



July 27, 2020

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## **Notice Regarding the Recording of a Provision of Allowance for Doubtful Accounts and Revisions to Forecasts of Business Results and Dividends**

CHORI CO., LTD. today announced revisions to its forecasts of business results and dividends for the year ending March 31, 2021, as outlined below, due to the recording of a provision of allowance for doubtful accounts in the first quarter of the year. The previous forecasts had been announced on May 19, 2020.

### 1. Recording of Provision of Allowance for Doubtful Accounts

#### (1) Overview of Provision of Allowance for Doubtful Accounts

There have been delays in the collection of accounts receivable totaling ¥4,948 million held by Tohcho Co., Limited, a consolidated subsidiary of the Company, against a chemicals manufacturing group in China (hereinafter, “the Customer”). Consequently, in the consolidated accounts for the first quarter of the year ending March 31, 2021, the Company 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.

#### (2) Background to the Recording of the Provision of Allowance for Doubtful Accounts

Tohcho Co., Limited had sold various chemical raw materials to the Customer. The Customer is said to be experiencing unsteady cash flows due to weakness in its mainstay petrochemicals business. This weakness mainly reflects factors such as a complete halt in economic activity in China over a certain period of time due to the impact of the global spread of coronavirus disease 2019 (COVID-19). Consequently, the Customer has fallen behind in making payments owed to Tohcho Co., Limited for the purchase of raw materials.

Currently, the Company and Tohcho Co., Limited are focused on advancing negotiations on the collection of the accounts receivable. In parallel, the two companies have initiated legal proceedings such as commencing accounts receivable collection litigation (including the exercise of chattel mortgage over collective property that have already been obtained). Taking into consideration factors such as the status of the collection of the accounts receivable and the prospects for progress on the legal proceedings, the Company has recorded a provision of allowance for doubtful accounts equivalent to 50% of the accounts receivable.

### 2. Revision to Business Results Forecast

#### (1) Revision to Full-Year Consolidated Business Results Forecast for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous Forecast (A)	Millions of yen 200,000	Millions of yen 6,700	Millions of yen 7,000	Millions of yen 4,600	Yen 187.33
Revised Forecast (B)	200,000	4,200	4,500	2,100	85.52
Amount of Change (B-A)	0	△2,500	△2,500	△2,500	
Percentage Change (%)	0.0	△37.3	△35.7	△54.3	
[Reference] Results for the Previous Year (For the Year Ended Mar. 31, 2020)	329,360	8,219	8,685	6,101	248.46

(2) Reasons for the Revision to Business Results Forecast

In the consolidated business results for the first quarter of the year ending March 31, 2021, operating income, ordinary income, and net income attributable to owners of the parent are expected to be lower than the previous forecast, due to the recording of a provision of allowance for doubtful accounts as described in section 1. above.

3. Revision to the Dividends Forecast

(1) Dividends Forecast for the Year Ending March 31, 2021

Date of record	Dividends per share		
	2nd quarter-end	Year-end	Annual total
Previous Forecast (Announced on May 19, 2020)	28.00 yen	29.00 yen	57.00 yen
Revised Forecast	Undetermined	Undetermined	Undetermined
Result for the Current Year (For the Year Ending Mar. 31, 2021)			
Result for the Previous Year (For the Year Ended Mar. 31, 2020)	31.00 yen	32.00 yen	63.00 yen

(2) Reasons for Revision

The Company has positioned returning profits to shareholders as an important management topic and has a basic policy of distributing twice annual dividends, an interim and a year-end dividend. From the standpoint of ensuring stable management and financial affairs through an expeditious return of profits, the Company implements performance-based dividends using net income attributable to owners of the parent as the standard.

The amount of dividends is determined while taking a comprehensive view of the management environment and after securing investment funds needed to develop the business with a consolidated dividend payout ratio of at least 30% (annually) based on net income attributable to owners of the parent.

However, more time will be needed to predict the collection of the accounts receivable from the Customer. Therefore, the Company has set the interim and year-end dividend forecast for the year ending March 31, 2021 as “Undetermined.”

The dividends forecast will be promptly announced as soon as it is possible to make appropriate and reasonable estimations of this forecast in light of future trends.

4. Other Details

(1) Overview of the Company’s consolidated subsidiary

Name	Tohcho Co., Limited
Location	2-15-3, Konan, Minato-ku, Tokyo
Representative	Yasuhiro Oiwa, President
Major business lines	Sales of various chemical raw materials
Share capital	50 million yen