

Translation — Original text in Japanese

**CHORI**

FY2020 (April 1, 2020 to March 31, 2021)

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# Financial Results Briefing

May 20, 2021

Forecasts for operational performances, as well as future predictions described in this document, were prepared based on information available as of the day on which this document was released. This document in no way guarantees the contents and operational performances of the company in the future.

**CHORI CO., LTD.**

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# I FY2020 Financial Results Summary

## Key Points of the Summary

First year of the Medium-Term Management Plan “Chori Innovation Plan 2022 (CIP2022)”

### ▶ Business Results Summary

#### ① Sales and income decreased YoY

- A provision of allowance for doubtful accounts of ¥5.1 billion was recorded for the entire amount of accounts receivable for the Chengxing Group (P5).
- ROA (ordinary income basis) and ROE (net income basis) declined temporarily  
Confer ROA: 4.1% (7.5% in the previous year), ROE: 2.2% (11.0% in the previous year)

#### ② Earnings in the main business have recovered and trended toward increased profit since 2Q, due in part to cost-cutting measures.

- Solidify the foundation for a new stage of the Medium-Term Management Plan “Chori Innovation Plan 2022 (CIP2022)” to “consistently deliver ordinary income at the ¥10.0 billion level.”  
Confer: Ordinary income excluding provision of allowance for doubtful accounts was ¥9.7 billion

### ▶ Financial Base

- Equity ratio: 53.2% Maintained high level (even after provision of allowance for doubtful accounts)
- Free cash flows: +¥5.5 billion, Net interest-bearing debt: -¥15.5 billion (-¥3.6 billion YoY)

### ▶ Shareholder returns

- The year-end dividend is as announced on February 8, 2021.  
Year-end dividend: ¥23 per share ⇒ Annual dividend: ¥37 per share (dividend payout ratio: 72.9%)

### ▶ Topics

- Announced that Sumitex International Company Limited, a subsidiary of SUMITOMO CORPORATION and textile trading company, would become a subsidiary of the Company (closing and subsidiary acquisition scheduled for June 1, 2021).

# Business Results Breakdown (YoY Comparison)

## POINT

- **The domestic and global economic conditions remain uncertain from beginning to end due to the expansion and spread of COVID-19.**
  - ⇒ All income items decreased due to recording a ¥5.1 billion provision of allowance for doubtful accounts under selling, general and administrative expenses (includes additional ¥2.7 billion recorded in 4Q (P5)).
- **Net sales decreased, but have recovered since 3Q. Profitability in the main business has recovered since 2Q (P6).**
  - ⇒ Ordinary income excluding the provision of allowance for doubtful accounts was ¥9.7 billion

| Unit: billions of yen   | FY2019 | FY2020 | Difference | Previous forecast<br>(issued Feb. 8, 2021) |
|---|--------|--------|------------|--|
| Net Sales   | 329.4  | 216.2  | -113.1     | 210.0                                      |
| (after adoption of Accounting Standard for Revenue Recognition *) | 248.5  | 216.2  | -32.3      |  |
| Gross Profit  | 28.3   | 26.4   | -2.0       |  |
| Selling, general and administrative expenses                      | 20.1   | 22.7   | +2.6       |  |
| Operating income  | 8.2    | 3.7    | -4.6       | 6.0  |
| Ordinary income   | 8.7    | 4.7    | -4.0       | 6.4  |
| Net income attributable to owners of the parent                   | 6.1    | 1.2    | -4.9       | 3.0  |

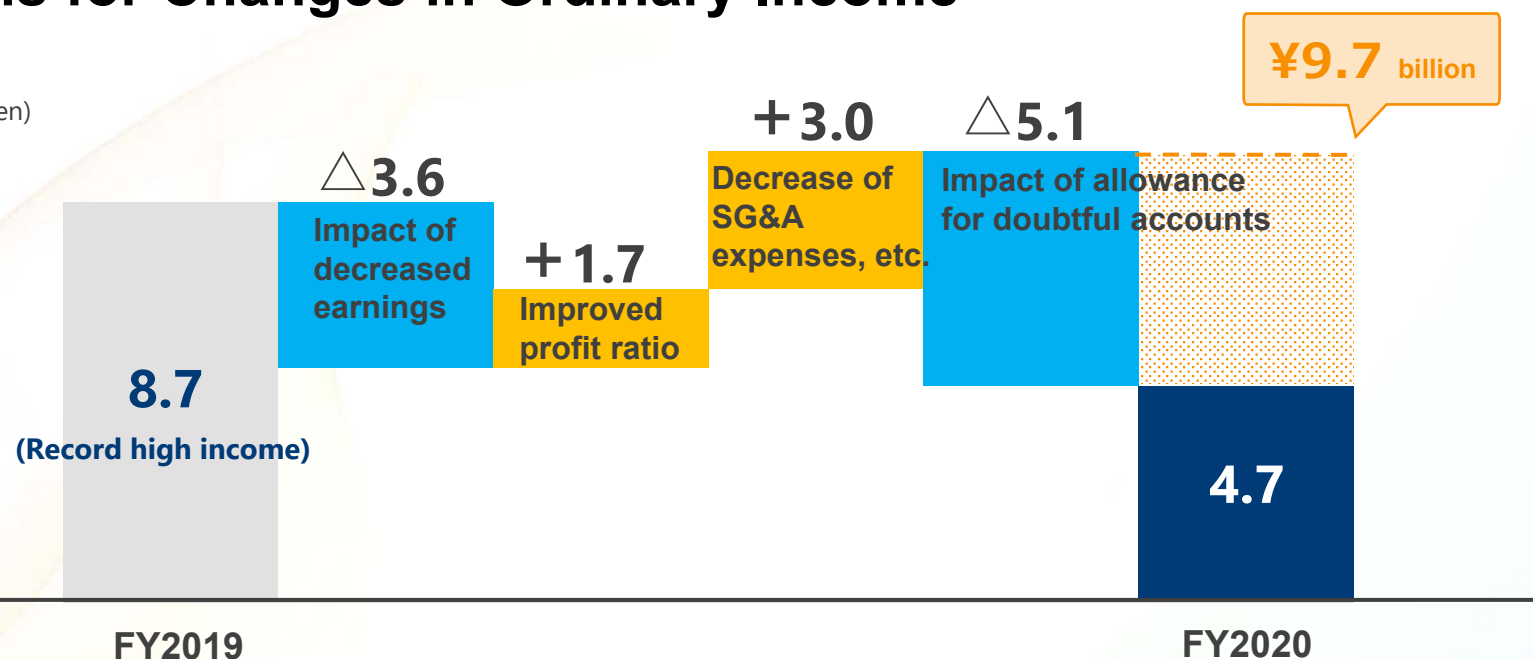
\* The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30) (issued on March 30, 2018) have been adopted from FY2020 1Q.

## Recording a provision for allowance for doubtful accounts

- ① Consolidated subsidiary Tohcho Co., Limited sold raw materials for chemical products to the Chengxing Group, a Chinese chemicals manufacturer.  
Due to the COVID-19 pandemic, the petrochemicals business, the mainstay business of the Chengxing Group, faltered and financing became unstable. As a result, payments for raw materials to Tohcho Co., Limited were delayed from April 2020.
- ② The Chori Group promptly instigated legal proceedings for recovery, including filing a lawsuit for payment (ongoing).  
In 1Q, the Company recorded a ¥2,474 million provision of allowance for doubtful accounts, equivalent to 50% of the total liability, taking into account factors such as the state of recovering the accounts receivable and progress of maintenance procedures.
- ③ From February to March 2021, a major Chinese bank filed reconstructive bankruptcy proceedings against two companies in the Chengxing Group. The proceedings were accepted by a court in Jiangyin City, Jiangsu Province.
- ④ The first creditors' meeting regarding the reconstructive bankruptcy proceedings were held in April 2021. Bankruptcy trustees have reported on the financial status of the companies.  
⇒A provision of allowance for doubtful accounts of ¥5,085 million was recorded (includes additional ¥2,708 million in 4Q) as an accounting procedure for the full amount of accounts receivable, taking a comprehensive account of such matters as the financial status of each company, estimated value of chattel mortgage over collective property that has already been obtained and progress of reconstructive bankruptcy procedures.
- ⑤ Going forward, the Company will focus on developments in the reconstructive bankruptcy proceedings of the Chengxing Group and devote its full capabilities to obligations under the reconstruction plan and collection of chattel mortgage over collective property that has already been obtained (the collected amount will be recorded as profit in the future).  
(Amounts owed change due to fluctuations in exchange rates when converting into Japanese yen)

# Reasons for Changes in Ordinary Income

(Unit: billions of yen)



## Trends in ordinary income

| Unit: billions of yen  | FY2019 |      |      |      |       | Full-year total | FY2020 |       |       |                 |  |
|--|--------|------|------|------|-------|-----------------|--------|-------|-------|-----------------|--|
|  | 1Q     | 2Q   | 3Q   | 4Q   | 1Q    |                 | 2Q     | 3Q    | 4Q    | Full-year total |  |
| Net Sales  | 83.2   | 81.2 | 85.1 | 79.9 | 329.4 | 49.0            | 53.2   | 55.2  | 58.9  | 216.2           |  |
| (after adoption of Accounting Standard for Revenue Recognition*) | 62.1   | 63.1 | 61.7 | 61.6 | 248.5 | 49.0            | 53.2   | 55.2  | 58.9  | 216.2           |  |
| Operating income   | 2.3    | 2.3  | 2.1  | 1.5  | 8.2   | -0.9            | 2.5    | 2.4   | -0.3  | 3.7             |  |
| Ordinary income (loss)   | 2.4    | 2.5  | 2.3  | 1.5  | 8.7   | -0.7            | 2.5    | 2.5   | 0.3   | 4.7             |  |
| (excluding the provision of allowance for doubtful accounts)     |        |      |      |      |       | (1.8)           | (2.5)  | (2.5) | (2.9) | (9.7)           |  |
| Net income (loss) attributable to owners of the parent           | 1.6    | 1.6  | 1.5  | 1.4  | 6.1   | -1.2            | 1.4    | 1.6   | -0.6  | 1.2             |  |

## Fibers, Textiles and Garments Business

### POINT

- Sales and profit decreased YOY.
- Sales in overseas business such as hygiene materials were firm.
- Sales and profit decreased due to sluggish consumer mindset and loss of sales opportunities due to store closures in the domestic market, mainly in apparel, due to the COVID-19 pandemic.

(Unit: billions of yen)

|                                   | FY2019           | FY2020         | Difference       | Ratio              |
|-----------------------------------|------------------|----------------|------------------|--------------------|
| Net sales                         | 114.5<br>(106.4) | 90.1<br>(90.1) | -24.4<br>(-16.3) | -21.3%<br>(-15.3%) |
| Ordinary income (Segment Profits) | 4.0              | 3.9            | -0.2             | -3.8%              |

\* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

**Steady**

Hygienic materials, Overseas base materials

**Sluggish**

Domestic fibers, textiles, and garments



## Chemicals Business

### POINT

- Market conditions for organic chemical material and electronics materials sectors were sluggish in the first half of the fiscal year, but recovered in the second half.
- Life science and fine chemical sectors were steady.
- Recorded a provision of allowance for doubtful accounts for all ¥5.1 billion in accounts receivables against the Chengxing Group. This resulted in an ordinary loss.  
⇒ Ordinary profit excluding provision of allowance for doubtful accounts: ¥4.8 billion

(Unit: billions of yen)

|   | FY2019           | FY2020           | Difference       | Ratio              |
|---|------------------|------------------|------------------|--------------------|
| Net sales   | 150.6<br>(139.5) | 123.3<br>(123.3) | -27.3<br>(-16.2) | -18.1%<br>(-11.6%) |
| Ordinary income (loss)<br>(Segment Profits (loss) ) | 3.5              | -0.3             | -3.8             | -109.2%            |

\* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

**Steady**

Life sciences, Fine chemicals

**Recovering**

Organic chemical materials

**Sluggish**

Materials for  
Electronics

**Loss**

Recorded ¥5.1 billion  
provision for allowance for doubtful accounts

## Machinery Business

### POINT

- Adoption of the Accounting Standard for Revenue Recognition, etc. had a significant effect (¥33.1 billion) on reduction of sales.
- Ordinary income increased due to the recovery of the global automobiles market.

(Unit: billions of yen)

|                                   | FY2019        | FY2020       | Difference      | Ratio             |
|-----------------------------------|---------------|--------------|-----------------|-------------------|
| Net sales                         | 64.1<br>(2.6) | 2.7<br>(2.7) | -61.4<br>(+0.2) | -95.7%<br>(+6.4%) |
| Ordinary income (Segment Profits) | 0.4           | 0.7          | +0.3            | +69.0%            |

\* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

Steady

Vehicles

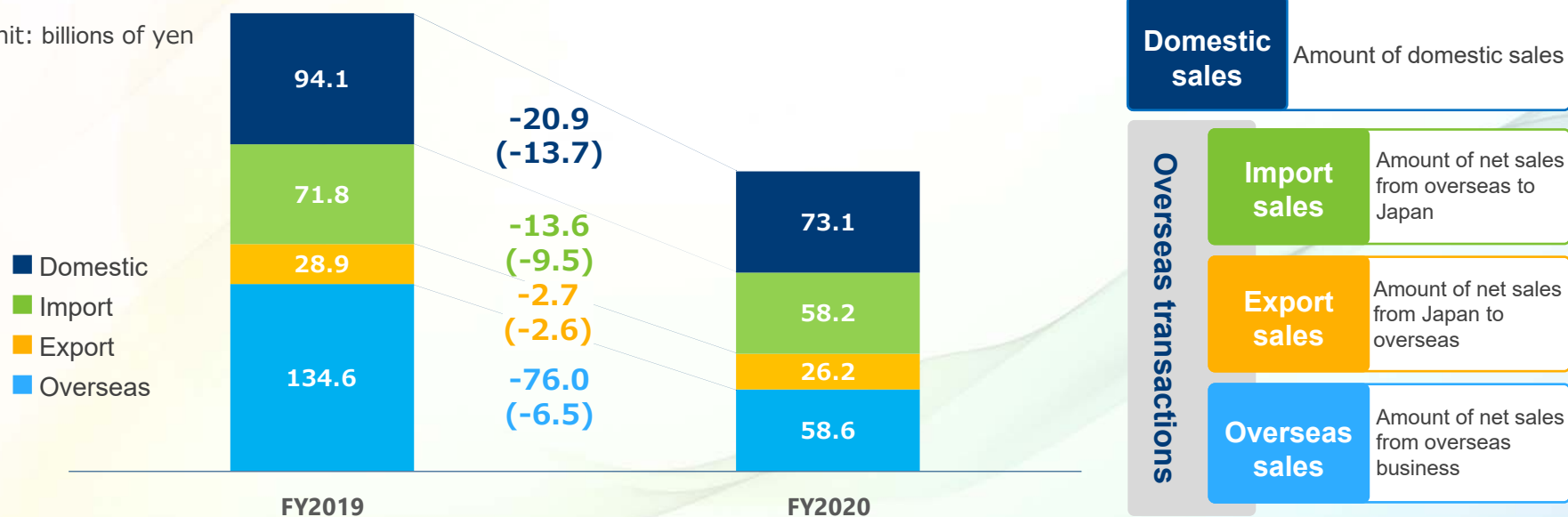
# Net Sales by Operation

## POINT

- **Trade ratio: 66.2% (-5.3% YoY)**  
**Domestic sales: Decreased sales both in the Fibers, Textiles, and Garments Business and the Chemicals Business**  
**Overseas transactions: Decreased sales across all segments**

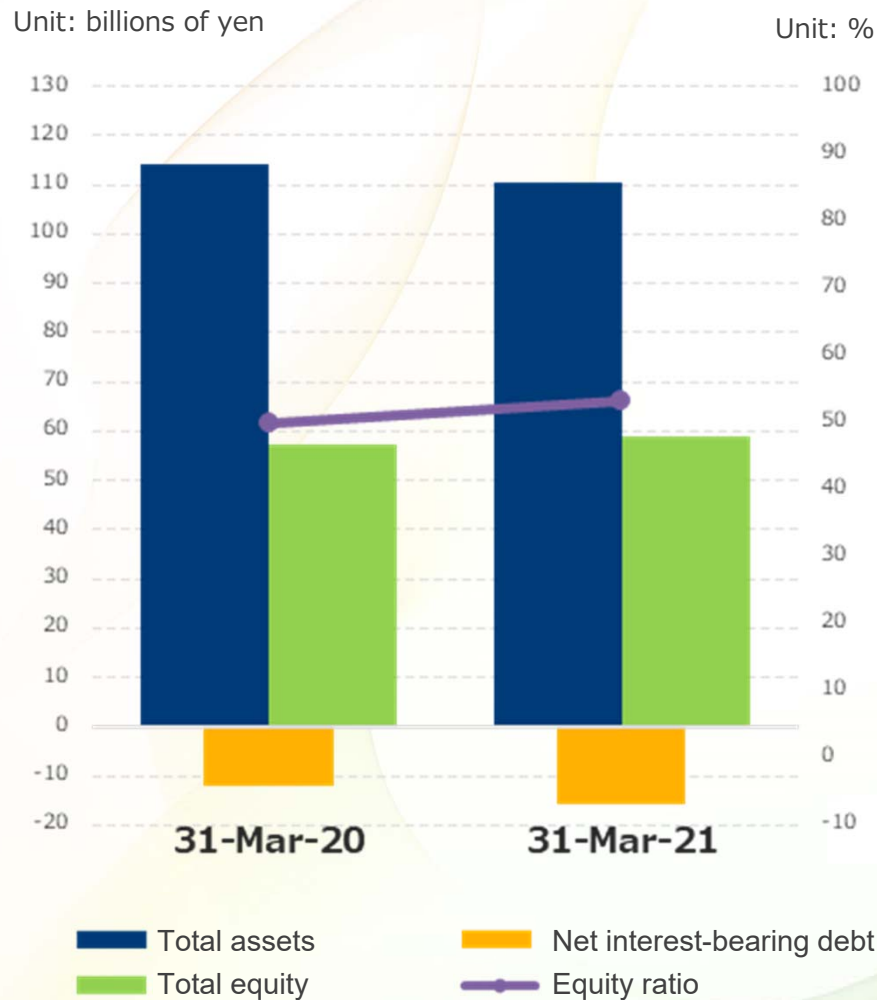
|                              |                      |                              |              |                              |                       |
|------------------------------|----------------------|------------------------------|--------------|------------------------------|-----------------------|
| <b>Net sales</b>             | <b>329.4 (248.5)</b> | <b>Net sales</b>             | <b>216.2</b> | <b>Net sales</b>             | <b>-113.1 (-32.3)</b> |
| <b>Overseas transactions</b> | <b>235.3 (161.7)</b> | <b>Overseas transactions</b> | <b>143.1</b> | <b>Overseas transactions</b> | <b>-92.2 (-18.6)</b>  |
| <b>(Trade ratio)</b>         | <b>71.4% (65.1%)</b> | <b>(Trade ratio)</b>         | <b>66.2%</b> | <b>(Trade ratio)</b>         | <b>-5.3% (+1.1%)</b>  |

Unit: billions of yen



\* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

# Financial Position Summary



## Financial soundness

Unit: billions of yen

|                           | 31-Mar-20 | 31-Mar-21 | Difference |
|---------------------------|-----------|-----------|------------|
| Total assets              | 114.4     | 110.6     | -3.8       |
| Net interest-bearing debt | -12.0     | -15.5     | -3.6       |
| Total equity              | 57.2      | 58.8      | +1.6       |
| Equity ratio              | 50.0%     | 53.2%     | +3.2%      |

## Profitability/Capital efficiency

|                                | 31-Mar-20 | 31-Mar-21 | Difference |
|--------------------------------|-----------|-----------|------------|
| ROA<br>(Ordinary income basis) | 7.5%      | 4.1%      | -3.3%      |
| ROA<br>(Net income basis)      | 5.2%      | 1.1%      | -4.1%      |
| ROE<br>(Net income basis)      | 11.0%     | 2.2%      | -8.8%      |

## Financial status Consolidated B/S

### POINT

- Level of cash and cash deposits was high at ¥17.8 billion. Secured M&A funds for Sumitex International Company Limited.
- Strengthened management of risk assets during the COVID-19 pandemic.

(Unit: billions of yen)

|  | 31-Mar-20    | 31-Mar-21    | Difference  |   | 31-Mar-20    | 31-Mar-21    | Difference  |
|--|--------------|--------------|-------------|---|--------------|--------------|-------------|
| Cash and deposits/<br>Deposits paid    | 13.8         | 17.8         | +4.0        | Notes and accounts payable -<br>trade     | 45.2         | 39.6         | -5.6        |
| Notes and accounts<br>receivable-trade | 64.0         | 56.1         | -7.9        | Short, long-term loans payable            | 1.9          | 2.3          | +0.4        |
| Inventories                            | 13.8         | 12.2         | -1.6        | Other                                     | 10.0         | 9.9          | -0.1        |
| Other                                  | 4.5          | 4.4          | -0.1        | <b>Total liabilities</b>                  | <b>57.1</b>  | <b>51.8</b>  | <b>-5.4</b> |
| <b>Total current assets</b>            | <b>96.2</b>  | <b>90.5</b>  | <b>-5.6</b> | Capital stock                             | 6.8          | 6.8          | -           |
| Property, plant and equipment          | 3.5          | 3.3          | -0.2        | Capital surplus, others                   | 50.8         | 51.0         | +0.2        |
| Intangible assets                      |              |              |             | Accumulated other<br>comprehensive income | -0.4         | 1.0          | +1.4        |
| Investments and other assets           | 14.7         | 16.7         | +2.0        | Non-controlling interests                 | 0.1          | 0.0          | -0.1        |
| <b>Total non-current assets</b>        | <b>18.2</b>  | <b>20.1</b>  | <b>+1.8</b> | <b>Total net assets</b>                   | <b>57.3</b>  | <b>58.8</b>  | <b>+1.6</b> |
| <b>Total assets</b>                    | <b>114.4</b> | <b>110.6</b> | <b>-3.8</b> | <b>Total liabilities and net assets</b>   | <b>114.4</b> | <b>110.6</b> | <b>-3.8</b> |

## Cash Flows

### POINT

- **Cash flows from operating activities:**  
Provided ¥5.9 billion (no impact of recording of allowance for doubtful accounts) due to securing core earnings, etc.
- **Cash flows from investing activities:**  
Used ¥0.4 billion due to payments, etc. for business investments
- **Cash flows from financing activities:**  
Used ¥0.9 billion due to payments, etc. for dividends

Unit: billions of yen

|  | FY2019 | FY2020 | Difference |
|--|--------|--------|------------|
| Cash flows from operating activities                         | 2.9    | 5.9    | +3.0       |
| Cash flows from investing activities                         | 0.0    | -0.4   | -0.4       |
| Cash flows from financing activities                         | -1.9   | -0.9   | +1.0       |
| Effect of exchange rate changes on cash and cash equivalents | -0.0   | -0.0   | -0.0       |
| Total cash flows   | 0.9    | 4.6    | +3.7       |
| Cash and cash equivalents at end of period                   | 13.0   | 17.6   | +4.6       |

# FY2021 Business Results Forecast

## POINT

- The outlook remains uncertain due to a resurgence in the spread of COVID-19.
- Steadily made progress on “Chori Innovation Plan 2022,” the Company’s medium-term management plan.  
Looking for ordinary income to reach ¥10.0 billion. ROA (ordinary income basis): 9.0%, ROE (net income basis): 11.0%  
Confer: Ordinary income in FY2022 (final year of the plan) is expected to be ¥11.0 billion
- Fortified defensive measures to respond instantly to a dramatically changing social and economic environment amid the COVID-19 pandemic and carried out a basic strategy for sustainable growth. ⇒ Consolidated Sumitex International Company Limited

| Unit: billions of yen                           | FY2020<br>Result | FY2021<br>Forecast | Difference | Ratio   |
|---|------------------|--------------------|------------|---------|
| Net Sales                                       | 216.2            | 280.0              | +63.8      | +29.5%  |
| Operating income                                | 3.7              | 9.5                | +5.8       | +159.3% |
| Ordinary income                                 | 4.7              | 10.0               | +5.3       | +114.8% |
| Net income attributable to owners of the parent | 1.2              | 6.8                | +5.6       | +445.2% |

# FY2020 Dividend

## 1. Annual Dividend

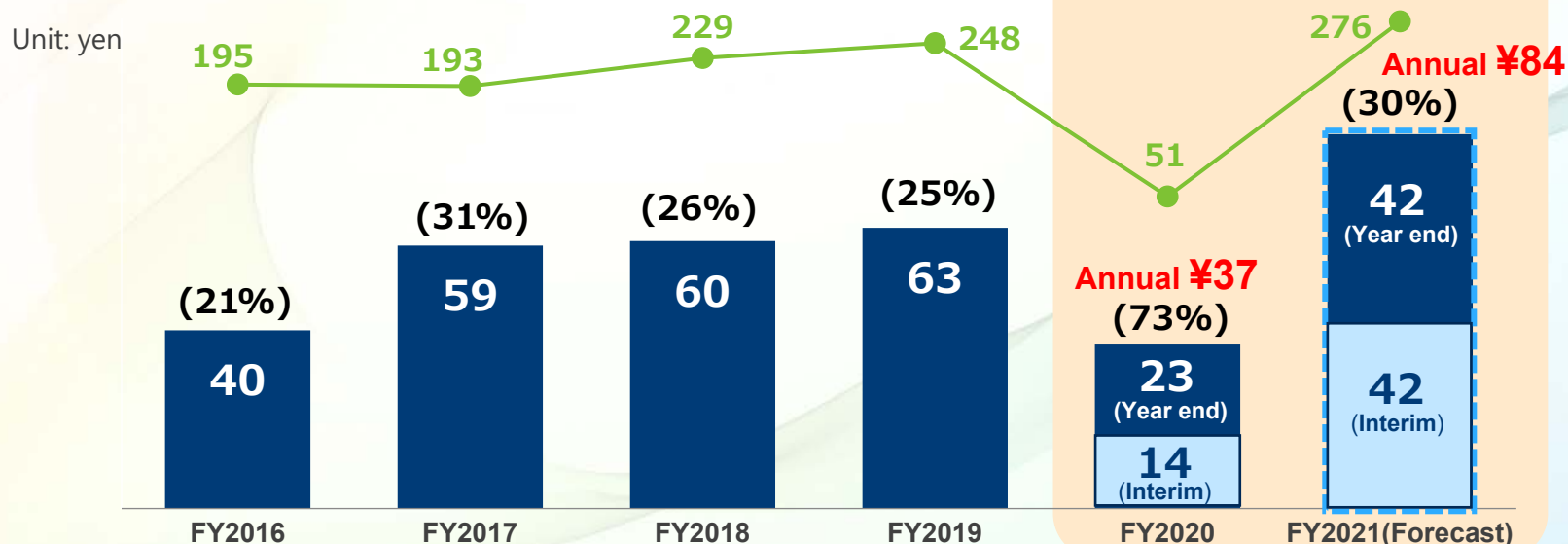
A year-end dividend of ¥23 per share will be paid as announced on February 8, 2021 (for an annual dividend of ¥37 per share), after a comprehensive judgment based on current developments in business results and sound financial details, despite having recorded a provision of allowance for doubtful accounts.

## 2. Basic Dividend Policy

- The policy is to provide performance-based dividends in accordance with the standards for net income attributable to owners of the parent from the perspectives of flexibly returning profits to shareholders and ensuring stable management and finances while securing appropriate funds for investments in growth strategies.
- Dividend policy: From FY20, dividend payout ratio raised from at least 25% [to 30% or more].

## 3. Trends in per-share dividend(Annual)

- Dividends ( ) Payout ratio
- EPS : Net income per share







## Progress on Midium-Term Management Plan

### Chori Innovation Plan 2022

~ FY2020-FY2022 ~

Lay a solid foundation for a new stage (consistently deliver ordinary income at the ¥10.0 billion level)

## Progress on Chori Innovation Plan 2022



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

|  | FY2020(Result)  | FY2021(Forecast) | FY2022(Plan)       |
|--|-----------------|------------------|--------------------|
|  | billions of yen | billions of yen  | billions of yen    |
| <b>Nat sales</b>                                       | <b>216.2</b>    | <b>280.0</b>     | <b>280.0</b>       |
| <b>Ordinary income</b>                                 | <b>4.7</b>      | <b>10.0</b>      | <b>11.0</b>        |
| <b>Net income attributable to owners of the parent</b> | <b>1.2</b>      | <b>6.8</b>       | <b>7.3</b>         |
| <b>ROA (ordinary income basis)</b>                     | <b>4.1%</b>     | <b>9.0%</b>      | <b>8% or more</b>  |
| <b>ROE (net income basis)</b>                          | <b>2.2%</b>     | <b>11.0%</b>     | <b>11% or more</b> |

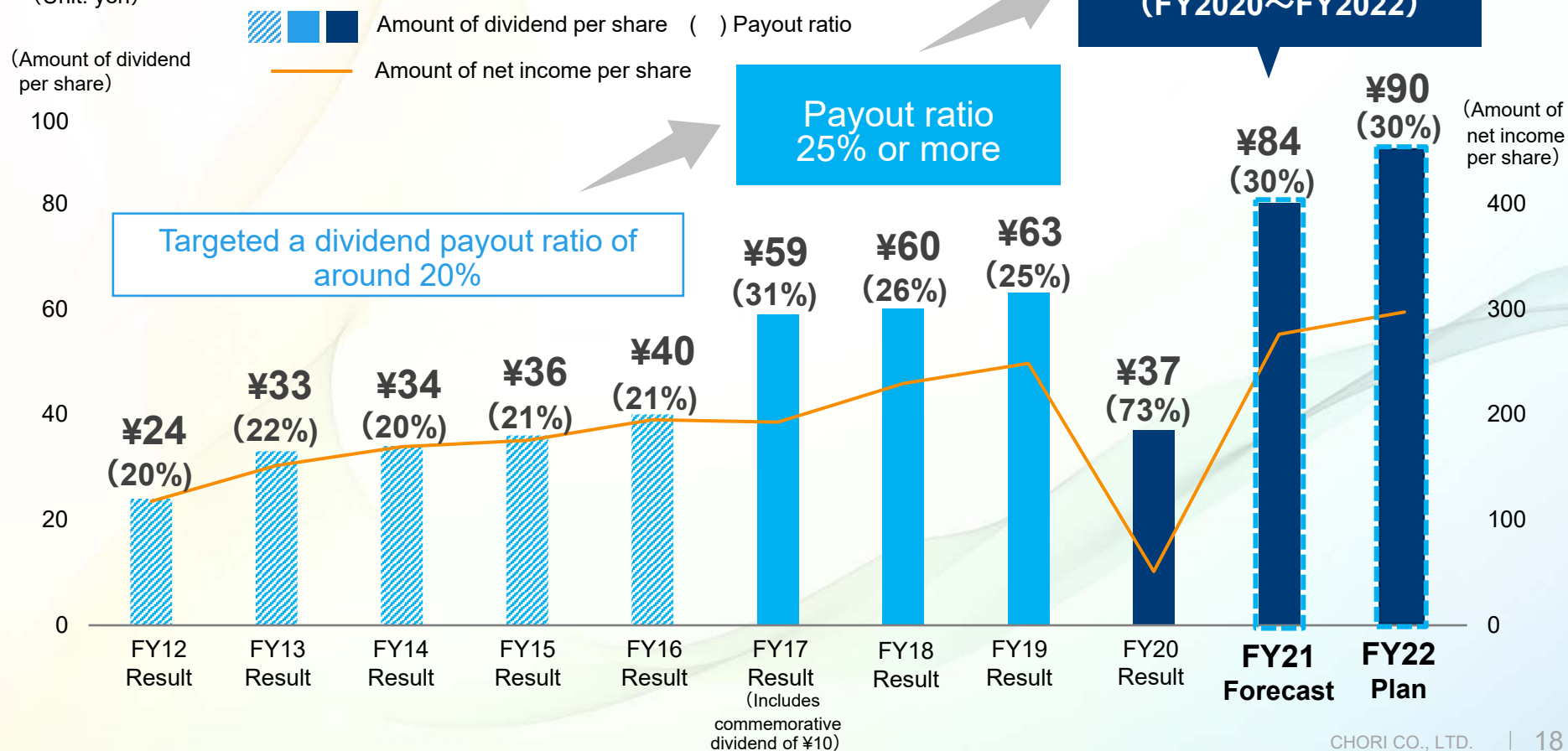
## Returns to Shareholders

### Dividend Basic Policy

Chori seeks to make performance-based dividends based on net income attributable to owners of the parent levels for the current term from the perspective of flexible profit distribution and ensuring stable management and finances with sufficient investment capital reserved for growth strategies.

### Trends in per-share dividend (Annual)

(Unit: yen)



## Effects of the COVID-19 pandemic

**POINT**

- Although the pandemic was a major factor for the decline in FY2020 1Q, recovery was made from 2Q onward.
- To respond rapidly to our dramatically changing society and business environment, we will further advance defensive measures such as risk management, while securely seizing business opportunities.

|                                | Positive   | Negative  |
|--------------------------------|--|---|
| Fibers, Textiles, and Garments | <ul style="list-style-type: none"> <li>• Increased demand for car seats due to recovery in automobiles production</li> <li>• Steady demand for hygiene materials</li> <li>• Increased demand for sports apparel due to increased health awareness</li> </ul> | <ul style="list-style-type: none"> <li>• Demand for apparel declined due to self-restraint from going outside</li> </ul>  |
| Chemicals                      | <ul style="list-style-type: none"> <li>• Strong demand for pharmaceutical intermediates, etc.</li> <li>• Increased demand for automobiles-related materials due to recovery in automobiles production</li> </ul>   | <ul style="list-style-type: none"> <li>• Demand for cosmetics and food additives declined due to stores' self-restraint on sales and self-restraint from going outside</li> </ul> |
| Machinery                      | <ul style="list-style-type: none"> <li>• Recovery of vehicle markets for Europe, South and Central America and Africa</li> </ul>   | <ul style="list-style-type: none"> <li>• Stringent conditions for vessels, skyrocketing container shipping rates</li> </ul>   |

## Progress of business strategy (Fibers, Textiles, and Garments Business)

Consolidated Management Structure

Creation of Next-Generation Business Models

Corporate Governance

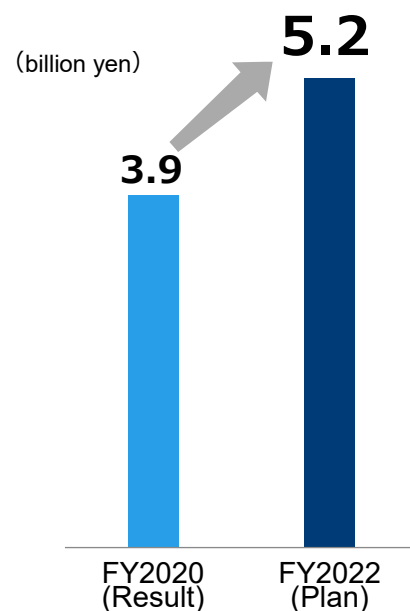
Compliance

Human Resource Development Structure

# GLOBAL ONE STOP Operation By CHORI

Plan for ordinary income in FY2022: Ordinary income in FY2020 was ¥3.9 billion in contrast to planned ¥5.2 billion ⇒ Progress rate: 75%

【 Ordinary income 】



### ① Bolster collective strength in the business

#### Synergy with Sumitex International Company Limited

- Enhance production foundation in Asia
- Expand functions from raw materials to products through cooperation with two companies that boast high shares of cotton and synthetic fiber markets

### ② Enhance global supply chain management

- Steady uptake in demand for uses of apparel, vehicles and hygiene materials with a focus on synthetic fibers

### ③ Strengthen global proposals and marketing capabilities for Chori's original products

- Enhance original products such as ECO BLUE™, a recycled polyester fiber, and TEXBRID™, which has excellent stretching capabilities

## Progress of business strategy (Fibers, Textiles, and Garments Business)

Consolidated Management Structure

Creation of Next-Generation Business Models

Corporate Governance

Compliance

Human Resource Development Structure

### Acquire shares of Sumitex International Company Limited (subsidiary acquisition)

**POINT**

- **Acquire Sumitex International Company Limited, a subsidiary of SUMITOMO CORPORATION and textile trading company, as a subsidiary (closing and subsidiary acquisition scheduled for June 1, 2021).**
- **Sumitex International Company Limited is a textile trading company which began as a textile raw material business (cotton) and provides apparel as an OEM for customers in various categories. It has developed globally with production bases both in Japan and in various Asian countries.**

Corporate profile

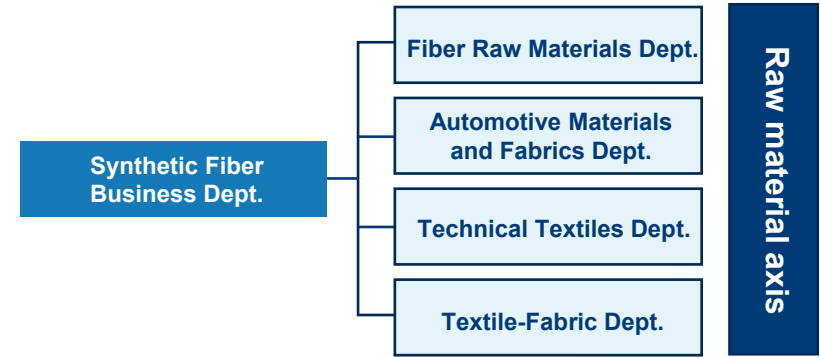
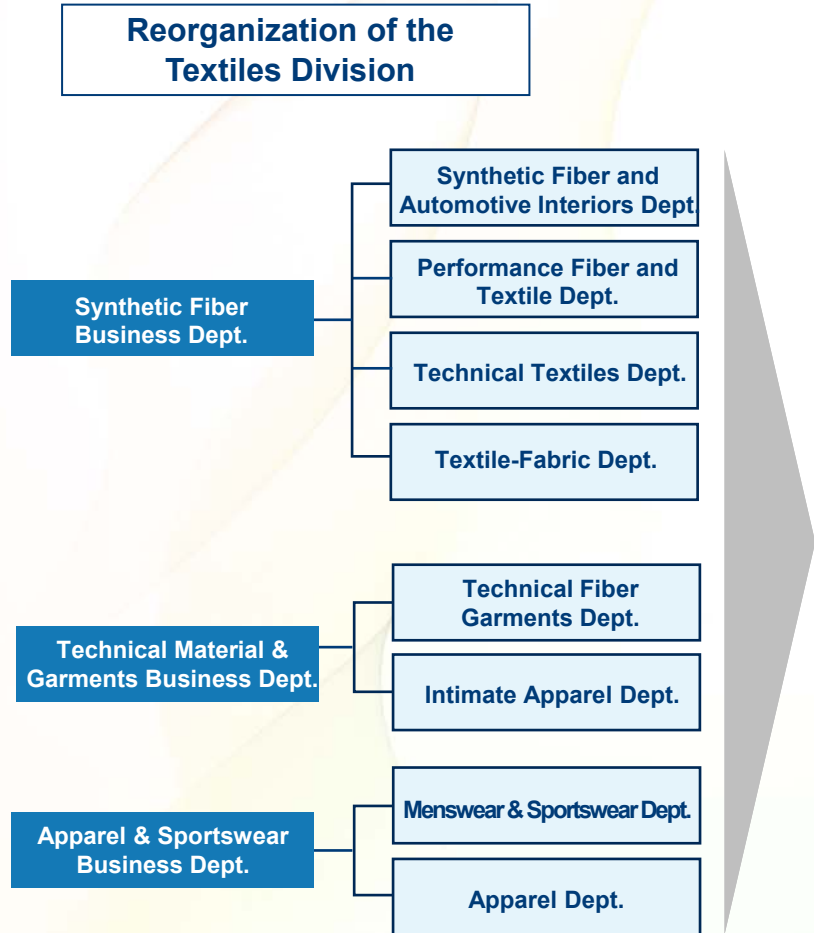
|                       |  |
|-----------------------|--|
| Name                  | Sumitex International Company Limited  |
| Location              | 3-26, Kanda Nishiki-cho, Chiyoda-ku, Tokyo   |
| Date of establishment | March 1987 (Founded in 1898)   |
| Capital stock         | 830 million yen  |
| Net sales             | 46,518 million yen (FY2019)  |
| Contents of business  | Manufacturing and distribution of textiles-related products (clothing, fabric materials, etc.) |
| Number of Employees   | 247 (As of April 1, 2020)  |
| Overseas bases        | China (Shanghai, Qingdao), Vietnam (Ho Chi Minh), Hong Kong                                    |



# Progress Of business strategy (Fibers, Textiles, and Garments Business )

|                                   |   |                      |            |                                      |
|-----------------------------------|---|----------------------|------------|--------------------------------------|
| Consolidated Management Structure | Creation of Next-Generation Business Models | Corporate Governance | Compliance | Human Resource Development Structure |
|-----------------------------------|---|----------------------|------------|--------------------------------------|

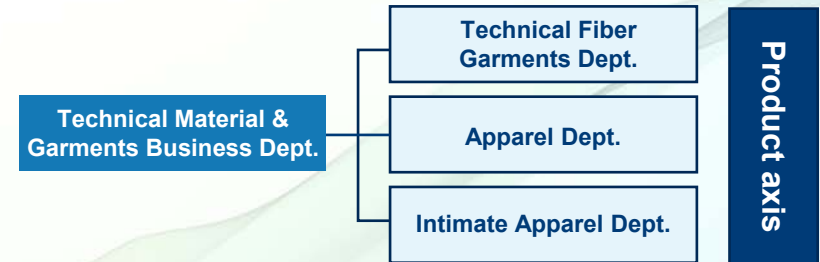
## Reorganization of the Textiles Division



**Aim of reorganization**

Strive for business expansion in Japan and overseas by streamlining product and usage axes at once

- Raw materials: synthetic raw materials (polyester and nylon)
- Vehicle materials: car seat fabric (fiber ~ fabric)
- Materials: non-woven fabric (for hygiene, building materials and lifestyle materials)
- Textiles: garment and non-garment textiles



**Aim of reorganization**

- Consolidate downstream business and maintain a system with a long view of the industry
- Strengthen and expand production and sales functions through collaboration with Sumitex International Company Limited



## II Progress on Midium-Term Management Plan

# Progress of business strategy (Fibers, Textiles, and Garments Business)

## ~Fibers, Textiles and Garments Business Cross-Sectional Project~



Consolidated Management Structure

Creation of Next-Generation Business Models

Corporate Governance

Compliance

Human Resource Development Structure

Distinctive Yarn

Environment

Health

Hygienic materials

### ECO BLUE™

#### Recycled polyester yarn

We wash and break down PET bottles that have been collected and transform them into a new fiber, recycling valuable resources. This generates less carbon dioxide in comparison with virgin polyester yarn, thereby contributing to decarbonization.



### TEXBRID™

#### Highly stretchable yarn

Highly stretchable yarn equipped with excellent stretching capabilities and elastic recovery that is comfortable to wear due to a spring-shaped particle structure. Demand is increasing due to factors such as an increase in time spent at home and the increasing popularity of sports such as golf.



### NATURAL DYE

#### Environmentally friendly apparel products dyed with naturally derived substances

These products are notable for being dyed with naturally derived substances such as vegetables, fruits and coffee grounds. Although we have been handling them for over 15 years, demand has been increasing due to the recent expansion of ethical consumption.



### Masks

Non-woven masks contain many types of layered fabric. We have procured material which is capable of eliminating major bacteria, which contributes to increased demand. We also handle fabric masks for apparel manufacturers and mask guards for events.



### Protective wear

We are handling more and more protective wear to prevent the spread of COVID-19.

We also handle items such as medical gloves, and are responding to increasing demand by securing stable supply routes.





## Progress of business strategy (Chemicals Business)

Consolidated Management Structure

Creation of Next-Generation Business Models

Corporate Governance

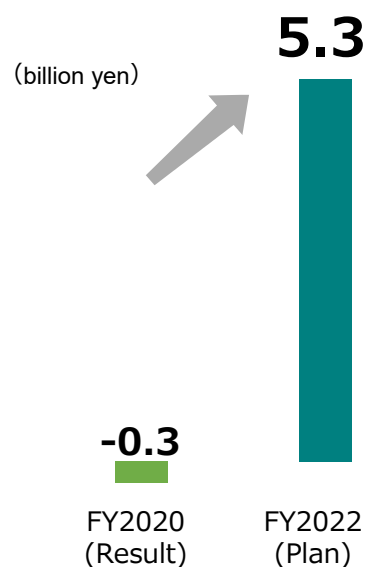
Compliance

Human Resource Development Structure

### Accelerate the transformation to a business model based on business investment

Plan for ordinary income in FY2022: Ordinary income in FY2020 (excluding ¥5.1 billion for provisions for allowance of doubtful accounts) was ¥4.8 billion in contrast to the planned ¥5.3 billion ⇒ Actual progress rate: 90%

[ Ordinary income (loss) ]



① Enhance business investment and promote development of new businesses

**Acceleration of business development despite effects of COVID-19 pandemic**

Concentrate investment on future growth fields, such as the environmental, 5G-related, electronics and battery materials, healthcare, and agricultural fields.

② Further strengthen and expand business originating in China

Strengthen Chinese market which recovered quickly from the impact of the COVID-19 pandemic

③ Enhancement of business subsidiaries centered around Miyako Kagaku Co., Ltd., expansion of business range through M&A

Consolidated Management Structure

Creation of Next-Generation Business Models

Corporate Governance

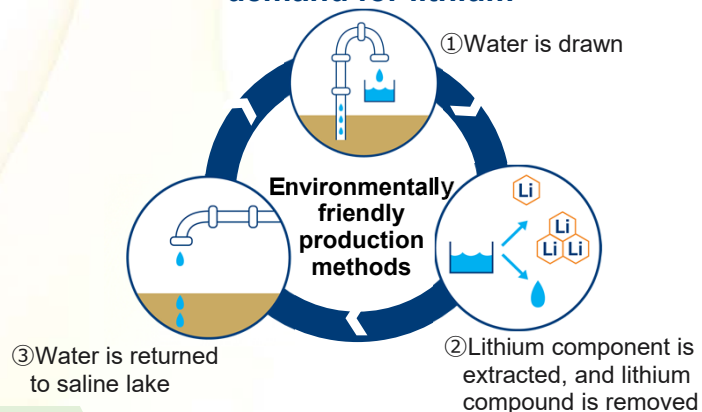
Compliance

Human Resource Development Structure

**Participation in lithium compound production project in Chile**



**Contribution to increased demand for lithium**



**Participation in Battery Association for Supply Chain (a general incorporated association)**



Established: April 1, 2021  
Registered members: 52 companies (as of its establishment)

BASC is an organization that was founded to carry out activities such as international standardization of battery supply chains (industries related to battery materials, components and raw materials) and construction of battery ecosystems to achieve a decarbonized society.

**Biodegradable resin**



**Seed sheets**

- Restricts evaporation of ground moisture
- Restricts weeds and pests
- Prevents desiccation
- Prevents diseases

**Material made from biodegradable resin**

Because water and carbon dioxide are eventually broken down through the actions of microscopic organisms, collection of the material is not necessary, which helps to make farming more efficient.

**Joined CLOMA (The Japan Clean Ocean Material Alliance)**

CLOMA is an organization established in order to accelerate innovation between a wide range of people across different industries to properly manage waste products, strengthen the 3R (Recycle, Reduce, and Reuse) initiative, and promote the development and spread of alternative materials such as biodegradable plastic and paper to reduce ocean plastics.



### Plant-based meat (a plant-based meat substitute derived from soybeans)

- It is projected that a protein crisis will occur in 2030 and that the global population will reach 10 billion people in 2050.
- Chori is working on promoting plant-based meat (a plant-based meat substitute) made from things like soybeans, wheat, and green peas as a new protein source.
- For handling non-GMO (non-genetically modified organism) products, we procure and propose high-quality and safe raw materials from overseas, combined with flavorings, etc. enjoyed by Japanese people.

Features a fibrous and crumbly texture similar to actual meat.

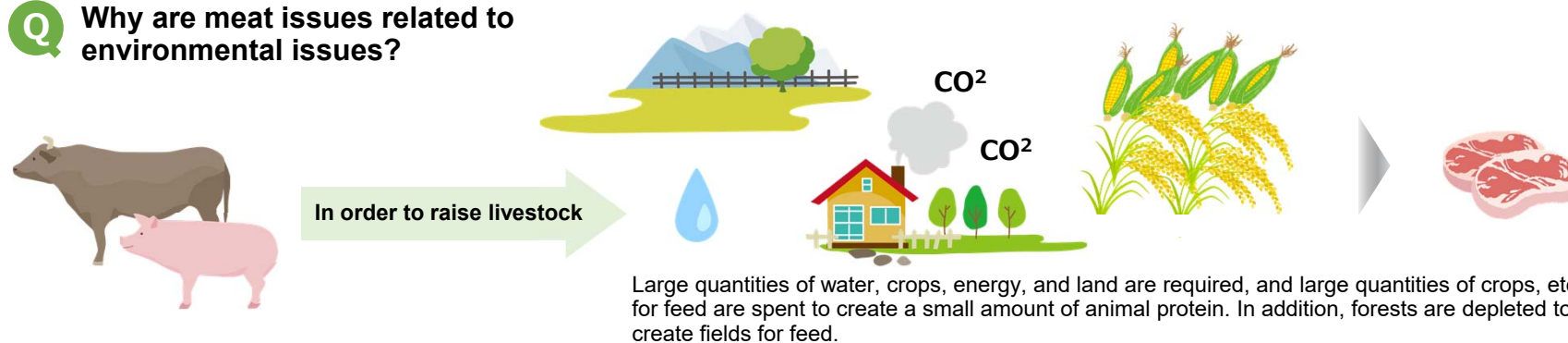


Chori booth at Hi/ FiT/ S-tec/ LL Japan 2020

#### Aim of the initiative

We aim to solve environmental issues by responding to predicted food shortages and alleviating problems such as deforestation and depletion of water and large quantities of crops caused by livestock production.

#### Q Why are meat issues related to environmental issues?



## Progress of business strategy (Machinery Business)

Consolidated Management Structure

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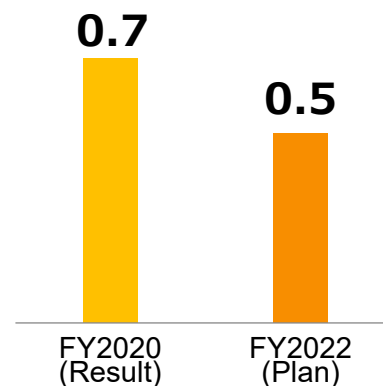
Human Resource Development Structure

### Develop the global market by leveraging the vehicles business platform

**Plan for ordinary income in FY2022: Ordinary income in FY2020 was ¥0.7 billion in contrast to the planned ¥0.5 billion**  
⇒ Ordinary income continued to exceed the Medium-Term Management Plan

【 Ordinary income 】

(billion yen)



- ① Ordinary income continued to exceed the Medium-Term Management Plan, which took into account the impact of the COVID-19 pandemic
- ② Steadily incorporate recovery in global demand for automobiles
- ③ Develop and strengthen markets served by Chori's four global bases (Mexico, South and Central America, the Middle East and Africa, Southeast Asia, Europe) + 1 (India)

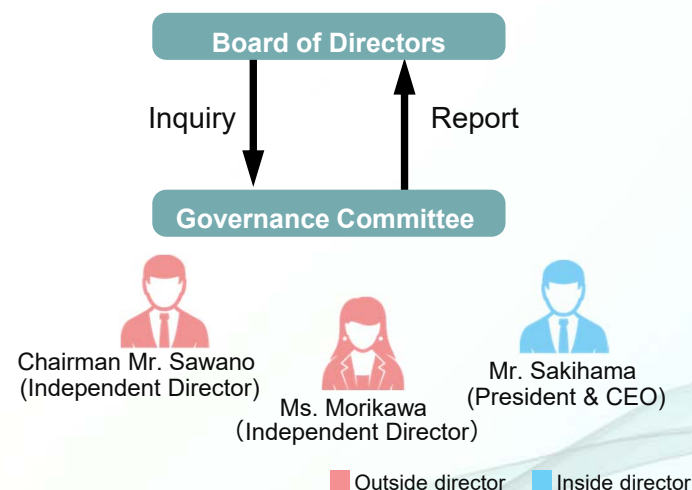
# Corporate Governance / Compliance

|                                   |   |                             |                   |                                      |
|-----------------------------------|---|-----------------------------|-------------------|--------------------------------------|
| Consolidated Management Structure | Creation of Next-Generation Business Models | <b>Corporate Governance</b> | <b>Compliance</b> | Human Resource Development Structure |
|-----------------------------------|---|-----------------------------|-------------------|--------------------------------------|

## Corporate Governance

### Governance committee (Establishment Mar. 2020)

|   |   |
|---|---|
| <b>Composition of committee</b>             | Total of three members comprised of the president and two outside directors, with an outside director serving as chair  |
| <b>No. of meetings in FY2020(Apr.-Mar.)</b> | 5 times (100% attendance by all 3 members)  |
| <b>Main themes</b>                          | <ul style="list-style-type: none"> <li>• Appointment or dismissal of directors and executive officers</li> <li>• Compensation for individual directors and executive officers</li> <li>• Successor plan, training</li> <li>• Report and deliberation on questionnaire regarding effectiveness evaluation of Board of Directors</li> <li>• Transactions with parent company group</li> </ul> |



## Compliance



New 2021 edition

We ensure compliance by working to strengthen the various audit functions of consolidated subsidiaries while improving corporate ethics and eliminating legal violations. We distribute handbooks to employees that list not only laws pertaining to business but also topics such as preventing things like different types of harassment.

### Legal Compliance Committee

|                      | FY2019 | FY2020 |
|----------------------|--------|--------|
| Number of times held | 6      | 6      |

■ Main themes

Internal control, strengthening and reevaluating compliance, etc.  
Workstyle reforms such as reducing overtime and taking paid leave, correspondence reports for questionnaires about harassment, etc.



## Strengthening of Human Resource Development Structure

Consolidated Management Structure

Creation of Next-Generation Business Models

Corporate Governance

Compliance

Human Resource Development Structure

### Responding to COVID-19 and realizing diverse work styles

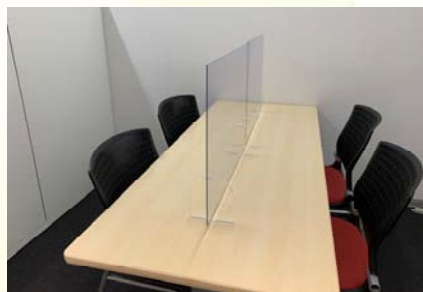
#### Implementing basic preventative measures against infection

- Ensuring proper coughing etiquette and mask wearing
- Placing alcohol-based sanitizer around office
- Periodically circulating air and prohibiting workers from commuting to office when they have cold symptoms such as a slight cough, fever, or feeling sluggish

Point 1

#### Preventing the spread of infection through “new normal” protocols

- Placing alcohol-based sanitizer and disinfectant wipes around the office, supplying gauze and masks to employees without stockpiles.
- Maintaining distance between parties and promoting teleconferences to avoid the 3Cs at work.



Installing plastic sheeting in conference rooms and booths.

#### Diversification and changes to work styles

- Implementing staggered shifts to avoid commuting congestion
- Conducting telework
- Reducing business trips to the minimum amount necessary
- Shifting training style from gathering in groups to online viewings

Point 2

#### Establishing environments for telework

- Instituting a system for as little in-person commuting as necessary for business continuation and introducing telework system to prevent the spread of infection (temporary).
- Overseas bases will comply with the requests in each country, incorporate flextime and telework, and continuing business after ensuring the safety of employees.



Handling visitors

Minimizing the number of people, ensuring mask wearing by visitors, measuring body temperature on arrival, and implementing thorough alcohol sanitization.

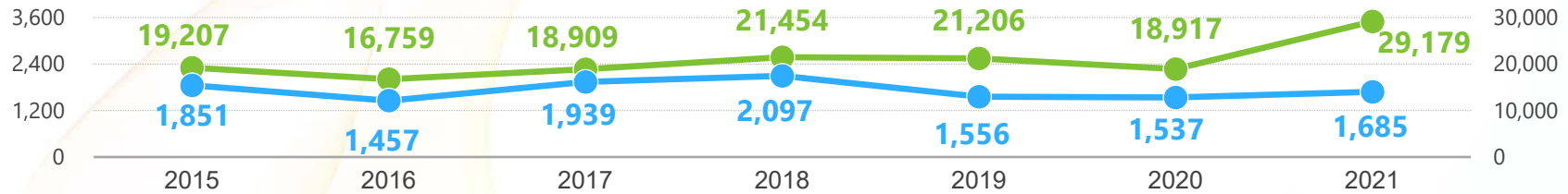
# III Appendix

# Market Trends

## Stock Price

Note: As of March 31 (Unit: yen) ● Chori (left scale) ● Nikkei Stock Average (right scale)

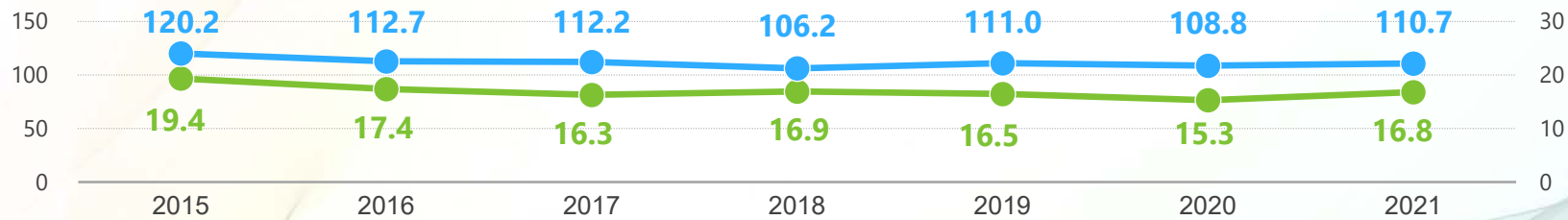
Source: Yahoo! JAPAN Finance



## Foreign exchange rate

Note: As of March 31 (Unit: yen) ● USD (left scale) ● RMB (right scale)

Source: Rate as of the Company's term-end

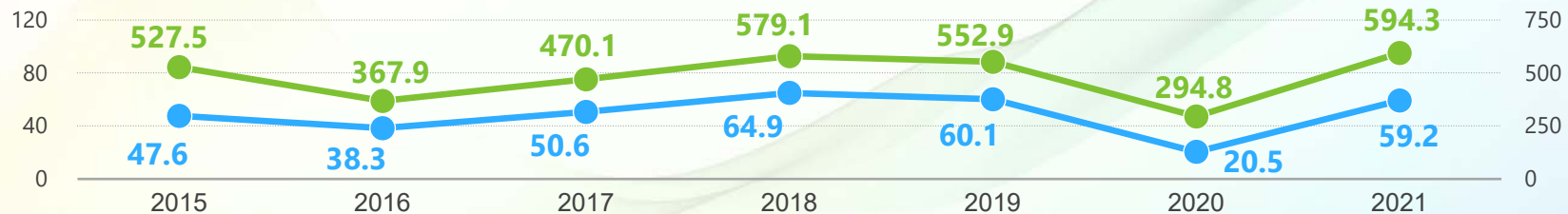


## Oil prices

Note: New York crude oil: USD/barrel as of March 31; Naphtha: USD/ton, single-month average for March

● New York crude oil (left scale) ● Naphtha (imports) (right scale)

Sources: Nihon Keizai Shimbun (digital edition), Company research





## Scope of Consolidation (FY2020 Apr.-Mar. — Scope of Consolidation)

| FY2019                  |           |
|-------------------------|-----------|
| Subsidiary              | 29        |
| Equity-method affiliate | 11        |
| <b>Total</b>            | <b>40</b> |

| FY2020                  |           |
|-------------------------|-----------|
| Subsidiary              | 30        |
| Equity-method affiliate | 11        |
| <b>Total</b>            | <b>41</b> |

Difference +1

### Main subsidiaries

| Name   | Segment |           |           | Remarks   |
|--|---------|-----------|-----------|---|
|  | FTG     | Chemicals | Machinery |   |
| ASADA U CO., LTD.                                      | ●       |           |           | Became a subsidiary through M&A in July 2017                              |
| Miyako Kagaku Co., Ltd.                                |         | ●         |           | Became a subsidiary through M&A in March 2015                             |
| CHORI GLEX CO., LTD.                                   |         | ●         |           | Became a subsidiary through M&A in March 2013 and renamed in October 2018 |
| KOZAKURA SHOKAI CO., LTD.                              |         | ●         |           | Became a subsidiary through M&A in January 2018                           |
| Chori Machinery Co., Ltd.                              |         |           | ●         | Established through an incorporation-type company split in April 2017     |
| CHORI AMERICA, INC.                                    | ●       | ●         |           |   |
| CHORI (CHINA) CO., LTD.                                | ●       | ●         |           | Critical overseas business site   |
| CHORI (DALIAN) TRADING CO., LTD.                       | ●       |           |           |   |
| CHORI (DALIAN) COMMERCIAL IMPORT EXPORT CO., LTD.      | ●       |           |           | Full-scale operations in January 2020                                     |
| CHORI CO., (HONG KONG) LTD.                            | ●       | ●         |           | Office relocated in April 2018  |
| THAI CHORI CO., LTD.                                   | ●       | ●         |           | Main ASEAN business site  |
| PT. CHORI INDONESIA                                    | ●       | ●         |           | Main ASEAN business site  |
| CHORI VIETNAM CO., LTD.                                | ●       |           |           | Main ASEAN business site  |
| CHORI COMERCIAL DE MEXICO, S.A. DE C.V.                | ●       |           |           | Central America base  |
| TAIWAN CHORI MERCHANDISE COOPERATION LTD.              | ●       | ●         |           |   |
| <b>15 other companies, for a total of 30 companies</b> |         |           |           |   |

M a k i n g y o u r d r e a m s c o m e t r u e

**CHORI CO., LTD.**