

Translation — Original text in Japanese



FY2020 2Q (April 1, 2020 to September 30, 2020)

Financial Results Materials (Highlights)

October 26, 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)

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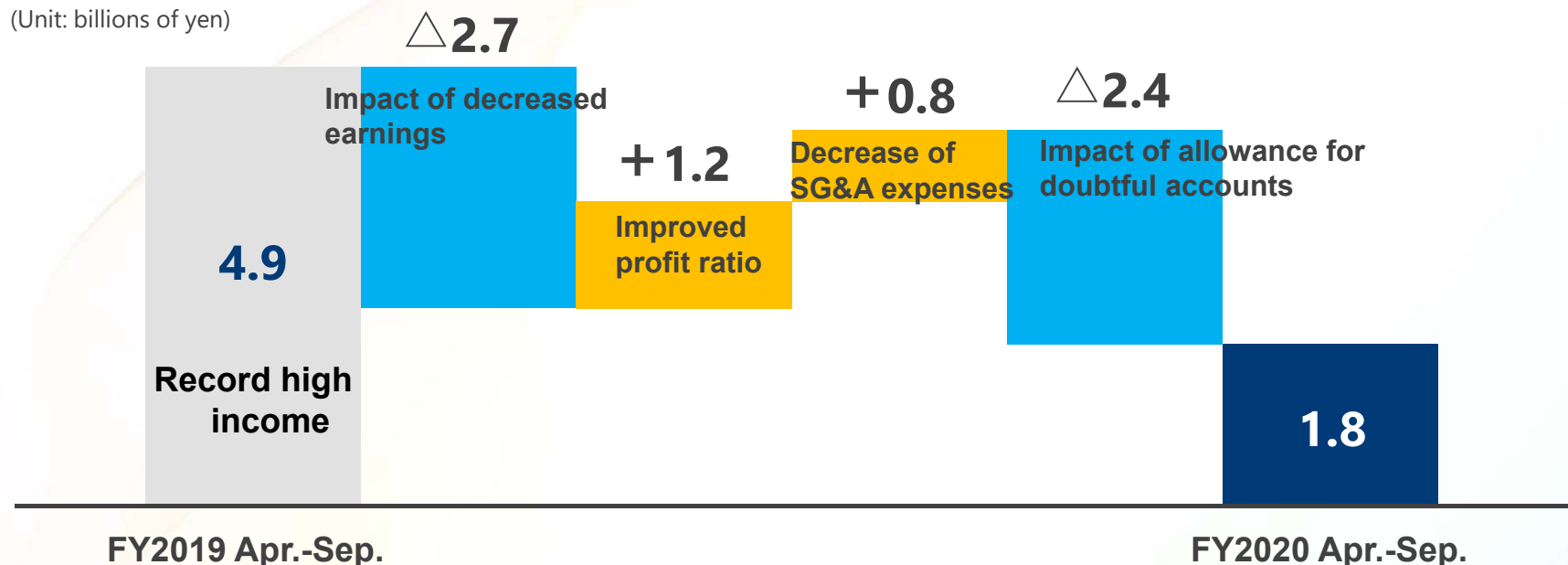
- Global stagnation in economic activity due to the spread of COVID-19.
- Net sales decreased. All income items from operating income onwards decreased, partly due to a ¥2.4 billion provision of allowance for doubtful accounts recorded under selling, general and administrative expenses in 1Q.
- However, the main business retains its earning capabilities. Rebound to profit following a deficit in 1Q due to improving the profit margin and cutting costs.
Confer: Operating income excluding the provision of allowance for doubtful accounts was ¥4 billion and ordinary income ¥4.3 billion.
- Raised the business forecast after a review of business trends based on the above results. The dividend forecast that had been undetermined was announced as an annual dividend of ¥28 per share.

Unit: billions of yen	FY2019 Apr.-Sep.	FY2020 Apr.-Sep.	Difference
Net Sales	164.4	102.2	-62.2
(after adoption of Accounting Standard for Revenue Recognition *)	125.2	102.2	-23.1)
Gross Profit	14.4	13.0	-1.5
Selling, general and administrative expenses	9.8	11.4	+1.6
Operating income	4.6	1.6	-3.0
Ordinary income	4.9	1.8	-3.1
Net income attributable to owners of the parent	3.2	0.3	-3.0

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

Trends in Ordinary Income

(Unit: billions of yen)



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 to claim payment and the litigation is ongoing.
- 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 2Q)

Segment Results

Net sales

Unit: billions of yen

	FY2019 Apr.-Sep.	FY2020 Apr.-Sep.	Difference
Fibers, Textiles and Garments	55.6 (51.2)	43.6	-12.0
Chemicals	77.5 (72.6)	57.5	-20.0
Machinery	31.3 (1.4)	1.1	-30.2
Others	0.0	0.0	-0.0
Total	164.4 (125.2)	102.2	-62.2

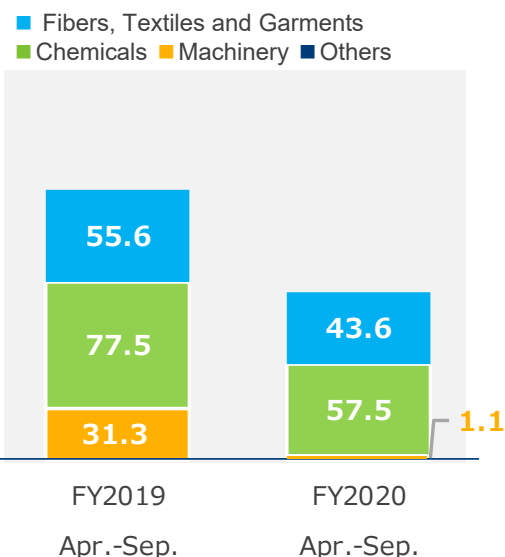
* Figures in parentheses represent amounts after the adoption of the Accounting Standard for Revenue Recognition, etc.

Ordinary income (loss)

Unit: billions of yen

	FY2019 Apr.-Sep.	FY2020 Apr.-Sep.	Difference
Fibers, Textiles and Garments	1.9	1.8	-0.2
Chemicals	2.2	-0.3	-2.5
Machinery	0.3	0.3	-0.0
Others	0.4	0.1	-0.4
Total	4.9	1.8	-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

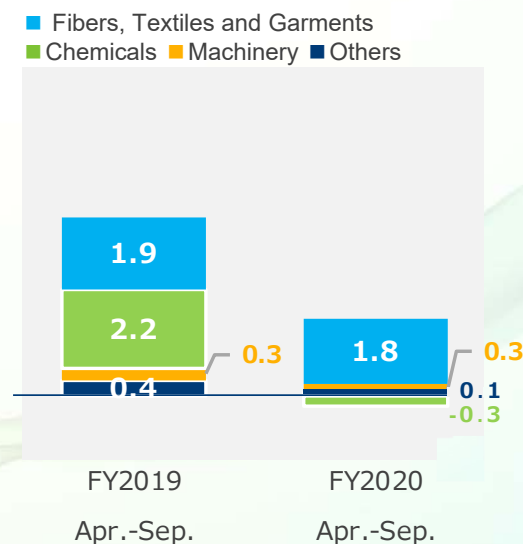
Sluggish Organic chemical materials
Materials for Electronics

Loss Recorded ¥2.4 billion allowance for doubtful accounts

Machinery

... Decreased sales and profit

Sluggish Vehicles

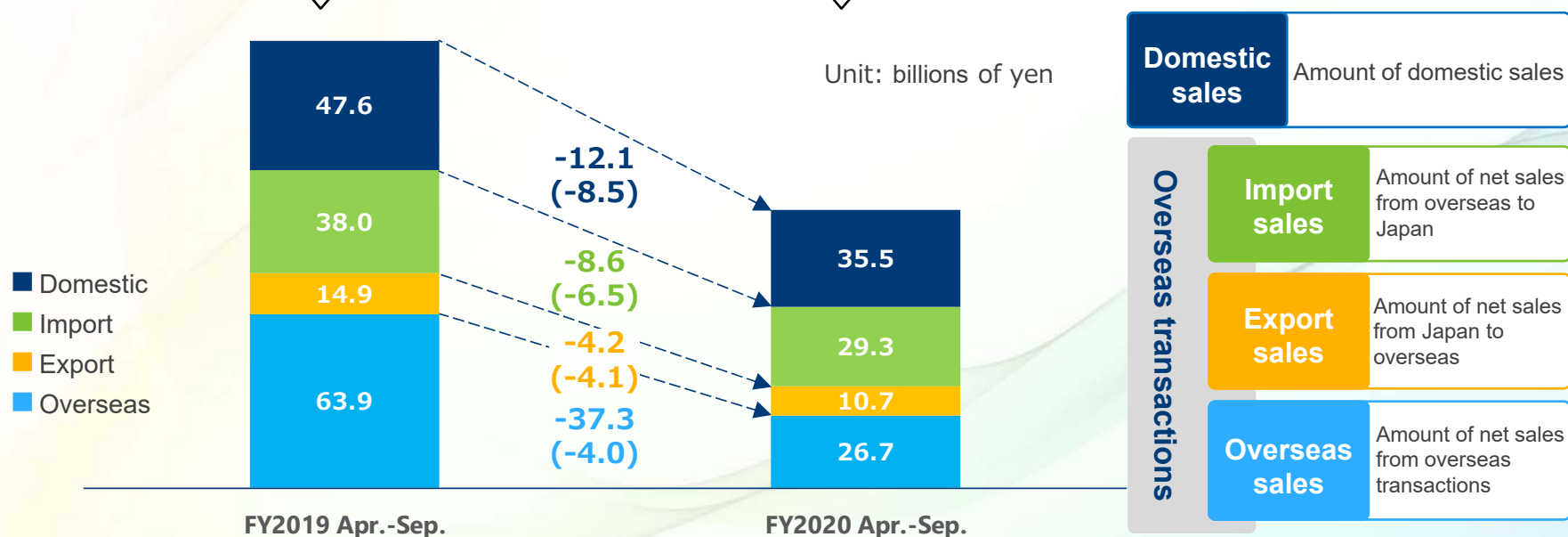


Net Sales by Operation

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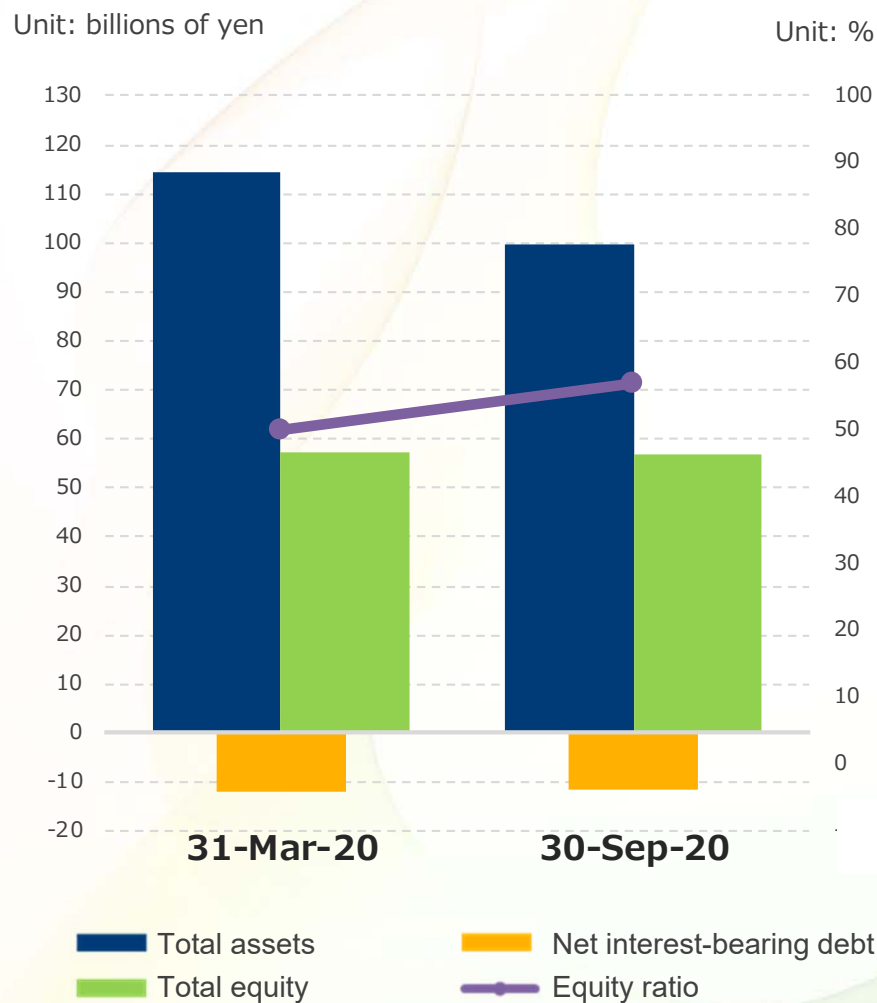
- **Trade ratio: 65.3% (-5.7% YoY)**
Domestic sales: Decreased sales both in the Fibers, Textiles, and Garments Business and the Chemicals Business
Export sales: Decreased sales across all segments

Net sales	164.4 (125.2)	Net sales	102.2	Net sales	-62.2 (-23.1)
Overseas transactions	116.8 (81.3)	Overseas transactions	66.7	Overseas transactions	-50.1 (-14.6)
(Trade ratio)	71.0% (64.9%)	(Trade ratio)	65.3%	(Trade ratio)	-5.7% (+0.4%)



* 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	30-Sep-20	Difference
Total assets	114.4	99.9	-14.5
Net interest-bearing debt	-12.0	-11.6	+0.4
Total equity	57.2	56.8	-0.4
Equity ratio	50.0%	56.9%	+6.9%

Profitability/Capital efficiency

	31-Mar-20	30-Sep-20(*)	Difference
ROA (Ordinary income basis)	7.5%	3.4%	-4.1%
ROA (Net income basis)	5.2%	0.5%	-4.8%
ROE (Net income basis)	11.0%	0.9%	-10.1%

* Annual basis

Cash Flows

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- **Cash flows from operating activities:**
Provided ¥1.2 billion (no impact of recording of allowance for doubtful accounts) due to securing core earnings, etc.
- **Cash flows from investing activities:**
Used ¥0.5 billion due to payments, etc. for business investments
- **Cash flows from financing activities:**
Used ¥0.7 billion due to payments, etc. for dividends

Unit: billions of yen

	FY2019 Apr.-Sep.	FY2020 Apr.-Sep.	Difference
Cash flows from operating activities	1.3	1.2	-0.2
Cash flows from investing activities	-1.3	-0.5	+0.8
Cash flows from financing activities	-0.8	-0.7	+0.1
Effect of exchange rate changes on cash and cash equivalents	-0.1	-0.1	-0.1
Total cash flows	-0.9	-0.2	+0.6
Cash and cash equivalents at end of period	11.2	12.7	+1.6

FY2020 Business Results Forecast

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- **Started Medium-Term Management Plan “Chori Innovation Plan 2022”**
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 ¥4.3 billion (ordinary income base) excluding provision of allowance for doubtful accounts of ¥2.4 billion marked steady progress (61%) toward initial full-year forecast (¥7.0 billion) ⇒ Full-year forecast for FY2020 revised upward**

Unit: billions of yen

	Initial forecast (issued May 19)	Previous revised forecast (issued July 27) (a)	Current revised forecast (b)	Change (b-a)	FY2020 Apr.-Sep. Result
Net Sales	200.0	200.0	210.0	+10.0	102.2
Operating income	6.7	4.2	4.7	+0.5	1.6
Ordinary income	7.0	4.5	5.0	+0.5	1.8
Net income attributable to owners of the parent	4.6	2.1	2.2	+0.1	0.3

For details, please refer to "Notice Regarding Revision to Business Results Forecast, Dividends of Surplus (Interim Dividend) and Revision in the Dividends Forecast" that was issued on October 26, 2020.

Interim Dividend and FY2020 Forecast Dividend

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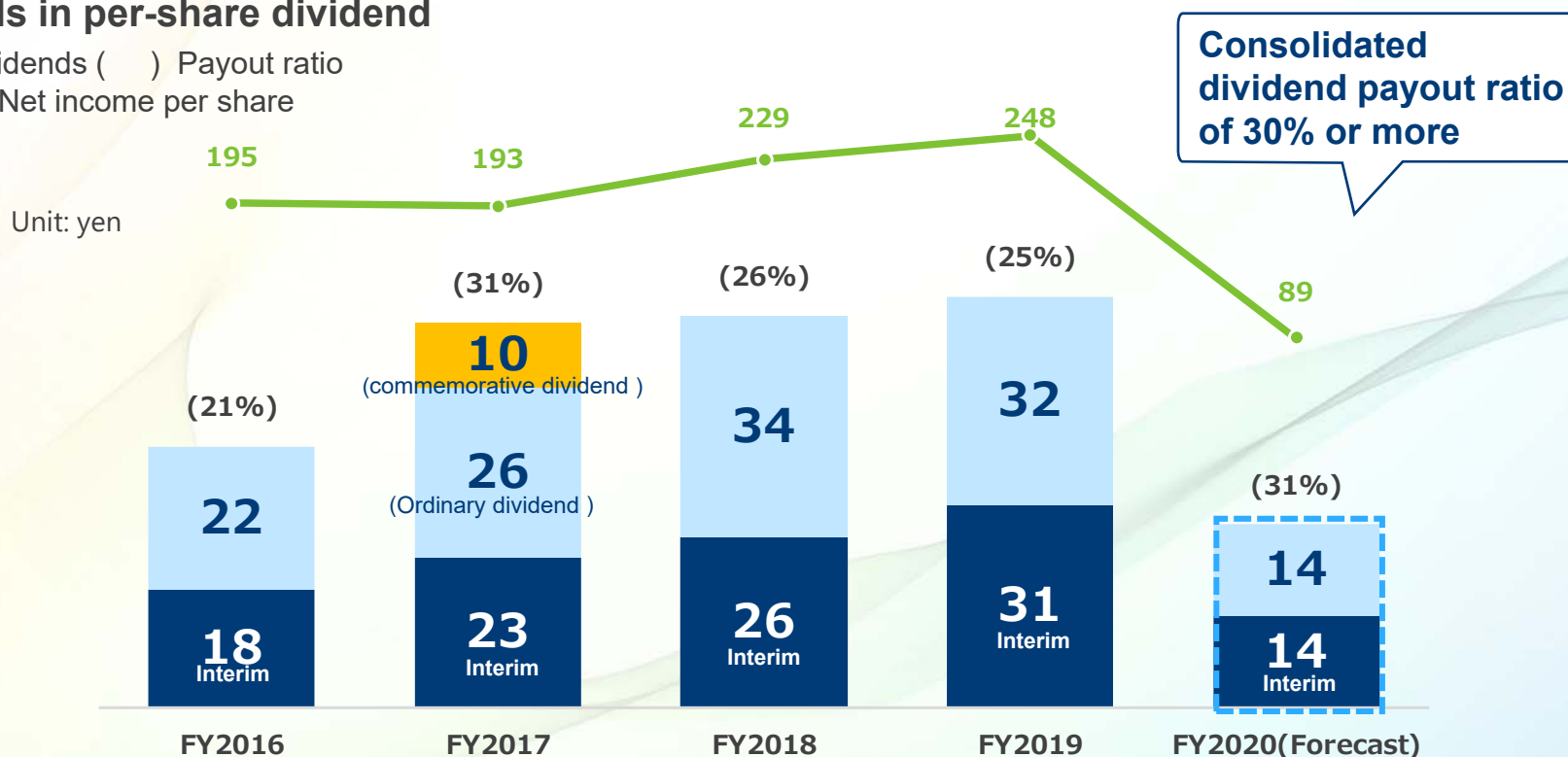
● Revised the FY2020 interim dividend and forecast year-end dividend that had been “undetermined” on July 27, 2020.

Dividend Basic Policy

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

Trends in per-share dividend

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



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.