnam
- Responsiveness to customer needs by drawing on global network

Weaknesses

- Late start to globalization in downstream fields
- Digitalization measures
- Deterioration of business sectors employing defensive strategies

Opportunities

- Growing demand for car seats stemming from recovery of automotive market
- Growing demand for hygienic materials
- Increasing demand for sports apparel owing to greater health awareness
- Expansion of textile product market due to a rise in global population

Threats

- Boycott of products made in China as a result of U.S.–China trade conflict
- Coups d'état in emerging countries and discontinuation of production and supply

Road to Achieving Chori Innovation Plan 2022

“

We will continue to grow by adapting to changes in needs through our collective strengths in textiles.

”

Hiroshi Yoshida

Managing Executive Officer
General Manager of Textile Division



Overview of Fiscal 2020 Performance in the Fibers, Textiles, and Garments Business

In fiscal 2020, net sales in the Fibers, Textiles, and Garments Business came to ¥90.1 billion, a roughly 20% decline from the previous fiscal year. However, ordinary income amounted to ¥3.9 billion, falling just below its highest result ever despite the effects of COVID-19. While cost reductions certainly contributed to this result for ordinary income, I believe this is the product of integrating the three divisions into a single division. This integration has allowed us to share information on the risks associated with COVID-19 throughout the entire division while addressing the needs for masks and protective garments in a timelier manner. Thanks to these collective strengths, we were able to overcome the sluggish performance of apparel and other downstream fields in the first half of fiscal 2020.

COVID-19 has certainly shifted the lifestyles of consumers; however, demand for basic needs—food, clothing, and shelter—is not likely to undergo significant changes. In fact, we saw an increase in demand for TEXBRID™ highly stretchable yarn, dust wipes, and other products that contribute to a more comfortable and relaxing time at home.

Japan's apparel market, which is currently at the scale of roughly ¥9 trillion, was previously expected to shrink to ¥7 trillion by 2030.* However, now the market is projected to contract to this level by 2025 due to the impact of COVID-19. With that said, this will not hold back our optimism for the future. That is because the global apparel market will likely grow at an average annual rate of 5% as a result of the growing population.* Accordingly, outing wear, which saw the market shrink temporarily due to COVID-19, is also expected to see an upturn in demand going forward.

* Source: *The Future of Apparel in 2030: When Japanese Companies Become Half the Size*, Minoru Fukuda (Toyo Keizai Inc., 2019)

| | FY2019 | FY2020 | Difference | Ratio |
|--|--------|--------|------------|--------|
| Net Sales | 114.5 | 90.1 | −24.4 | −21.3% |
| After Adoption of Accounting Standard for Revenue Recognition* | 106.4 | 90.1 | −16.3 | −15.3% |
| Ordinary Income (Segment Profits) | 4.0 | 3.9 | −0.2 | −3.8% |

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

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

Basic Strategies of the Fibers, Textiles, and Garments Business

- ① Bolster collective strength in the business
- ② Enhance global supply chain management
- ③ Strengthen global proposals and marketing capabilities for Chori's original products

In addition to restructuring the business to form a single division, we ① bolstered the collective strength of the Fibers, Textiles, and Garments Business by making Sumitex International Company Limited—a specialized trading company in textiles—a consolidated subsidiary in June 2021. We expect to generate synergies through this consolidation in the form of stronger exit strategies. The company owns various commercial rights that were not at Chori's disposal, such as for loading methods and low-price zones for specialty store retailers of private label apparel (SPAs), and is a major domestic supplier of cotton yarn, one of the two main raw materials of fiber. By combining this with Chori's strengths in synthetic fiber, we will look to enhance our lineup of products and enhance our exit strategies in the form of sales contacts.

From the perspective of ② enhancing global supply chain management, we are expanding our lineup of products for the ASEAN region. While sustaining our business in China, where we have broadened our footprint over the years, we will funnel more efforts and resources into our projects in the ASEAN region, firmly preparing for such geopolitical risks as the trade conflict between the U.S. and China. Because Vietnam and other ASEAN countries are currently the target region of various countries across the globe for the production of textile products in lieu of China, processing and other costs have been on the rise. Chori can, however, minimize these higher costs by taking full advantage of a Group subsidiary's factory in Vietnam. We will continue to devote our attention to the ASEAN region as a platform for our supply chain in lieu of China.

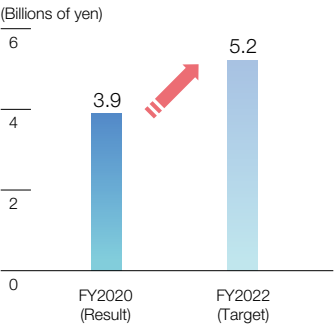
By expanding Chori's original product line, which includes ECO BLUE™ recycled polyester fiber and TEXBRID™ highly stretchable yarn, we have ③ strengthened global proposals and marketing capabilities for such original products. ECO BLUE™ was initially developed under the sole initiative of recycling used plastic bottles ("First"). However, we have expanded the scope of ECO BLUE™ to include the reuse of yarns and fabric waste ("Loop") and the creation of nylon yarn through the use of used fishing nets ("Ocean") and corn waste ("Earth"). Another initiative we have rolled out is a highly durable material that draws on the elasticity capabilities of TEXBRID™ highly stretchable yarn, which will be used in white coats and other types of workwear and uniforms.

Progress toward Fiscal 2022 Targets

In fiscal 2020, ordinary income amounted to the equivalent of 75% of the ¥5.2 billion targeted for fiscal 2022. This fiscal 2022 target is certainly an ambitious figure; however, Chori has put in place an array of project teams to address the needs that have come to light in fiscal 2020 as a result of COVID-19.

"Progressive" and "unceasing" are two of my favorite words. We at Chori will take a "progressive" approach to firmly grasp and address the changes in our external business environment while making an "unceasing" effort to reinvigorate our businesses that were affected by COVID-19, along our path to realizing Chori Innovation Plan 2022.

Ordinary Income of Fibers, Textiles, and Garments Business



Chori's Sustainability-Focused Initiatives

Initiative



ECO BLUE™ Recycled Polyester Fiber

Ensuring Stable Supplies of Ultra-White Fiber

To help resolve the issue of plastic pollution, which has been gaining greater attention in recent years, Chori has been expanding its lineup of recycled materials derived from plastic bottles. While ECO BLUE™ recycled polyester fiber has been a part of our product lineup for some time, in 2019 we established a joint project with Utsumi Recycle Systems Inc., one of the largest manufacturers of recycled pellets for textile materials in Japan. This joint project has allowed Chori to establish traceability for this brand, which is essential to managing the quality and realizing a system that ensures stable supplies of these ultra-white, high-quality pellets.

With this system in place, Chori boasts the capacity to recycle approximately one billion plastic bottles per year. Moreover, ECO BLUE™ is also certified with the Global Recycled Standard as it generates less carbon dioxide during production compared with virgin polyester. Going forward, we will redouble our efforts to maintain traceability for ECO BLUE™ through actions such as providing information that verifies the use of Chori's recycled pellets in apparel products.



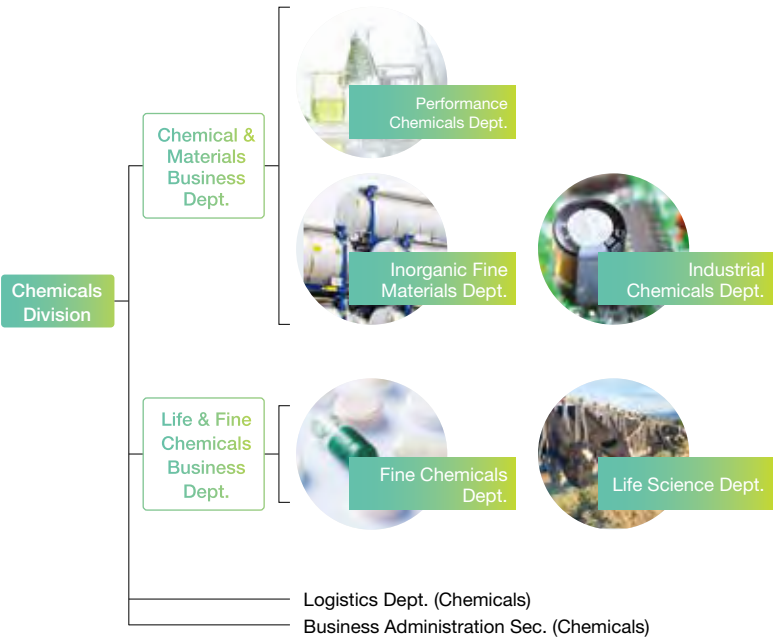
Expanding the Scope of ECO BLUE™

Along with our "First" initiative of creating recycled materials through the use of used plastic bottles, ECO BLUE™ has been expanded to include three other initiatives: "Loop," "Ocean," and "Earth."

Under the "Loop" initiative, yarn waste, greige yarn, and used fibers of apparel and other products are reused and recycled to recreate clothing and acoustic materials utilized in automobiles. We intend to roll out this initiative in the Hokuriku region, where we have built strong ties over the years, and expand it elsewhere thereafter. In the "Ocean" initiative, used fishing nets are used as a raw material to create material-recycled and chemically recycled nylon yarn. These materials are characterized by the fact that they are post-consumer recycled and by the transparency of fishing nets as a raw material. In the "Earth" initiative, highly sophisticated nylon yarn is created through the use of bio-based raw materials such as corn waste.

By expanding its range of initiatives for ECO BLUE™, Chori will continue to recycle valuable resources and thereby contribute to realizing a sustainable society.

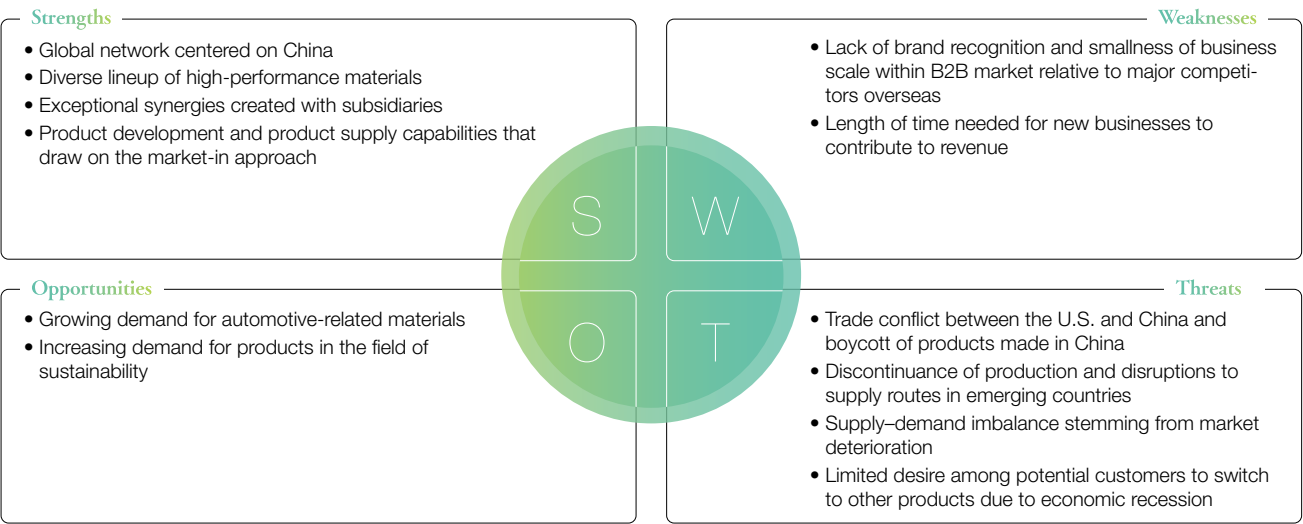
Chemicals Business



Established in 1956, the Chemicals Business has a track record spanning over 60 years. We have continued to take advantage of our global network not only in terms of procurement and sales within China but also through exports and intermediary transactions with the Middle East, Russia, and other regions. Through these efforts, coupled with our ability to meet the needs of our clients for niche products, we have set ourselves apart from our competitors and enhanced our market presence.

With an extensive product portfolio that encompasses the environmental, electronics and battery materials, and 5G-related fields, Chori caters to the wide range of needs of its customers.

SWOT Analysis of the Chemicals Business



Road to Achieving Chori Innovation Plan 2022

“We will pursue our medium-term targets while continuing to forge ahead with our sustainability-related business.”

Yoshihiro Teratani
Managing Executive Officer
General Manager of Chemicals Division



Overview of Fiscal 2020 Performance in the Chemicals Business

In the first half of fiscal 2020, the initial year of Chori Innovation Plan 2022, the Chemicals Business felt the drastic effects of COVID-19. All of Chori’s products were affected by the pandemic to a certain degree; however, demand for automobiles started to regain momentum in around September 2020 while sales of chemicals also gained ground in the latter half of the fiscal year. Meanwhile, sales of pharmaceuticals and agrochemicals remained firm throughout the year, leading to net sales of ¥123.3 billion and an ordinary loss of ¥0.3 billion. The ordinary loss is mainly attributable to the recording of provision of allowance for doubtful accounts equivalent to the entire amount of accounts receivable of ¥5.1 billion pertaining to the Chengxing Group in China. If not for this negative impact, the ordinary loss of ¥0.3 billion would have instead resulted in ordinary income of ¥4.8 billion, an amount that would have surpassed its results from the previous year.

While COVID-19 has hit our business hard in a variety of ways, we have also benefited through the establishment of a remote operating system. Through the use of this system, the audits that were traditionally carried out on-site at our overseas facilities can now be conducted from a remote location. Without the need to visit our overseas facilities, we have also increased production and decreased costs. The global economy has slowly begun regaining traction, so we will steadily look to reap the benefits of the subsequent growth in demand moving forward.

| | FY2019 | FY2020 | Difference | Ratio |
|--|--------|--------|------------|---------|
| Net Sales | 150.6 | 123.3 | -27.3 | -18.1% |
| After Adoption of Accounting Standard for Revenue Recognition* | 139.5 | 123.3 | -16.2 | -11.6% |
| Ordinary Income (Loss) | 3.5 | (0.3) | -3.8 | -109.2% |
| (Segment Profits (Loss)) | | | | |

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

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

- Basic Strategies of the Chemicals Business**
- ① Enhance business investments and promote development of new businesses
 - ② Accelerate global expansion
 - ③ Transfer business headquarters to optimal location
 - ④ Strengthen subsidiaries centered on Miyako Kagaku Co., Ltd.
 - ⑤ Expand business domain through M&A

Unlike the Fibers, Textiles, and Garments Business, which originated 160 years ago when the Company was founded, the Chemicals Business has only been in operation for over 60 years. As such, we have always been on the lookout for new opportunities to expand this business. Our strategy of ① enhancing business investments and promoting the development of new businesses remains unchanged, as we continue to keep track of developments in the environmental, 5G-related, and other growth fields. Proceeding with new projects currently poses quite a challenge due to the inability to meet customers face to face. Nonetheless, we must continue to take an active stance toward business investments and product development to ensure that we do not miss out on key opportunities. Also, we will remain firmly committed to our ongoing lithium compound production project and other initiatives.

Chori's strong ties with China are clearly evident in chemical products as well. We will look to continue ② accelerating our global expansion by exporting to Japan and other countries the products of chemical manufacturers in China, a country that recovered quickly from the effects of COVID-19. In addition, we are currently planning to establish new businesses and expand our presence not in only China but also in ASEAN countries as well as India, a pharmaceutical powerhouse.

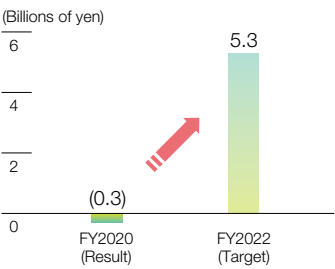
In a bid to create more synergies, we will aim to ④ strengthen our subsidiaries, centered on Miyako Kagaku Co., Ltd., while ⑤ expanding our business domain through M&A. Miyako Kagaku is a trading company that engages in sales of chemical products, industrial materials, pharmaceuticals, and food-related ingredients. With our sights set on achieving the goals laid out in Chori Innovation Plan 2022, we will continue to work in tandem with Miyako Kagaku while adopting a more environmentally responsive approach aimed at achieving a carbon-neutral society, such as by reducing sludge at plants through the use of biodesinfectants and rolling out biodegradable resin to the agricultural industry. In regard to M&A, our focus will be on the promotion of initiatives toward realizing a more extensive product lineup in the pharmaceutical field, which mainly relies on the handling of raw materials nowadays.

Progress toward Fiscal 2022 Targets

The path to realizing our ordinary income target of ¥5.3 billion in fiscal 2022 began with the posting of an ordinary loss of ¥0.3 billion in fiscal 2020. However, had it not been for the recording of provision of allowance for doubtful accounts in the amount of ¥5.1 billion, this result would have come to ordinary income of ¥4.8 billion, the equivalent of approximately 90% of the ¥5.3 billion targeted for fiscal 2022. As stated earlier, it is not the most ideal time to proceed with new projects; however, the projects that were already in the pipeline prior to the emergence of COVID-19 will likely come to fruition in fiscal 2021 and fiscal 2022.

Our sustainability-related businesses are also projected to expand in scale. Chori's plant-based meat is currently in the development stage and approaching its final stage. Amid concerns over a shortage in the supply of protein stemming from global population growth, plant-based meats are seen as a solution to such issues. These alternative meat products are also expected to reduce the amount of water and energy used to produce livestock. Moreover, Miyako Kagaku has begun handling cricket powder to function as an alternative source for protein. We also handle alternative paper and alternative plastic products made primarily of limestone procured in Japan. We will continue to infuse more energy into our sustainability-related business, for which we foresee further growth in the years ahead, with the goal of realizing our fiscal 2022 targets.

Ordinary Income (Loss) of Chemicals Business




Chori's Sustainability-Focused Initiatives

Initiative

1

Lithium Compound Production Project in Chile

The evaporation method commonly used to extract lithium components from brine water was associated with concerns over its significant environmental impact. In contrast, Chori has been participating in a project to produce lithium compounds through the use of a new method that enables only lithium components to be extracted from brine water, thereby maintaining the water volume of salt flats. Compared with our conventional approach, this new extraction method contributes to significant reductions in production time, and, because it does not hinge on weather conditions, the production volume can be adjusted in line with market conditions. Through such means, Chori will address the needs of the lithium-ion battery market, which we anticipate will expand even more going forward.




Initiative

2

Biodegradable Resin

At Chori, we have recently been expanding our lineup of biodegradable resin, a raw material used in seed sheets. Seed sheets serve as a means to prevent the evaporation of soil moisture and are used for weed and pest control. As they are made of biodegradable resin, they eventually decompose into water and carbon dioxide. Accordingly, they eliminate the need for disposing waste while reducing the use of plastic and, because the seed sheets do not need to be collected, they help enhance agricultural productivity.

We are also working to enhance our lineup of biodegradable resin derived from plants such as cassava and taro, which we are utilizing as a raw material for garbage and shopping bags due to the soft texture they generate.




Initiative

3

Supplying of Ingredients for Plant-Based Meat

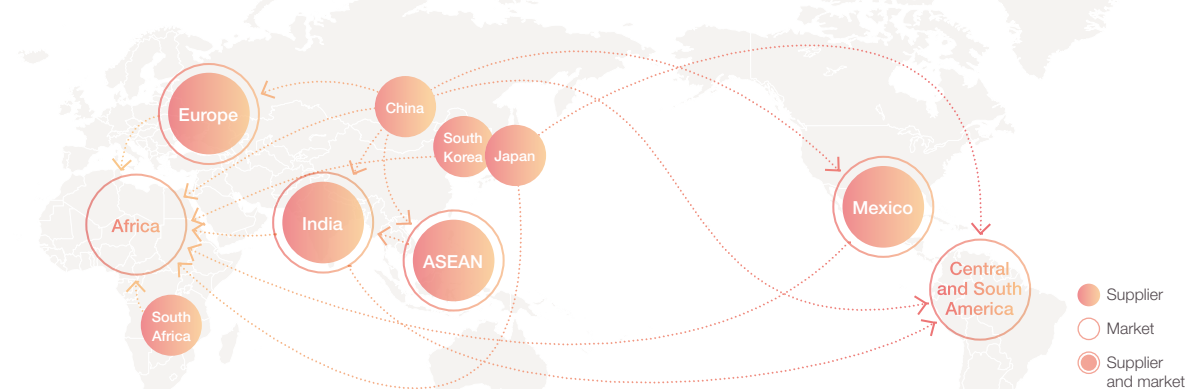
With the global population estimated to reach 10 billion people by 2050, there are growing concerns over the potential breakdown in balance between the supply and demand for beef, pork, and other sources of protein. At Chori, we procure ingredients from overseas derived from soybeans, wheat, and green peas of the highest standard in terms of safety and quality that comply with the Non-GMO Project Standard and provide them to food processing companies in Japan. These plant-based meats offer the texture and appearance of real meat and are flavored to suit the tastes of Japanese people. Through the growth in popularity of our alternative meat, as well as the prevention of deforestation for livestock and the reduced use of water and crops, we will continue to help resolve environmental issues.



Machinery Business

With the aim of providing greater flexibility, in April 2017 Chori spun off Chori Machinery Co., Ltd., a supplier of automobiles, machinery, and related materials.

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



Leveraging the Group's unique global network, which has expanded over the years, Chori Machinery commercializes products acquired from China, India, South Africa, and other countries in markets such as Europe; the ASEAN region; North, Central, and South America; and West Africa. Most notably, the company engages in a project in which the automobiles of Chinese automakers are assembled through semi-knocked-down production and sold in Mexico.

Recently, the company has been growing its business in Africa and other emerging markets, in particular. By drawing on its long-cultivated know-how in global trade and unique trade routes, Chori Machinery will continue to expand its business in the years ahead.

SWOT Analysis of the Machinery Business

Strengths

- Sophisticated information and global networks
- Creation of niche market by leveraging unique customer base
- Market-in proposals by employees deeply familiar with markets
- Ability to develop customer relations worldwide by drawing on individual capabilities

Weaknesses

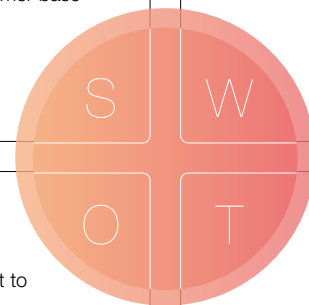
- Need for improvements to flexibility and organizational capabilities that draw on the strengths of each individual
- Timeliness of digital transformation measures

Opportunities

- Global recovery of automotive market
- Expanding product line in Africa, Southeast Asia, and other thriving emerging markets
- Growing business opportunities associated with shift to environment-friendly vehicles
- Expanding product line in non-vehicles businesses

Threats

- Country risk and risk of pandemics, coups d'état, and economic crises in emerging countries
- Market fluctuations resulting from intense climate change



Road to Achieving Chori Innovation Plan 2022

“

We will continue to expand our business by tapping into new markets and establishing a new revenue model.

”

Jun Hayami

President & Representative Director
Chori Machinery Co., Ltd.



Overview of Fiscal 2020 Performance in the Machinery Business

In the first half of fiscal 2020, we suffered the effects of COVID-19 while concerns were raised temporarily in regard to the collection of accounts receivable at an overseas subsidiary. However, we managed to collect on the accounts receivable without any major consequences, and the automotive market, which Chori Machinery relies on heavily for its major products, was clearly on the road to recovery. In particular, automobiles and other transportation equipment are an essential infrastructure for the lifestyles of the citizens of emerging countries; therefore, these markets are regaining ground quickly around the world. Ultimately, in fiscal 2020, the initial year of Chori Innovation Plan 2022, net sales amounted to ¥2.7 billion and ordinary income totaled ¥0.7 billion in the Machinery Business. This net sales result takes into account a decrease of ¥33.1 billion resulting from the adoption of the Accounting Standard for Revenue Recognition, etc.

Consumer spending, which diminished in fiscal 2020, will more than likely bounce back in fiscal 2021, leading to the regrowth of markets around the world. The rejuvenation of markets will be particularly evident in emerging countries, the core markets of Chori Machinery's products. Meanwhile, the rising cost of logistics precipitated by the global imbalance between supply and demand is a prominent issue that has surfaced in light of COVID-19. This issue has come into play in a variety of facets of our business, so the situation will be monitored carefully moving forward.

| | FY2019 | FY2020 | Difference | Ratio |
|--|--------|--------|------------|--------|
| Net Sales | 64.1 | 2.7 | -61.4 | -95.7% |
| After Adoption of Accounting Standard for Revenue Recognition* | 2.6 | 2.7 | +0.2 | +6.4% |
| Ordinary Income (Segment Profits) | 0.4 | 0.7 | +0.3 | +69.0% |

(Billions of yen)

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

Road to Achieving Chori Innovation Plan 2022

Basic Strategies and Progress of Chori Innovation Plan 2022

- Basic Strategies of the Machinery Business
- ① Develop markets of four regions + India
 - ② Expand product lineups through vehicles business and convert to revenue model
 - ③ Promote strategic alliances with global corporations in each region

One of the basic strategies laid out in Chori Innovation Plan 2022 for the Machinery Business is ① developing the markets of four regions and India. Over the years, the Machinery Business has continued to expand its presence in a number of emerging countries, alongside its core market of China. In addition to Mexico and Central and South America, the Middle East and Africa, Southeast Asia, and Europe, which comprise our four regions, we will look to tap into and enhance our presence in the Indian market going forward. With the geopolitical risks that exist in other countries, Chori Machinery is looking to ramp up its business in India due to the significance of this market in terms of its population size and economic scale, which is paralleled only by China.

Another basic strategy we are embracing as a part of Chori Innovation Plan 2022 is ② expanding our product lineups through the vehicles business and converting to a revenue model. While the import and export business has traditionally been the lifeblood of trading companies, in order to take one step further and expand their businesses, such companies constantly consider the possibility of engaging in business investments and joint ventures with investees. In fact, one of our projects involves the development of three-wheeled vehicles, which emerged through the synergy created by our business, which made its start in automobiles. We will pursue alliances with other companies in an effort to engage in production and sales activities in Africa and thereby capitalize on the explosive economic growth expected in the region.

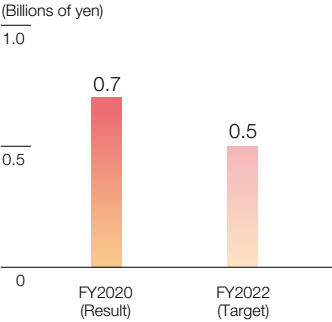
In regard to ③ promoting strategic alliances with global corporations in each region, we have been working in partnership with a company based in Mexico to carry out semi-knocked-down production and sales of automobiles in the country for Chinese automakers. Our expectations are quite high for this business as Mexico will likely follow on the heels of the U.S. and steadily revive its economy in the near future. We will continue to seek ways in which the universal knowledge accumulated through this partnership, including the range of solutions invented over the years, particularly in automobile sales, can be leveraged as intangible assets in other markets.

Progress toward Fiscal 2022 Targets

On the back of the revitalized automotive market mentioned earlier, in fiscal 2020 ordinary income amounted to ¥0.7 billion, exceeding our target of ¥0.5 billion for fiscal 2022. Looking ahead, we will continue to set our sights on raising the level of our profits by tapping into new markets and developing a new revenue model.

Chori Machinery is still in its fifth year of business after it was established through the spin-off of the Machinery Business, which had been a part of the former Chemicals and Machinery Business of CHORI CO., LTD. until 2017. Accordingly, our path has just begun and, because of that, one of the issues we must address is the strengthening of our business foundation, particularly the establishment of a solid human resource foundation and organizational structure. We will continue to expand the Machinery Business in the coming years by proposing solutions through its market-in approach, made possible by our wealth of market knowledge accumulated over the years. In so doing, we will become a corporate entity that makes a difference to society by staying closely attuned to the lifestyles of our customers around the world, addressing their needs at all times wherever they are, thereby enhancing our corporate value.

Ordinary Income of Machinery Business



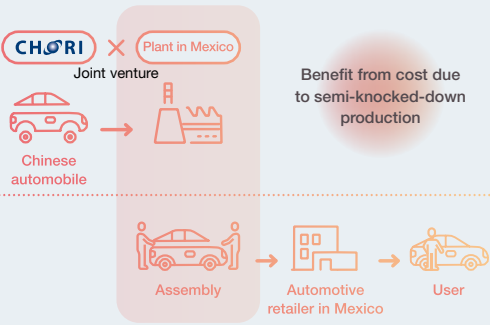
Core Initiatives of the Machinery Business

Initiative 1

Semi-Knocked-Down Production in Mexico

In semi-knocked-down production, automobile parts and components are transported to the country of destination, where they are assembled and the automobile is completed. It differs from completely knocked-down production in that the frame, engine, powertrain, and other main components have already been assembled by the time they are transported overseas.

Semi-knocked-down production offers a variety of economic benefits, such as job creation as well as tax benefits for the country of destination. As a result, more employment opportunities are available for local residents in not only assembly processes but also at sales agents and for after-sales services. In 2017, Mexico's annual automobile production volume nearly reached the 4.0 million-unit mark. Moving forward, Chori Machinery will continue to seek greater business opportunities centered on Mexico's mainstream automotive industry.



Initiative 2

Economic Community of West African States (ECOWAS)

The Economic Community of West African States (ECOWAS) is a subregional group consisting of 15 nations that promotes the economic integration of the countries constituting West Africa. Of these nations, Nigeria accounts for the majority of the group's GDP.

By joining forces with a local company, Chori Machinery has been engaging in the business of assembling automobiles through semi-knocked-down production in the West African nation. In addition, we are planning a number of projects for a variety of business domains geared to Nigeria, Ghana, and other nations of ECOWAS.

