



February 26, 2021

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Notice Regarding Acquisition of Shares in Sumitex International (Subsidiary Acquisition)

CHORI CO., LTD. (“the Company”) hereby announces that the Company, at a Board of Directors meeting held today, resolved to acquire all shares outstanding in Sumitex International Company Limited (Sumitex International) from Sumitomo Corporation and make it a subsidiary of the Company.

The share acquisition implements the basic strategies of investment in and development of new businesses and M&A in Chori Innovation Plan 2022, the medium-term management plan, and will accelerate expansion of consolidated business.

1. Background and reason for share acquisition

Changes in the textile industry business environment are stark and there seems no way to halt the trend in contraction of the domestic textile market, in particular the size of the apparel market. Added to that, with the impact of the COVID-19 pandemic, the business environment is forecast to become even harsher going forward. It is crucial for the textile business foundations of both companies to be strengthened for them to maintain sustainable growth in the future.

Sumitex International is a textile trading company with a history of over 120 years dating back to its founding in 1898, starting out as a textile raw material business (cotton) and producing apparel as an OEM for customers in various categories. Backed by provision of a wide-reaching and detailed service cultivated over many years, it has developed business centered on trading partners in Japan.

The Company is defined by its comprehensive development, handling a fine balance of raw materials for textiles and textiles through to apparel. From environmental to high-performance, we can propose a wide range of original products based on construction of a global supply chain and marketing functions leveraging the global network forming our foundation as a trading company.

Making Sumitex International a subsidiary enables comprehensive development of main textile raw materials through the cotton that Sumitex International has traditionally handled to the synthetic fibers in which we have a competitive edge, allows presenting Sumitex International’s customers with the Company’s original products and strengthens the competitiveness of both companies through shared global apparel production bases, making it possible to capture synergetic effects and we believe greatly enhancing the corporate value of both companies.

2. Overview of the subsidiary to be transferred (Overview of Sumitex International)

(1) Name	Sumitex International Company Limited
(2) Location	3-26, Kanda Nishiki-cho, Chiyoda-ku, Tokyo
(3) Name and title of representative	President & CEO Yoshihiko Morisaki
(4) Contents of business	Manufacturing and distribution of textiles-related products (clothing, fabric materials, etc.)
(5) Share capital	830 million yen (Total number of shares outstanding: 16,600)
(6) Date of establishment	March 1987 (Founded in 1898)

(7) Major shareholder and shareholding ratio	Sumitomo Corporation 100%
(8) Relationship between the Company and Sumitex International Company Limited	The Company and Sumitex International have annual sales transactions in textiles-related products of 16 million yen (the year ended March 2020), but there are no other business, capital or personal relationships to be stated.

(9) Consolidated management performance and consolidated financial position of the company concerned over the past three years			
Fiscal year	Year ended Mar. 31, 2018	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Net assets	3,059 million yen	3,423 million yen	3,166 million yen
Total assets	14,002 million yen	14,412 million yen	12,477 million yen
Net assets per share	184,277 yen	206,205 yen	190,723 yen
Net sales	42,712 million yen	47,534 million yen	46,518 million yen
Operating income	807 million yen	1,162 million yen	829 million yen
Ordinary income	752 million yen	1,126 million yen	749 million yen
Net income attributable to owners of the parent	523 million yen	786 million yen	528 million yen
Net income per share	31,506 yen	47,349 yen	31,807 yen

Note: The above figures are consolidated financial figures for Sumitex International and its two subsidiaries. Furthermore, the above figures have not received an audit certificate from the Company's accounting auditor.

3. Overview of the other party in share acquisition

(1) Name	Sumitomo Corporation	
(2) Location	2-3-2 Otemachi, Chiyoda-ku, Tokyo	
(3) Name and title of representative	Representative Director, President and Chief Executive Officer Masayuki Hyodo	
(4) Contents of business	General trading company	
(5) Share capital	219,612 million yen (For the year ended Mar. 31, 2020)	
(6) Date of establishment	December 1919	
(7) Total equity (consolidated)	2,692,587 million yen (For the year ended Mar. 31, 2020)	
(8) Total assets (consolidated)	8,128,596 million yen (For the year ended Mar. 31, 2020)	
(9) Major shareholder and shareholding ratio	The Master Trust Bank of Japan, Ltd.(trust account) 8.77% Japan Trustee Services Bank, Ltd.(trust account) 4.66% BNYM RE NORWEST / WELLS FARGO OMNIBUS 4.43% Sumitomo Life Insurance Company 2.47%, others	
(10) Relationship between the Company and Sumitomo Corporation	Capital relationship	There is no capital relationship to be stated between the Company and the company concerned. In addition, there is no notable capital relationships between associates of the Company and associates of the company concerned, nor between the related companies.
	Personal relationship	There is no personal relationship to be stated between the Company and the company concerned. In addition, there is no notable personal relationships between associates of the Company and associates of the company concerned, nor between the related companies.
	Business relationship	There is no business relationship to be stated between the Company and the company concerned.

	Status as related party	The Company has no related parties with the company concerned. Moreover, associates of the company concerned and the related companies are not related parties of the Company.
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4. Number of shares acquired and status of shares before and after acquisition

(1) Number of shares before transfer	0 shares (Number of votes: 0, Percentage of voting rights: 0%)
(2) Number of shares acquired	16,600 shares (Number of votes: 16,600)
(3) Acquisition price	Not disclosed
(4) Number of shares after transfer	16,600 shares (Number of votes: 16,600, Percentage of voting rights: 100%)

Note: The Company's Board of Directors has determined the acquisition price to be fair and appropriate based on due diligence conducted by a third party and taking into consideration reasonable calculations.

5. Schedule

(1) Date of Board of Directors resolution	February 26, 2021
(2) Date of concluding agreement to transfer shares	February 26, 2021
(3) Date of share transfer	June 1, 2021(Planned)

6. Future prospects

Sumitex International will become a consolidated subsidiary of the Company due to the acquisition of these shares. It will have a negligible effect on the Company's consolidated results for the fiscal year ending March 31, 2021. The plan is to incorporate the impact the acquisition will have on the Group's performance in the consolidated business results forecast for the fiscal year ending March 31, 2022, which is scheduled to be announced in conjunction with the announcement of results for the fiscal year ending March 31, 2021.

7. Other

This acquisition is conducted on the assumption that there are no factors, such as a cease and desist order, preventing the acquisition as a result of an investigation by the Fair Trade Commission pursuant to giving the Fair Trade Commission advance notification based on Article 10, Item 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.