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(Securities Code 8014)

June 2, 2021

To Shareholders with Voting Rights:

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

**NOTICE OF
THE 74TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We are pleased to announce that the 74th Annual General Meeting of Shareholders of Chori Co., Ltd. (the “Company”) will be held for the purposes as described below.

From the perspective of preventing the spread of the novel coronavirus disease (COVID-19), we request that you exercise your voting rights in advance in writing or via electromagnetic means (the Internet, etc.) whenever possible, and encourage you to refrain from attending the General Meeting of Shareholders in person.

Please review the information in the Reference Documents for the General Meeting of Shareholders provided later in this Notice and submit your vote by no later than 5:30 p.m. on Wednesday, June 16, 2021, with reference to the Guidance for Exercising Your Voting Rights described on pages 3 to 4.

Date and Time: Thursday, June 17, 2021 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 74th Fiscal Year (April 1, 2020 - March 31, 2021) 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 74th Fiscal Year (April 1, 2020 - March 31, 2021)

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

- Any updates to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements will be posted on the Company's website.
- This Notice consists of the Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements, excluding the items stated below, that are subject to audit by the Audit & Supervisory Committee and Accounting Auditor for the purposes of preparing the audit reports. The items stated below are posted on the Company's website pursuant to the laws and regulations as well as Article 16 of the Articles of Incorporation of the Company.
 - Business Report: "Accounting Auditor," "Company's Systems and Policies"
 - Consolidated Financial Statements: "Consolidated Statement of Changes in Equity," "Notes to the Consolidated Financial Statements"
 - Nonconsolidated Financial Statements: "Nonconsolidated Statement of Changes in Equity," "Notes to the Nonconsolidated Financial Statements"

Measures in Response to the Novel Coronavirus Disease (COVID-19)

- From the perspective of preventing the spread of the novel coronavirus disease (COVID-19), we request that you exercise your voting rights in advance in writing or via the Internet whenever possible, and encourage you to refrain from attending the General Meeting of Shareholders in person.
- The number of seats available at the venue of this General Meeting of Shareholders will be significantly fewer than that in previous years due to the increased space between seats. We appreciate your understanding and cooperation.
- We would like to ask all shareholders who attend the General Meeting of Shareholders in person on the day of the Meeting to take measures such as wearing a mask to prevent yourself and others from becoming infected. We also ask for your cooperation in taking measures to prevent infection, such as alcohol disinfection and temperature measurement using non-contact thermometers at the entrance to the venue of the Meeting. If you have a temperature higher than 37.5 degrees Celsius as a result of the temperature measurement, or if you appear to be in poor health, you may be refused admission.
- The operational staff of the General Meeting of Shareholders will wear masks while on duty after checking their health conditions thoroughly.
- If there are any major changes to the operation of the General Meeting of Shareholders, including the above measures, 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 the safety and health of you and the people around you.

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

Guidance for Exercising Your Voting Rights

Please review the information provided in the Reference Documents for the General Meeting of Shareholders (from page 5 to 12) 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: Thursday, June 17, 2021 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 74th Annual General Meeting of Shareholders (this document) with them.

Exercise of Voting Rights in Writing

Deadline for the exercise of voting rights: Wednesday, June 16, 2021 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: Wednesday, June 16, 2021 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.
- If you exercise your voting rights both in writing and via the Internet, the vote exercised via the Internet will be recognized as the valid one.
- If you exercise your voting rights several times via the Internet, only the final vote will be deemed as the valid one.
- 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 seven (7) 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	(65 years old)	8 years	President, CEO & COO President and Executive Officer
2	[Reappointment]	Shigemasa Yabu	(60 years old)	6 years	Director Managing Executive Officer
3	[Reappointment]	Kazuhiro Tohge	(60 years old)	3 years	Director Executive Officer
4	[Reappointment]	Mitsuo Ohya	(65 years old)	1 year	Director
5	[New appointment]	Hiromasa Suzuki	(64 years old)	0 year	

No.	Name Date of birth Age	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	 Kazuo Sakihama May 2, 1956 65 years old [Term of office as Director] 8 years [Reappointment]	Apr. 1980 Joined the Company Jun. 2010 Executive Officer, Deputy General Manager of Chemicals & 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. Jun. 2013 Director, Executive Officer, Deputy General Manager of Chemicals & Life Science, Machinery, Electronics Operations of the Company Jun. 2014 Director, Executive Officer, General Manager of Chemicals & Life Science, Machinery, Electronics Operations of the Company Jan. 2015 President, CEO & COO, President and Executive Officer of the Company (to present)	32,317 shares
		■ Reasons for nominating the candidate for Director Since joining the Company in 1980, Mr. Kazuo Sakihama has worked mainly in chemicals and machinery businesses. He has served as Deputy General Manager of Chori (China) Co., Ltd., General Manager of Chemicals & 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) every fiscal year 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.	
2	 Shigemasa Yabu April 7, 1961 60 years old [Term of office as Director] 6 years [Reappointment]	Apr. 1985 Joined the Company Jun. 2013 Executive Officer, General Manager of Corporate Planning Department of Corporate Planning Division of the Company Jun. 2015 Director, Executive Officer, General Manager of Corporate Planning Department of Corporate Planning Division, General Manager of Corporate Accounting Department of Corporate Administration Division, and General Manager of Pharmacovigilance & Quality Assurance Office of the Company Jun. 2019 Director, Managing Executive Officer, General Manager of Corporate Planning Division, and Executive Chief Representative for China of the Company (to present)	21,182 shares
		■ Reasons for nominating the candidate for Director Since joining the Company in 1985, Mr. Shigemasa Yabu has worked mainly in finance and accounting, legal work and compliance, and IR and public relations operations. He has been the Director, Managing Executive Officer, General Manager of Corporate Planning Division, and Executive Chief Representative for China (current position) since 2019. He has abundant experience in the Company and broad knowledge in operations, including serving as the chair of the project to formulate the “Chori Innovation Plan 2022” medium-term management plan. We believe that he is capable of carrying out appropriate business execution and objectively supervising the management of the Company, and have therefore continuously nominated him as a candidate for Director.	

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="240 685 443 775">Kazuhiro Tohge September 5, 1960 60 years old</p> <p data-bbox="256 808 427 887">[Term of office as Director] 3 years</p> <p data-bbox="261 920 422 949">[Reappointment]</p>	<p data-bbox="485 282 1251 752"> 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 & Clothing Textile Division of TORAY INDUSTRIES, INC. Jun. 2018 Director, Executive Officer, General Manager of Promoting Textile & Garment Business Globalization of the Company Jun. 2019 Director, Executive Officer, Special Appointee of the President (Textile Division) (to present) </p> <p data-bbox="485 763 1420 1158"> ■ Reasons for nominating the candidate for Director 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 & Clothing Textile Division of TORAY INDUSTRIES, INC., and since 2018, as the Director, Executive Officer, General Manager of Promoting Textile & 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>	9,151 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="268 801 416 891">Mitsuo Ohya June 11, 1956 65 years old</p> <p data-bbox="256 925 427 1003">[Term of office as Director] 1 year</p> <p data-bbox="261 1037 422 1066">[Reappointment]</p>	<p data-bbox="485 277 1246 958"> Apr. 1980 Joined TORAY INDUSTRIES, INC. Jun. 2002 General Manager, Filament Dept. of TORAY INDUSTRIES, INC. Jun. 2008 Vice President of P.T. Indonesia Toray Synthetics and Director of PT. OST Fibre Industries Jun. 2009 General Manager, Industrial & Textile Fibers Division and General Manager, Fibers & Textiles Recycling Dept. of TORAY INDUSTRIES, INC. Jun. 2011 General Manager, Industrial & Textile Fibers Division of TORAY INDUSTRIES, INC. Jun. 2012 Vice President (Member of the Board) of TORAY INDUSTRIES, INC. Jun. 2014 President and Representative Member of the Board of Toray International, Inc. Jun. 2016 Senior Vice President (Member of the Board & Member of the Executive Committee) of TORAY INDUSTRIES, INC. Jun. 2020 Director of the Company (to present) Jun. 2020 Executive Vice President and Representative Member of the Board of TORAY INDUSTRIES, INC. (to present) </p> <p data-bbox="485 969 1406 1393"> ■ Reasons for nominating the candidate for Director Since joining TORAY INDUSTRIES, INC. in 1980, Mr. Mitsuo Ohya has worked mainly in sales operations related to the fiber and textile business. Together with possessing abundant experience and a depth of expertise in the fiber and textile business, he has achievements and knowledge related to all the areas of management, including serving as President and Representative Member of the Board of Toray International, Inc. from June 2014, as Senior Vice President (Member of the Board & Member of the Executive Committee), General Manager of the Fibers & Textiles Division and General Manager of the Osaka Head Office of TORAY INDUSTRIES, INC., and then as Executive Vice President and Representative Member of the Board of TORAY INDUSTRIES, INC. (current position). In the Company, he has objectively supervised management from a perspective of corporate management and provided useful suggestions for achieving sustainable growth, and we have therefore continuously 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	 Hiromasa Suzuki September 21, 1956 64 years old	Apr. 1981 Joined Fujizoki Pharmaceutical Co., Ltd. (currently Fujirebio Inc.) Mar. 2001 Director (Strategic Planning Department, Corporate Planning Division) of Fujirebio Inc. Director of Fujirebio America, Inc. Feb. 2002 Managing Director of Fujirebio Inc. Mar. 2003 President & CEO of Fujirebio Inc. Jun. 2005 Established Miraca Holdings Inc. President & CEO of Miraca Holdings Inc. Jul. 2005 President & CEO of Fujirebio Inc. Jun. 2006 Director of SRL, Inc. Jun. 2010 Chairman & Representative Director of Fujirebio Inc. Jun. 2014 Chairman & Director of Fujirebio Inc. Oct. 2016 Director, Executive Officer of Miraca Holdings Inc. Jun. 2017 Director of Miraca Holdings Inc. Jun. 2018 Senior Advisor of Miraca Holdings Inc. (retired in June 2020)	0 shares
	[Term of office as Director] 0 year [New appointment] [Outside Director] [Independent Officer]	■ Reasons for nominating the candidate for Outside Director and outline of expected roles Mr. Hiromasa Suzuki has been involved in the management of Fujirebio Inc. for many years and has abundant experience in group management as a top executive of a company, including leading the establishment of Miraca Holdings Inc. We expect him to objectively supervise management from a perspective of corporate management and provide useful suggestions for achieving sustainable growth at the Company, and have therefore newly nominated him as a candidate for Director. ■ Matters concerning independence Mr. Hiromasa Suzuki satisfies the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange and the Company, and the Company believes that his independence is ensured.	

(Note) No material conflict of interest exists between the Company and any of the candidates for Directors.

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 its deliberation by the Governance Committee, which is an advisory body for the Board of Directors. The Audit & Supervisory Committee has also consented to the submission of 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
	<p>Apr. 1985 Registered as a lawyer Jun. 2000 Outside Audit & Supervisory Board Member of Cleanup Corporation (to present) Apr. 2007 Auditor of Dai-Ichi Tokyo Bar Association Apr. 2008 Member of Mediation Committee of Tokyo Family Court (to present) Apr. 2009 Vice-president of Dai-Ichi Tokyo Bar Association Jun. 2011 Outside Audit & Supervisory Board Member of The Nisshin OilliO Group, Ltd. Jun. 2018 Substitute Director who is an Audit & Supervisory Committee Member of the Company (to present)</p>	0 shares
<p>Kenichi Araya July 23, 1957 63 years old</p> <p>[Outside Director] [Independent Officer]</p>	<p>■ Reasons for nominating the candidate for Substitute Outside Director and outline of expected roles Although Mr. Kenichi Araya has not engaged in corporate management other than as Outside Audit & Supervisory Board Member, the Company believes that he will appropriately fulfill his duties as Audit & Supervisory Committee Member of the Company, on the grounds that he has abundant experience and broad insight as a lawyer. We expect him to provide appropriate advice on the establishment of the Company's governance system, etc., based on his insight in corporate legal affairs as a lawyer, and have therefore nominated him as a candidate for Substitute Director who is an Audit & Supervisory Committee Member.</p>	

- (Notes)
1. No material conflict of interest exists between the Company and the candidate for Substitute Director.
 2. Mr. Kenichi Araya is a candidate for Substitute Outside Director. He satisfies the requirements of an Independent Officer as prescribed by the Tokyo Stock Exchange.
 3. The Company intends to enter into an agreement with Mr. Kenichi Araya to limit the liability for damage based on the Articles of Incorporation. Under this agreement, the amount limit of liability for damages shall be the minimum liability amount prescribed in Paragraph 1, Article 427 of the Companies Act only when he conducts his duties in good faith and without gross negligence.

(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		●	●		
Shigemasa Yabu	Director Managing Executive Officer				●	●
Kazuhiro Tohge	Director Executive Officer		●	●		
Mitsuo Ohya	Director		●	●		
Hiromasa Suzuki	Outside Director	●	●			
Jun Furuya	Director Audit & Supervisory Committee Member				●	●
Masaaki Sawano	Outside Director Audit & Supervisory Committee Member	●				●
Noriko Morikawa	Outside Director Audit & Supervisory Committee Member	●	●	●	●	

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

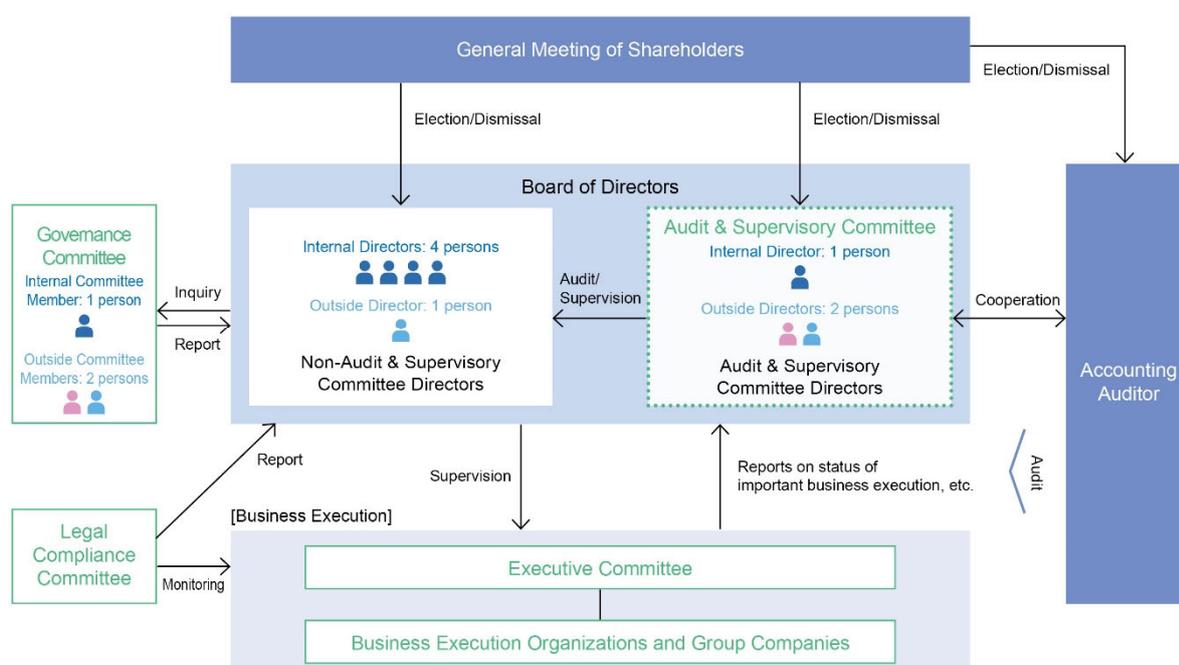
2. Basic Stance on Corporate Governance

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 Proposal No. 1 is approved at this General Meeting of Shareholders.

Business Report

(April 1, 2020 - March 31, 2021)

1. Overview of the Company Group

1. Business Progress and Results

During the fiscal year ended March 31, 2021 (hereinafter the “current fiscal year”), the Japanese economy and the world economy were greatly affected by the recession caused by the spread of the novel coronavirus disease (COVID-19). Although vaccinations have started in many countries around the world, the infections shows no signs of slowing down, and variants of the virus have spread rapidly since the end of the fiscal year, making it difficult to predict when the infection will be contained.

Although the Japanese economy showed signs of economic recovery in some sectors, particularly in manufacturing industries such as the automobile industry, consumption in the garments field, etc. was sluggish due to the impact of the two state of emergency declarations.

The world economy remained unpredictable, as lockdowns and restrictions on economic activities have been intermittently implemented around the world due to the resurgence of the novel coronavirus disease (COVID-19). In addition, in the relationship between the U.S. and China, which is a matter of global concern, neither side has shown any sign of a shift in their hardline policies, and there is no prospect of improvement in trade friction between the U.S. and China.

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

With regard to the consolidated performance for the current fiscal year, net sales amounted to ¥216,233 million (¥329,360 million in the previous fiscal year) due to the impact of the application of the Accounting Standard for Revenue Recognition, etc., which reduced sales by ¥41,755 million, as well as the global economic slowdown caused by the spread of the novel coronavirus disease (COVID-19). In terms of earnings, although the Group has thoroughly reduced controllable expenses, provision of allowance for doubtful accounts of ¥5,085 million, which corresponds to the entire amount of accounts receivable from two companies belonging to JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD., a chemical manufacturer in China (hereinafter, these two companies and JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD. will be collectively called the “Chengxing Group”) was recorded in selling, general and administrative expenses. As a result, operating income decreased 55.4% year on year to ¥3,663 million and ordinary income decreased 46.4% year on year to ¥4,656 million, while net income attributable to owners of the parent decreased 79.6% year on year to ¥1,247 million.

2. Trends in Assets and Income

(Millions of Japanese Yen)

Item	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021 (Current fiscal year)
Net sales	311,705	356,537	329,360	216,233
Operating income	7,226	8,047	8,219	3,663
Ordinary income	7,499	8,660	8,685	4,656
Net income attributable to owners of the parent	4,730	5,630	6,101	1,247
Net income per share (Yen)	192.74	229.28	248.46	50.73
Total assets	119,055	118,499	114,400	110,591
Total net assets	51,153	53,897	57,279	58,831
Net assets per share (Yen)	2,079.84	2,191.45	2,328.79	2,390.06

- (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. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been applied from fiscal 2019, and therefore the figures presented for fiscal 2018 have been retroactively adjusted to reflect this new accounting basis.
3. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 30, 2018) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018) 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, overseas businesses such as sanitary materials remained steady despite the severe environment, while the domestic market was affected by the novel coronavirus disease (COVID-19), mainly in the clothing field, resulting in a loss of sales opportunities due to store closures and a slump in consumer sentiment, etc. As a result, net sales were ¥90,094 million (¥114,520 million in the previous fiscal year), and segment income (ordinary income) decreased 3.8% year on year to ¥3,877 million.

The impact of a decrease in sales due to the application of the Accounting Standard for Revenue Recognition, etc. amounted to ¥5,844 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

In this segment, although there was a recovery in the second half of the current fiscal year, it could not make up for the market slowdown in the organic chemicals field and the electronic materials field in the first half of the year due to the spread of the novel coronavirus disease (COVID-19). As a result, net sales were ¥123,325 million (¥150,634 million in the previous fiscal year). In terms of earnings, due to the impact of recording provision of allowance for doubtful accounts pertaining to the Chengxing Group of ¥5,085 million in selling, general and administrative expenses, segment loss (ordinary loss) was ¥323 million (segment income (ordinary income) in the previous fiscal year was ¥3,515 million).

The impact of a decrease in sales due to the application of the Accounting Standard for Revenue Recognition, etc. amounted to ¥2,831 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 were ¥2,747 million (¥64,133 million in the previous fiscal year) mainly due to the impact of a decrease in sales due to the application of the Accounting Standard for Revenue Recognition, etc. Segment income (ordinary income) increased 69.0% to ¥704 million mainly due to improved profitability.

The impact of a decrease in sales due to the application of the Accounting Standard for Revenue Recognition, etc. amounted to ¥33,078 million.

Others

Major products or services

- Office outsourcing services

In this segment, net sales were ¥65 million, and segment income (ordinary income) increased 15.0% year on year to ¥18 million.

Fiscal years		Fiscal 2020	Fiscal 2021	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	114,520	90,094	(21.3)	41.7
	Ordinary income	4,028	3,877	(3.8)	—
Chemicals	Net sales	150,634	123,325	(18.1)	57.0
	Ordinary income (loss)	3,515	(323)	—	—
Machinery	Net sales	64,133	2,747	(95.7)	1.3
	Ordinary income	417	704	69.0	—
Others	Net sales	72	65	(9.8)	0.0
	Ordinary income	15	18	15.0	—

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

3. Capital Investment

The total amount of capital investment (excluding leased assets) for the current fiscal year was ¥1,137 million, mainly for recycling PET resin extruders in the fibers, textiles and garments segment.

4. Fund Procurement

The Company has been promoting the liquidation of notes receivable-trade, etc. during the current fiscal year aimed at the diversification and lower levels of interest in fund procurement. The Company 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.

5. Issues to be Addressed

The future outlook remains uncertain as the resurgence of the novel coronavirus disease (COVID-19) continues and it remains unforeseeable when it will be contained. Under these circumstances, the Group has steadily promoted “consolidated management,” “creation of a next-generation business model,” “corporate governance,” “compliance,” and “human resources,” which are the five basic strategies of the medium-term management plan “Chori Innovation Plan 2022.” The Group will strive to become a corporate group that continues to evolve and change on a global scale, built on outstanding capabilities and expertise, and to further increase corporate value.

1) Consolidated management

We will strengthen our management structure by “consolidated global operations by each business department,” “consolidated management,” “portfolio management,” and “digital management.”

2) Creation of next-generation business model

We will strive to expand our business scope and transform our profit structure through active business investments in growing fields and regions, as well as M&As that will bring out consolidated contributions and business synergies.

3) Corporate governance and compliance

We will aim to further enhance our corporate value by improving corporate governance and reinforcing compliance through the “establishment of a governance committee, a majority of which is composed of independent outside directors,” “improvement in dividend policies,” “enhancement of the Chori brand value,” “global risk management,” and “strengthening of various auditing functions for the consolidated subsidiaries,” etc.

4) Human resources

Considering human resources as our most valuable management resources, we will enhance our human resources through the “development of next-generation human resources” and “promotion of healthy management.”

6. 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 52.78%).

The Company's transactions with the parent company for the current fiscal year amounted to ¥1,716 million in net sales and ¥5,048 million in net purchase.

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
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	98.94	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
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.

7. 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)

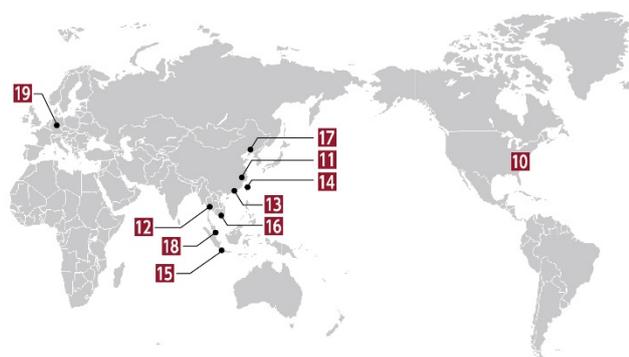
2) Offices of principal subsidiaries

Domestic subsidiaries:

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

Overseas subsidiaries:

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



8. Employees

Status of employees of the Chori Group

Business segment	Number of employees		Year-on-year comparison
Fibers, Textiles and Garments	441	< 121 >	(37)
Chemicals	337	< 50 >	25
Machinery	13	< 3 >	(1)
Others	64	< 10 >	(2)
Companywide (common)	114	< 26 >	(30)
Total	969	< 210 >	(45)

(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
340	2	39.6	13.9

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

9. 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 4,406 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	52.71
BBH FOR FIDELITY PURITAN TR : FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,566,400	6.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	822,400	3.34
Hurex Co., Ltd.	735,700	2.99
Wacoal Corporation	548,890	2.23
Custody Bank of Japan, Ltd. (Trust Account)	537,400	2.18
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	484,256	1.97
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	325,000	1.32
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	296,000	1.20
HSBC PRIVATE BANK (SUISSE) SA GENEVA, CLIENT ACCOUNT	204,000	0.83

- (Notes)
1. Treasury stocks of the Company of 703,266 shares are excluded from the above table of Major Shareholders.
 2. The Company's treasury stocks (703,266 shares) were excluded in the calculation of the percentage of shares held.
 3. Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. merged with JTC Holdings, Ltd. on July 27, 2020, and changed their corporate name to Custody Bank of Japan, Ltd.

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 29, 2020 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)	41,369	6
Outside Directors (excluding Directors who are Audit & Supervisory Committee Members)	—	—
Directors (Audit & Supervisory Committee Members)	—	—
Executive Officers	3,678	1

3. Company Officers

1. Directors (as of March 31, 2021)

Position	Name	Responsibilities and significant concurrent positions
President, CEO & COO	Kazuo Sakihama	
Director	Shigemasa Yabu	General Manager of Corporate Planning Division
Director	Hiroshi Yoshida	General Manager of Textile Division
Director	Yoshihiro Teratani	General Manager of Chemicals Division
Director	Kazuhiro Tohge	Special Appointee of the President (Textile Division)
Director	Satoko Nakayama	Deputy General Manager of Corporate Planning Division
Director	Mitsuo Ohya	Executive Vice President and Representative Member of the Board of TORAY INDUSTRIES, INC.
Director (Full-time Audit & Supervisory Committee Member)	Jun Furuya	
Director (Audit & Supervisory Committee Member)	Masaaki Sawano	Member of the Selection Committee for Summary Court Judges of the Supreme Court Member of Advisory Council on Fundamental Issues in Corporate Management and Rent Council of Urban Renaissance Agency Member of Advisory Council on Fundamental Issues in Corporate Management 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 (Audit & Supervisory Committee Member)	Noriko Morikawa	Outside Director of Showa Denko K.K. Outside Director of Mitsubishi Heavy Industries, Ltd. (appointed on June 26, 2020)

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

Appointment: At the 73rd Annual General Meeting of Shareholders held on June 16, 2020, Mr. Yoshihiro Teratani and Mr. Mitsuo Ohya were newly elected and appointed as Director.

Retirement: At the conclusion of the 73rd Annual General Meeting of Shareholders held on June 16, 2020, Mr. Hiroyuki Watanabe and Mr. Ryo Murayama retired from the office of Director.

- Directors, Mr. Masaaki Sawano and Ms. Noriko Morikawa, are Outside Directors as provided in Item 15, Article 2 of the Companies Act.
- Directors, Mr. Masaaki Sawano and Ms. Noriko Morikawa, are registered as Independent Officer 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. Jun Furuya, has considerable knowledge of all the areas of the management, legal affairs, finance and accounting of trading companies, gained through the engagement mainly in business management, credit control and legal work, human resources and general affairs.
- An Outside Director (Audit & Supervisory Committee Member), Mr. Masaaki Sawano, has extensive experience and broad insight acquired in his career as a lawyer.
- An Outside Director (Audit & Supervisory Committee Member), Ms. Noriko Morikawa, has many years of experience in accounting and finance and has completed her Financial Accounting of MBA, and has considerable knowledge of finance and accounting.
- 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 7 Executive Officers. (as of March 31, 2021)

Title	Name	Major positions and responsibilities
President and Executive Officer	Kazuo Sakihama	CEO & COO
Managing Executive Officer	Shigemasa Yabu	General Manager of Corporate Planning Division and Executive Chief Representative for China
Senior 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
Executive Officer	Yoshihiro Teratani	General Manager of Chemicals Division, Senior Manager of Life & Fine Chemicals Business Department and General Manager of Logistics Department (Chemicals)
Executive Officer	Kazuhiro Tohge	Special Appointee of the President (Textile Division)
Executive Officer	Satoko Nakayama	Deputy General Manager of Corporate Planning Division (Human Resources & General Affairs Department, Information System Department), General Manager of Pharmacovigilance & Quality Assurance Office, and General Manager of CHORI Innovation Activities
Executive Officer	Tatsuyuki Sakoda	President & CEO of Miyako Kagaku Co., Ltd.

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, 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
		Fixed compensation (monetary)	Performance-linked compensation		
			Bonus (monetary) *4	Restricted stock compensation (non-monetary) *4	
Directors *1/2/3 (excluding Audit & Supervisory Committee Members)	208	142	42	24	7
Directors *1/2 (Audit & Supervisory Committee Members)	18	18	-	-	1
Outside Directors	17	17	-	-	2

*1) Excluding Outside Directors.

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

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

*4) Of the above items, bonuses and restricted stock compensation are stated as payment amounts corresponding to a performance benchmark of ¥4,700 million for consolidated ordinary income for fiscal 2021.

(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 45,047 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 41,369 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 2021: ¥4,700 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, 2020 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 (Audit & Supervisory Committee Member) of the Company, Mr. Masaaki Sawano, concurrently serves as a member of the Selection Committee for Summary Court Judges of the Supreme Court, a member of Advisory Council on Fundamental Issues in Corporate Management and Rent Council of Urban Renaissance Agency, a member of Advisory Council on Fundamental Issues in Corporate Management 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, and the Chairman of Tokyo Metropolitan Government Election Administration Commission. There are no relationships between the Company and these organizations that should be disclosed.

A Director (Audit & Supervisory Committee Member) of the Company, Ms. Noriko Morikawa, concurrently serves as an Outside Director of Showa Denko K.K. and an Outside Director of Mitsubishi Heavy Industries, Ltd. There is no relationship between the Company and said companies 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)
Masaaki Sawano (appointed in June 2018)	Board of Directors meetings 18/18 Audit & Supervisory Committee meetings 16/16 Governance Committee meetings 5/5	Mr. Sawano attended all of the Board of Directors meetings, Audit & Supervisory Committee meetings, and Governance Committee meetings held during fiscal 2021. 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. In fiscal 2021, Mr. Sawano 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.
Noriko Morikawa (appointed in June 2018)	Board of Directors meetings 18/18 Audit & Supervisory Committee meetings 16/16 Governance Committee meetings 5/5	Ms. Morikawa attended all of the Board of Directors meetings, Audit & Supervisory Committee meetings, and Governance Committee meetings held during fiscal 2021. Ms. Morikawa was expected to play a role in supervising the execution of business at the Company by utilizing her broad insight based on her abundant achievements and knowledge of finance and accounting as a corporate manager and experience working overseas, and she actively provided opinions and advice based on such expertise and contributed to the deepening of discussions. In fiscal 2021, Ms. Morikawa contributed to discussions regarding the compensation, nomination, and evaluation of Directors and Executive Officers as a member of the Governance Committee, and played a role as a member of the Governance Committee in establishing a highly transparent governance structure.

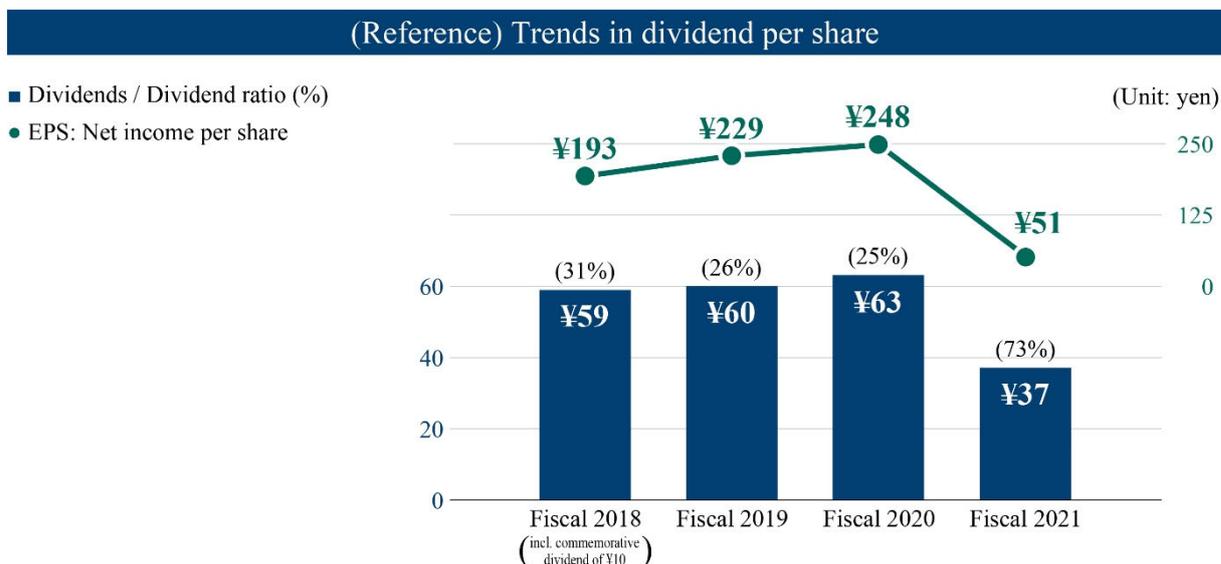
(Note) Attendance at the Board of Directors meetings, Audit & Supervisory Committee meetings, and Governance Committee meetings held in fiscal 2021

4. 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.

The consolidated business performance for the current fiscal year fell short of the forecast announced on February 8, 2021, due to the recording of provision of allowance for doubtful accounts of ¥5,085 million pertaining to the Chengxing Group in China in selling, general and administrative expenses. However, based on a comprehensive assessment of business performance trends, financial base, etc., the Company plans to pay a year-end dividend of ¥23 yen per share, as per the year-end forecast announced on the same day. Consequently, the total dividend for the current fiscal year will be ¥37 per share, including an interim dividend of ¥14 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, 2021

ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current assets	¥90,537
Cash and deposits	14,828
Deposit paid in subsidiaries and affiliates	3,000
Notes and accounts receivable-trade	56,141
Merchandise and finished goods	10,665
Work in process	816
Raw materials and supplies	4
Goods in transit	751
Other	4,442
Allowance for doubtful accounts	(114)
Non-current assets	20,054
Property, plant and equipment	2,493
Buildings and structures	884
Accumulated depreciation	(595)
Machinery, equipment and vehicles	2,128
Accumulated depreciation	(1,037)
Tools, Furniture and fixtures	685
Accumulated depreciation	(478)
Construction in progress	18
Land	670
Leased assets	525
Accumulated depreciation	(307)
Intangible assets	827
Goodwill	491
Other	335
Investments and other assets	16,733
Investment securities	12,186
Long-term loans receivable	1,140
Distressed receivables	5,669
Deferred tax assets	655
Other	2,654
Allowance for doubtful accounts	(5,573)
Total assets	¥110,591

LIABILITIES AND NET ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current liabilities	¥48,097
Notes and accounts payable-trade	39,622
Short-term loans payable	1,809
Current portion of long-term loans payable	113
Accrued income taxes	1,703
Accrued employee bonuses	686
Allowance for losses from liquidation of subsidiaries and affiliates	42
Other	4,119
Non-current liabilities	3,662
Long-term loans payable	358
Deferred tax liabilities	955
Retirement benefit liabilities	2,254
Other	94
Total liabilities	51,759
Net assets	
Shareholders' equity	57,798
Capital stock	6,800
Capital surplus	1,792
Retained earnings	49,903
Treasury stock	(698)
Accumulated other comprehensive income	997
Valuation difference on available-for-sale securities	1,663
Deferred gains or losses on hedges	138
Foreign currency translation adjustments	(705)
Remeasurements of defined benefit plans	(99)
Non-controlling interests	36
Total net assets	58,831
Total liabilities and net assets	¥110,591

CONSOLIDATED STATEMENT OF INCOME

Year Ended March 31, 2021

Item	Amounts	
	Millions of Japanese Yen	
Net sales		¥216,233
Cost of sales		<u>189,875</u>
Gross profit		26,357
Selling, general and administrative expenses		<u>22,693</u>
Operating income		3,663
Non-operating income		
Interest income	299	
Dividend income	182	
Share of profit of entities accounted for using equity method	274	
Foreign exchange gains	233	
Gain on adjustment of account payable	83	
Miscellaneous income	<u>231</u>	1,305
Non-operating expenses		
Interest expenses	71	
Loss on sales of notes receivable - trade	86	
Miscellaneous expenses	<u>154</u>	<u>312</u>
Ordinary income		4,656
Extraordinary income		
Subsidy income	380	
Gain on sales of non-current assets	65	
Gain on sales of investment securities	28	
Other	<u>1</u>	476
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	380	
Loss on liquidation of subsidiaries and affiliates	345	
Loss on valuation of investment securities	158	
Loss on disposal of non-current assets	44	
Loss on sales of investment securities	25	
Other	<u>2</u>	<u>957</u>
Profit before income taxes		4,175
Income taxes		
Current	3,061	
Deferred	<u>(78)</u>	<u>2,982</u>
Net income:		1,192
Net loss attributable to non-controlling interests		<u>(54)</u>
Net income attributable to owners of the parent		¥1,247

NONCONSOLIDATED BALANCE SHEET

As of March 31, 2021

ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current assets	¥51,098
Cash and deposits	5,539
Deposit paid in subsidiaries and affiliates	3,135
Notes receivable-trade	8,731
Accounts receivable-trade	23,079
Merchandise and finished goods	7,636
Work in process	454
Goods in transit	311
Advance payments	270
Prepaid expenses	35
Short-term loans receivable	222
Other	1,720
Allowance for doubtful accounts	(37)
Non-current assets	26,793
Property, plant and equipment	1,212
Buildings	167
Structures	0
Machinery and equipment	919
Tools, Furniture and fixtures	125
Intangible assets	139
Software	134
Other	5
Investments and other assets	25,440
Investment securities	4,117
Investments in shares of subsidiaries and affiliates	16,167
Investments in capital	173
Investments in capital of subsidiaries and affiliates	2,453
Long-term loans receivable	1,109
Long-term loans receivable from subsidiaries and affiliates	30
Distressed receivables	5,639
Deferred tax assets	583
Other	676
Allowance for doubtful accounts	(5,510)
Total assets	¥77,892

LIABILITIES AND NET ASSETS	
Item	Amounts
	Millions of Japanese Yen
Current liabilities	¥27,606
Notes payable-trade	6,834
Accounts payable-trade	13,557
Current portion of long-term loans payable	113
Accounts payable-other	660
Accrued expenses	86
Accrued income taxes	1,140
Advances received	410
Deposits received	4,291
Accrued employee bonuses	469
Allowance for losses from liquidation of subsidiaries and affiliates	42
Non-current liabilities	2,305
Long-term loans payable	358
Liability for retirement benefits	1,947
Total liabilities	29,912
Net assets	
Shareholders' equity	47,307
Capital stock	6,800
Capital surplus	1,792
Legal capital surplus	1,700
Other capital surplus	92
Retained earnings	39,412
Other retained earnings	39,412
Retained earnings brought forward	39,412
Treasury stock	(698)
Valuation and translation adjustments	672
Valuation difference on available-for-sale securities	533
Deferred gains or losses on hedges	138
Total net assets	47,979
Total liabilities and net assets	¥77,892

NONCONSOLIDATED STATEMENT OF INCOME

Year Ended March 31, 2021

Item	Amounts	
	Millions of Japanese Yen	
Net sales		¥121,103
Cost of sales		105,542
Gross profit		15,560
Selling, general and administrative expenses		9,747
Operating income		5,813
Non-operating income		
Interest income	44	
Dividend income	1,168	
Foreign exchange gains	244	
Gain on adjustment of account payable	83	
Miscellaneous income	80	1,620
Non-operating expenses		
Interest expenses	45	
Loss on sales of notes receivable-trade	23	
Provision of allowance for doubtful accounts	5,108	
Miscellaneous expenses	64	5,241
Ordinary income		2,193
Extraordinary income		
Subsidy income	380	
Gain on sales of investment securities	28	
Gain on sales of non-current assets	0	
Other	1	410
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	380	
Loss on valuation of shares of subsidiaries and affiliates	59	
Loss on valuation of investment securities	59	
Loss on sales of investment securities	25	
Loss on disposal of non-current assets	8	
Other	2	535
Profit before income taxes		2,068
Income taxes		
Current	1,911	
Deferred	61	1,973
Net income		¥95