

Translation — Original text in Japanese



FY2020 1Q (April 1, 2020 to June 30, 2020)

Financial Results Materials (Highlights)

July 27, 2020

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.

Business Results Breakdown (YoY Comparison)

POINT

- Global stagnation in economic activity due to the spread of COVID-19
- A ¥2.5 billion provision of allowance for doubtful accounts for a customer in China was recorded under selling, general and administrative expenses, resulting in the recording of losses.
- Core earnings excluding the provision of allowance for doubtful accounts (ordinary income basis) amounted to ¥1.8 billion (25% of the initial full-year forecast)

Unit: billions of yen

	FY2019 Apr.-Jun.	FY2020 Apr.-Jun.	Difference
Net Sales	83.2	49.0	-34.2
(after adoption of Accounting Standard for Revenue Recognition *)	62.1	49.0	-13.1)
Gross Profit	7.2	6.1	-1.1
Selling, general and administrative expenses	4.9	7.0	+2.1
Operating income (loss)	2.3	-0.9	-3.2
Ordinary income (loss)	2.4	-0.7	-3.1
Net income (loss) attributable to owners of the parent	1.6	-1.2	-2.8

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

Recorded provision of allowance for doubtful accounts

- **Tohcho Co., Limited, a consolidated subsidiary, had sold various chemical raw materials to a chemicals manufacturing group in China (“the Customer”).**

- **There was a complete halt in economic activity in China due to the spread of COVID-19.**

The Customer is experiencing unsteady cash flows due to weakness in its mainstay petrochemicals business.

The Customer has fallen behind in making payments of ¥4,948 million owed to Tohcho Co., Limited for the purchase of raw materials. However, the Customer’s business is still in operation.

- **Efforts are focused on negotiations on collection of accounts receivable. Legal proceedings such as accounts receivable collection litigation have been initiated.**

- **Recorded ¥2,474 million, the equivalent of 50% of the accounts receivable, as a provision of allowance for doubtful accounts under selling, general and administrative expenses, taking into consideration factors such as the status of accounts receivable collection and the prospects for progress on legal proceedings.**

Segment Results

Net sales

Unit: billions of yen

	FY2019 Apr.-Jun.	FY2020 Apr.-Jun.	Difference
Fibers, Textiles and Garments	26.4 (24.3)	20.0	-6.4
Chemicals	40.4 (37.1)	28.4	-11.9
Machinery	16.4 (0.6)	0.5	-15.9
Others	0.0	0.0	-0.0
Total	83.2	49.0	-34.2

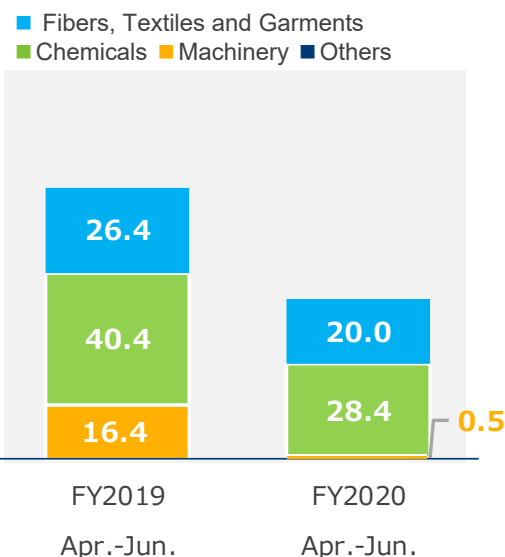
* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

Ordinary income (loss)

Unit: billions of yen

	FY2019 Apr.-Jun.	FY2020 Apr.-Jun.	Difference
Fibers, Textiles and Garments	0.7	0.4	-0.3
Chemicals	1.2	-1.3	-2.5
Machinery	0.2	0.1	-0.1
Others	0.3	0.1	-0.2
Total	2.4	-0.7	-3.1

* Adjusted amounts for "Others" are included.



Fibers, Textiles and Garments

... Decreased sales and profit

Steady

Hygienic materials

Sluggish

Domestic fibers, textiles, and garments

Chemicals

...Decreased sales and ordinary loss

Steady

Life sciences
Fine chemicals

Sluggish

Organic chemical materials
Materials for Electronics

Loss

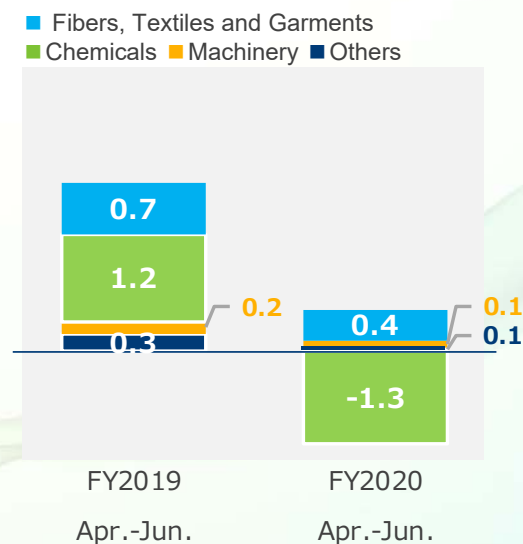
Recorded ¥2.5 billion allowance for doubtful accounts

Machinery

... Decreased sales and profit

Sluggish

Vehicles

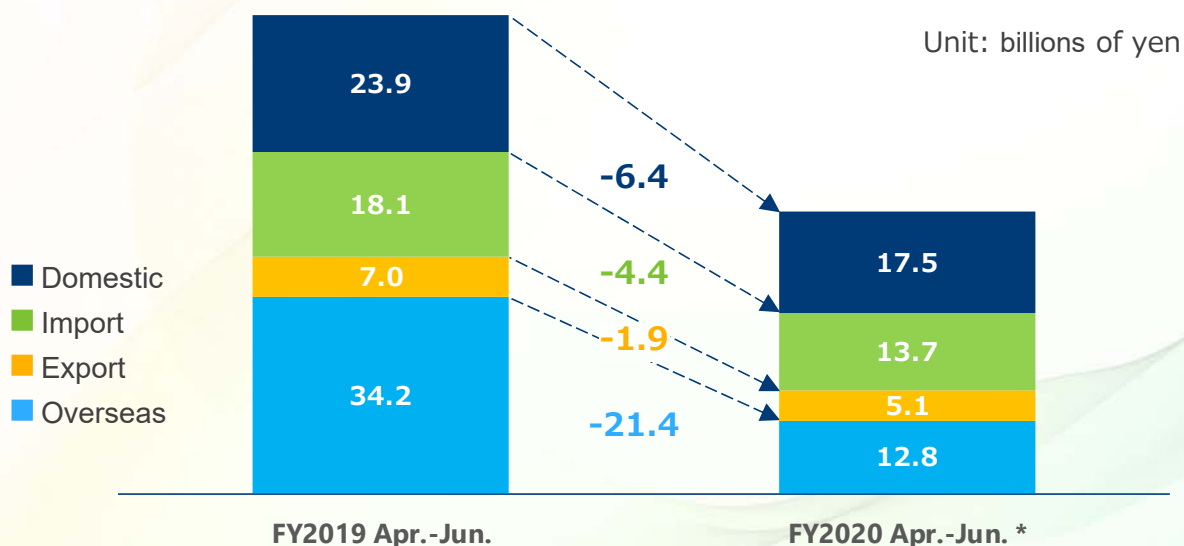


Net Sales by Operation

POINT

- **Trade ratio: 64.3% (-7.0% YoY)**
Domestic sales: Decreased sales both in the Fibers, Textiles, and Garments Business and the Chemicals Business
Export sales: Decreased sales across all segments

Net sales	83.2 (62.1)	Net sales	49.0	Net sales	-34.2 (-13.1)
Overseas transactions	59.3 (39.7)	Overseas transactions	31.5	Overseas transactions	-27.8 (-8.2)
(Trade ratio)	71.3% (63.9%)	(Trade ratio)	64.3%	(Trade ratio)	-7.0% (+0.4%)



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

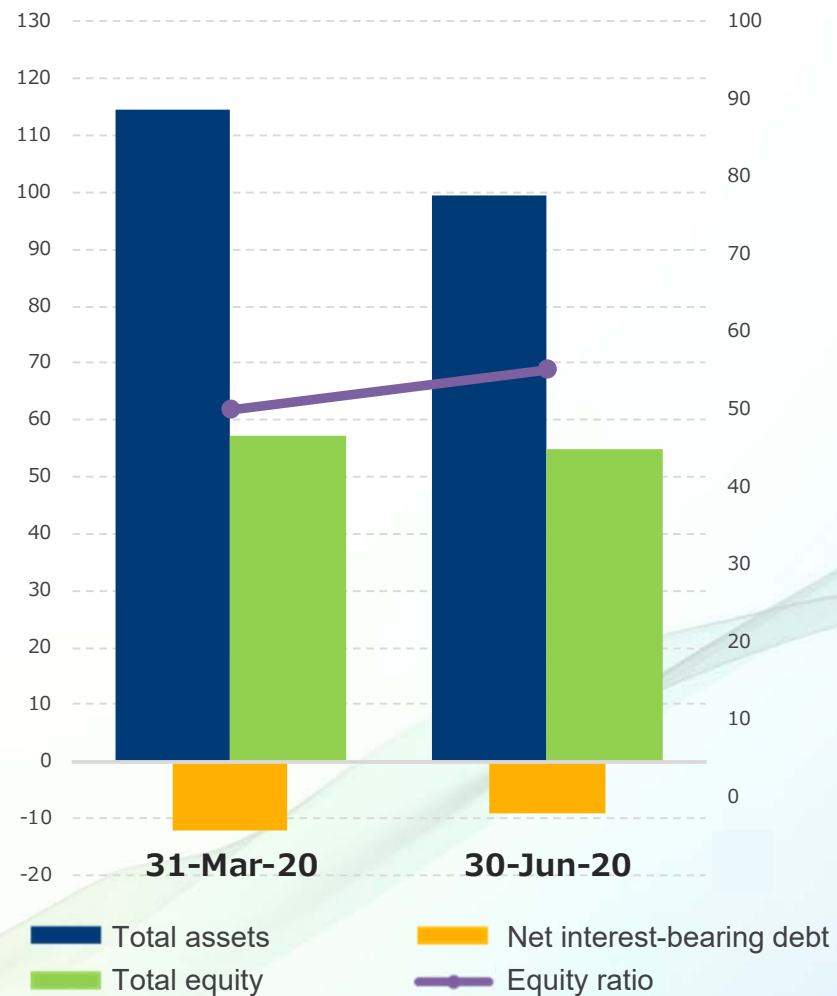
Financial Position

Unit: billions of yen

	31-Mar-20	30-Jun-20	Difference
Total assets	114.4	99.5	-14.9
Net interest-bearing debt	-12.0	-9.0	+3.0
Total equity	57.2	54.9	-2.3
Equity ratio	50.0%	55.1%	+5.1%

Unit: billions of yen

Unit: %



FY2020 Business Results Forecast

POINT

- **Start of Medium-Term Management Plan “Chori Innovation Plan 2022”**
In order to respond instantly to a dramatically changing social and business environment, Chori Co., Ltd. will fortify defensive measures, as it carries out its basic strategy for sustainable growth.
- **The full-year business results forecast for FY2020 was revised downward due to a ¥2.5 billion provision of allowance for doubtful accounts for a customer in China.**

	FY2020		
	Previous forecast (May 19, 2020)	Revised forecast	Difference
Unit: billions of yen			
Net Sales	200.0	200.0	—
Operating income	6.7	4.2	-2.5
Ordinary income	7.0	4.5	-2.5
Net income attributable to owners of the parent	4.6	2.1	-2.5

Dividends Forecast

The dividends forecast announced on May 19, 2020 has been revised to “Undetermined.”
The dividends forecast will be promptly announced as soon as it is possible to make appropriate and reasonable estimations.

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.