

Translation — Original text in Japanese



FY2020 3Q (April 1, 2020 to December 31, 2020)

Financial Results Materials (Highlights)

February 8, 2021

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

CHORI CO., LTD.

Business Results Breakdown (YoY Comparison)

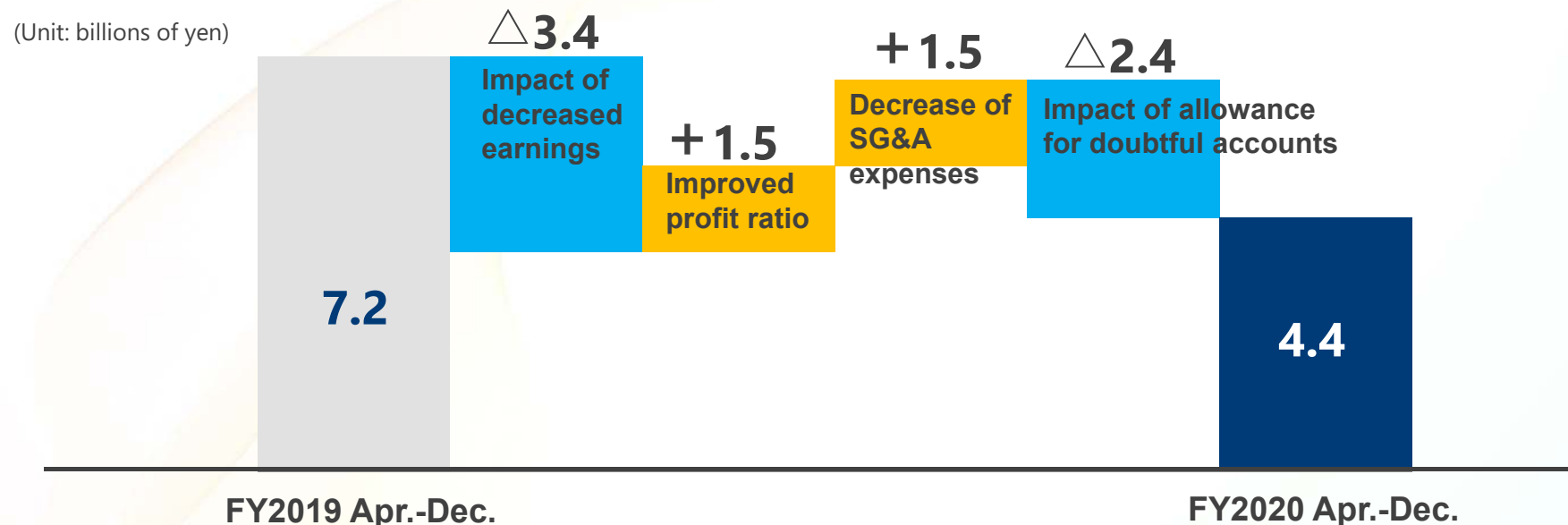
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- The outlook for global economic conditions has become uncertain again due to a resurgence in the spread of COVID-19. Net sales turned sluggish and decreased.
 - ⇒ All income items decreased, partly due to a ¥2.4 billion provision of allowance for doubtful accounts recorded under selling, general and administrative expenses (page 2).
- Earnings capabilities in the main business have been recovering since 2Q (page 6).
 - ⇒ Ordinary income excluding the provision of allowance for doubtful accounts was ¥6.7 billion, due to improved profit margins and cost cutting.
- Raised the business results forecast based on a review of business performance trends (page 7).
- Raised the annual dividend forecast: ¥28 per share ⇒ ¥37 per share (page 8).
 - ⇒ Year-end dividend: ¥14 per share → ¥23 per share (+¥9 per share)

Unit: billions of yen	FY2019 Apr.-Dec.	FY2020 Apr.-Dec.	Difference
Net Sales	249.4	157.3	-92.1
(after adoption of Accounting Standard for Revenue Recognition *)	186.9	157.3	-29.6)
Gross Profit	21.4	19.6	-1.9
Selling, general and administrative expenses	14.7	15.6	+0.9
Operating income	6.7	4.0	-2.7
Ordinary income	7.2	4.4	-2.8
Net income attributable to owners of the parent	4.7	1.9	-2.9

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

Reasons for Changes in Ordinary Income



Confer: Recording a provision for 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”).
- Due to the spread of COVID-19, the Customer experienced unsteady cash flows due to sluggishness in its mainstay petrochemicals business.
 - ⇒ The Customer fell behind in making payments owed to Tohcho Co., Limited for the purchase of raw materials. The Customer’s business is still in operation.
- The Chori Group promptly initiated legal action, which is still ongoing, to claim payment.
- In 1Q, recorded the equivalent of 50% of the accounts receivable as a provision of allowance for doubtful accounts, taking into consideration factors such as the status of accounts receivable collection and the prospects for progress on legal proceedings. (No change for FY2020 3Q)
- Business performance may be impacted, depending on trends at the Customer and the status of chattel mortgage over collective property that has already been obtained.

Segment Results

Net sales

Unit: billions of yen

	FY2019 Apr.-Dec.	FY2020 Apr.-Dec.	Difference
Fibers, Textiles and Garments	83.6 (77.2)	65.9	-17.7
Chemicals	117.3 (107.6)	89.5	-27.8
Machinery	48.5 (2.1)	1.9	-46.6
Others	0.1	0.0	-0.0
Total	249.4 (186.9)	157.3	-92.1

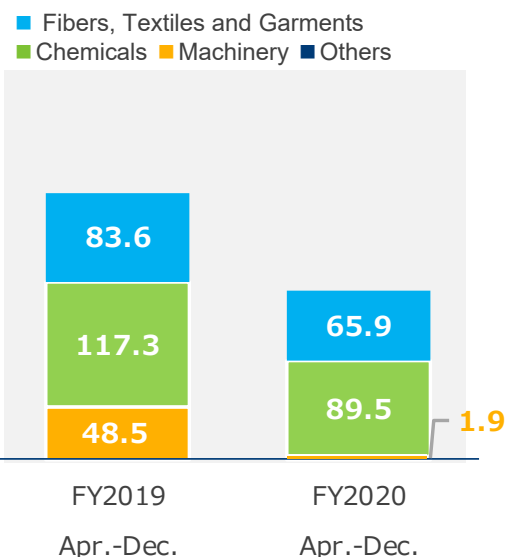
* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

Ordinary income

Unit: billions of yen

	FY2019 Apr.-Dec.	FY2020 Apr.-Dec.	Difference
Fibers, Textiles and Garments	3.0	2.8	-0.2
Chemicals	3.1	1.0	-2.1
Machinery	0.4	0.5	+0.1
Others	0.6	0.0	-0.6
Total	7.2	4.4	-2.8

* 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 profit

Steady Life sciences
Fine chemicals

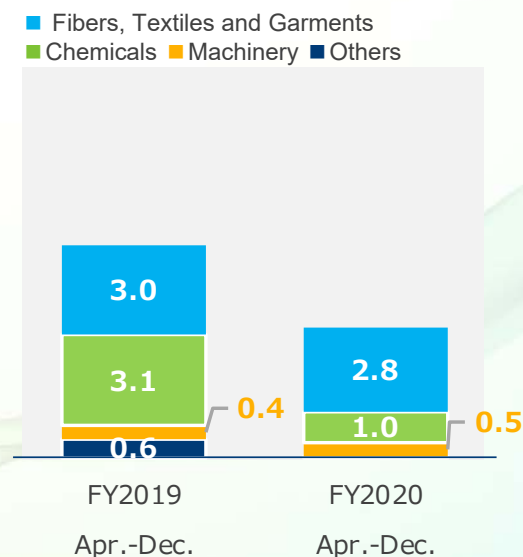
Sluggish Organic chemical materials
Materials for Electronics

Loss Recorded ¥2.4 billion allowance for doubtful accounts

Machinery

... Decreased sales and increased profit

Recovering Vehicles

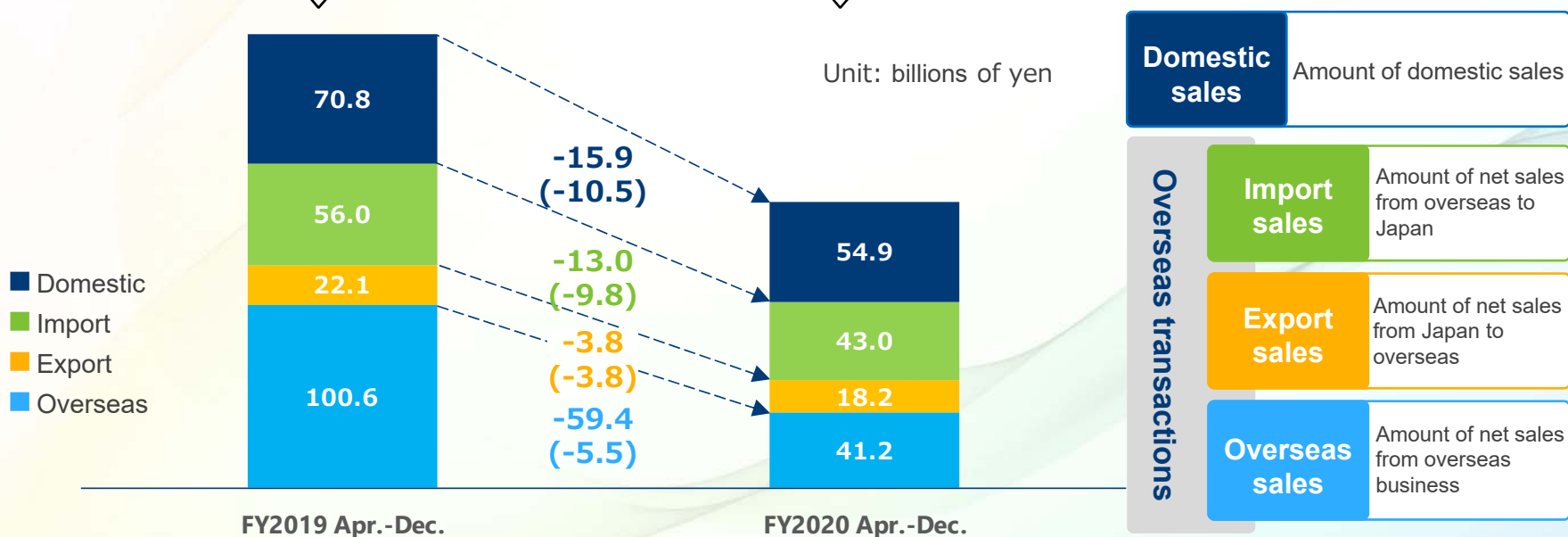


Net Sales by Operation

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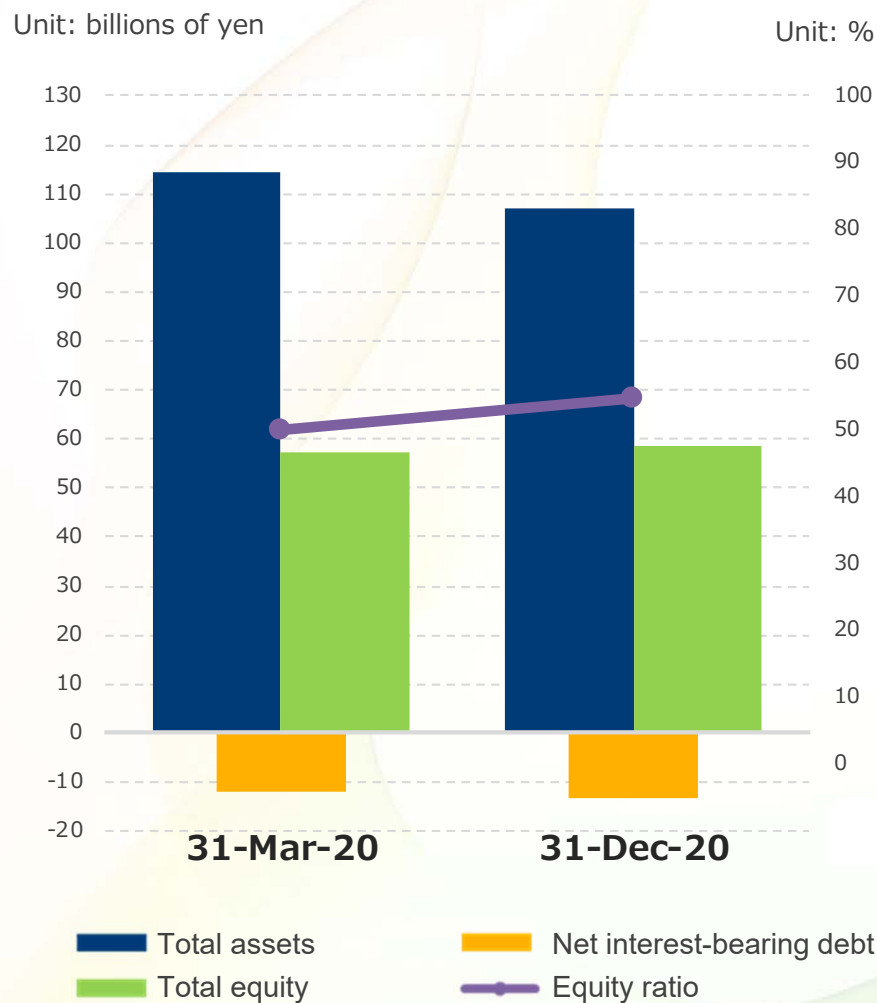
- **Trade ratio: 65.1% (+0.1% YoY)**
Domestic sales: Decreased sales both in the Fibers, Textiles, and Garments Business and the Chemicals Business
Overseas transactions: Decreased sales across all segments

Net sales	249.4 (186.9)	Net sales	157.3	Net sales	-92.1 (-29.6)
Overseas transactions	178.7 (121.5)	Overseas transactions	102.5	Overseas transactions	-76.2 (-19.1)
(Trade ratio)	71.6% (65.0%)	(Trade ratio)	65.1%	(Trade ratio)	-6.5% (+0.1%)



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

Financial Position



Financial soundness

Unit: billions of yen

	31-Mar-20	31-Dec-20	Difference
Total assets	114.4	107.3	-7.1
Net interest-bearing debt	-12.0	-13.0	-1.1
Total equity	57.2	58.7	+1.5
Equity ratio	50.0%	54.7%	+4.7%

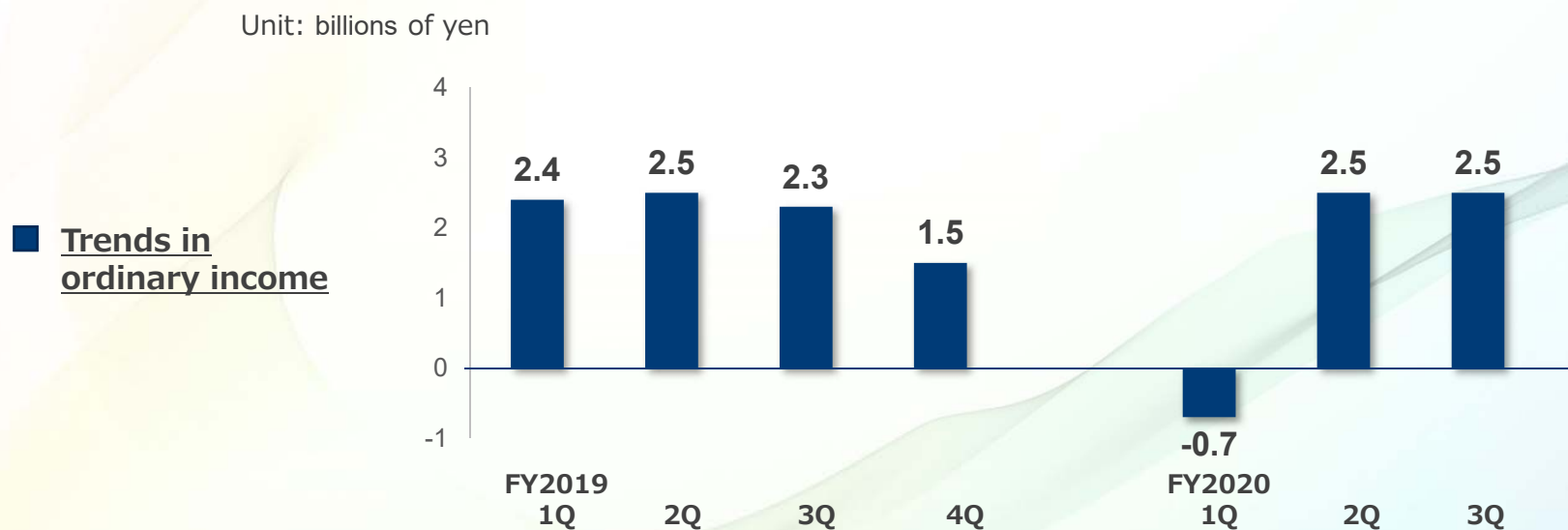
Profitability/Capital efficiency

	31-Mar-20	31-Dec-20(*)	Difference
ROA (Ordinary income basis)	7.5%	5.3%	-2.2%
ROA (Net income basis)	5.2%	2.2%	-3.0%
ROE (Net income basis)	11.0%	4.3%	-6.7%

* Annual basis

Trends in Quarterly Business Performance

Unit: billions of yen	FY2019					Full-year total	FY2020			Nine mths total
	1Q	2Q	3Q	4Q	1Q		2Q	3Q		
Net Sales	83.2	81.2	85.1	79.9	329.4	49.0	53.2	55.2	157.3	
(after adoption of Accounting Standard for Revenue Recognition*)	62.1	63.1	61.7	61.6	248.5	49.0	53.2	55.2	157.3	
Operating income	2.3	2.3	2.1	1.5	8.2	-0.9	2.5	2.4	4.0	
Ordinary income	2.4	2.5	2.3	1.5	8.7	-0.7	2.5	2.5	4.4	
Net income attributable to owners of the parent	1.6	1.6	1.5	1.4	6.1	-1.2	1.4	1.6	1.9	



FY2020 Business Results Revised Forecast

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- **Medium-Term Management Plan “Chori Innovation Plan 2022” currently under way.**
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.
- **Core earnings of ¥6.7 billion (ordinary income base) excluding the provision of allowance for doubtful accounts of ¥2.4 billion marked steady progress toward initial full-year forecast (¥7.0 billion)**
⇒ Full-year forecast for FY2020 revised upward
- **Business performance may be impacted by accounts receivable from a chemicals manufacturing group in China, depending on trends at the Customer and the status of chattel mortgage over collective property that has already been obtained.**
In the event that revisions to the business forecast or dividend forecast become necessary, the Company will swiftly issue a disclosure.

Unit: billions of yen	FY2019 result (a)	FY2020 forecast (issued Oct. 26) (b)	Current revised forecast (issued Feb. 8) (c)	Change	
				(c-b)	(c-a)
Net Sales	329.4	210.0	210.0	—	-119.4
(after adoption of Accounting Standard for Revenue Recognition *)	248.5	210.0	210.0	—	-38.5)
Operating income	8.2	4.7	6.0	1.3	-2.2
Ordinary income	8.7	5.0	6.4	1.4	-2.3
Net income attributable to owners of the parent	6.1	2.2	3.0	0.8	-3.1

For details, please refer to “Notice Regarding the Revision to Full-Year Consolidated Business Results Forecast and Revision in the Dividend Forecast” that was issued on February 8, 2021.

FY2020 Revised Forecast Dividend

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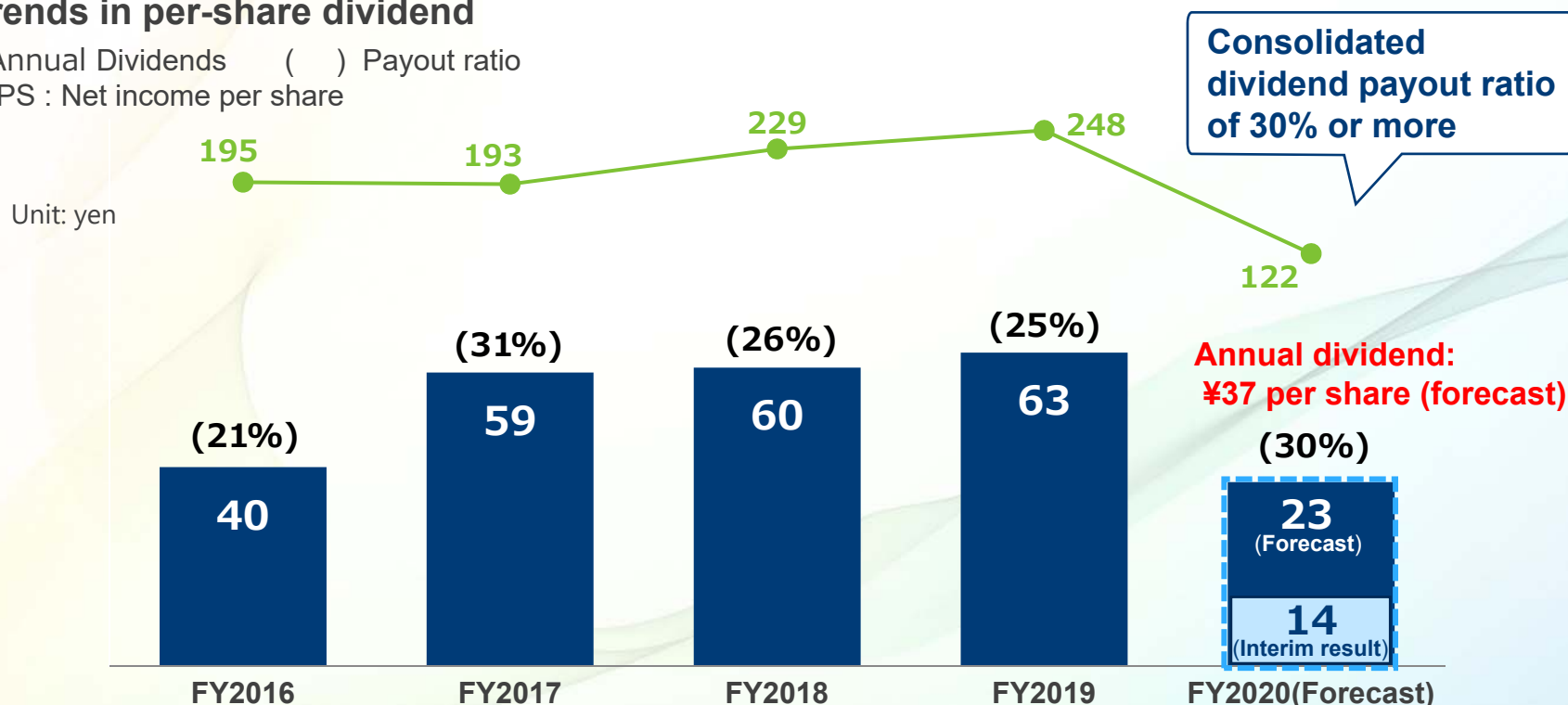
- Revised the year-end dividend forecast:
 ¥14 per share (announced on Oct. 26, 2020) ⇒ ¥23 per share
- Annual dividend forecast: ¥28 per share (announced on Oct. 26, 2020) ⇒ ¥37 per share

Dividend Basic Policy

The policy is to provide performance-based dividends in accordance with the standards for net income attributable to owners of the parent from the perspectives of flexibly returning profits to shareholders and ensuring stable management and finances while securing appropriate funds for investments in growth strategies.

Trends in per-share dividend

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



Trends in FY2020 Full-Year Business Results Forecast and Dividend Forecast

Unit: billions of yen

	FY2020			
	Initial forecast (issued May 19, 2020)	Revised forecast (issued July 27, 2020)	Revised forecast (issued Oct. 26, 2020)	Current revised forecast (issued Feb. 8, 2021)
Net Sales	200.0	200.0	210.0	210.0
Operating income	6.7	4.2	4.7	6.0
Ordinary income	7.0	4.5	5.0	6.4
Net income attributable to owners of the parent	4.6	2.1	2.2	3.0
Net income per share	¥187.33	¥85.52	¥89.43	¥122.02
Dividends per share (Annual)	¥57	Undetermined	¥28	¥37

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.