



February 10, 2021

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**Notice Regarding Concern About Consolidated Subsidiary's Inability to Collect Accounts Receivable
 from Chinese Business Partner**

CHORI CO., LTD. disclosed in "Notice Regarding the Recording of a Provision of Allowance for Doubtful Accounts and Revisions to Forecasts of Business Results and Dividends" on July 27, 2020 that delays had arisen in collecting accounts receivable from a Chinese chemical manufacturing company group by Tohcho Co., Limited, a consolidated subsidiary of the Company. 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 accounts receivable, as a provision of allowance for doubtful accounts. It was confirmed on February 9, 2021 that a major Chinese bank has filed bankruptcy proceedings against JIANGYIN CHENGOLD PACKAGING MATERIALS CO., LTD., and a court has accepted reconstructive bankruptcy proceedings. Consequently, concerns have arisen that Tohcho Co., Limited may be unable to collect the aforementioned accounts receivable.

1. Overview of the Company's subsidiary

(1) Name	Tohcho Co., Limited
(2) Location	2-15-3, Konan, Minato-ku, Tokyo
(3) Name and title of representative	Yasuhiro Oiwa
(4) Contents of business	Sales of various chemical raw materials
(5) Share capital	50 million yen (Investment ratio: 60%)

2. Overview of the JIANGYIN CHENGOLD PACKAGING MATERIALS CO., LTD.

(1) Name	JIANGYIN CHENGOLD PACKAGING MATERIALS CO., LTD.	
(2) Location	No. 9, Chunjiang Road, Shizhuang, Huangtu Town, Jiangyin City, Jiangsu Province, China	
(3) Name and title of representative	Brian Wu	
(4) Contents of business	Manufacture of chemicals	
(5) Share capital	US\$58,287.4 thousand	
(6) Date of establishment	August 2002	
(7) Major shareholder and shareholding ratio	JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD. 24.02%	
(8) Relationship between the Company and JIANGYIN CHENGOLD PACKAGING MATERIALS CO., LTD.	Capital relationship	There is no capital relationship to be stated between the Company and the company concerned. JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD., the majority shareholder of the company concerned, also has a 30% shareholding in Tohcho Co., Limited.

	Personal relationship	There is no personal relationship to be stated between the Company and the company concerned. In addition, there is no notable personal relationships between associates of the Company and associates of the company concerned, nor between the related companies.
	Business relationship	Tohcho Co., Limited sold raw materials for chemicals to the company concerned.
	Status as related party	The Company has no related parties with the company concerned. Moreover, the company concerned and its related companies have no related parties with the Company.

3. Overview of business partnership and background to collection delay or uncollectible status

JIANGYIN CHENGOLD PACKAGING MATERIALS CO., LTD. (Chengold Packaging) is a chemical manufacturing company belonging to JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD.

Tohcho Co., Limited conducted sales of various types of raw materials for petrochemical products to Chengold Packaging and JIANGSU CHENGXING PHOSPH-CHEMICALS GROUP I/E CO., LTD. (Chengxing Phosph-Chemicals), which also belongs to JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD. (hereafter, the three companies; Chengold Packaging, Chengxing Phosph-Chemical, and JIANGYIN CHENGXING INDUSTRIAL GROUP CO., LTD. are referred to as “the Chengxing Group.”) The Chengxing Group fell into a state of uncertainty regarding cash flows as its main petrochemical business became sluggish due to the global impact of the COVID-19 pandemic that broke out at the start of last year and it delayed payment for raw materials of ¥4,754 million to Tohcho Co., Limited.

In conjunction with the delay in recovering accounts receivable, 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 accounts receivable, as a provision of allowance for doubtful accounts under selling, general and administrative expenses.

Now, the Company has confirmed that a major Chinese bank has accepted reconstructive bankruptcy proceedings against Chengold Packaging, the buyer, in the Intermediate People's Court of Jiangyin Municipality, Jiangsu Province. Consequently, concerns have arisen that the accounts receivable due to Tohcho Co., Limited may become uncollectible.

4. Type of claim and amount owed by business partner

Type of claim	Amount of claim	Provision of allowance for doubtful accounts	Ratio of consolidated net assets comprised by total amount of claims
Accounts receivable (Chengold Packaging)	US\$17,919 thousand (¥1,854 million)	¥927 million	8.3%
Accounts receivable (Chengxing Phosph-Chemicals)	US\$28,015 thousand (¥2,900 million)	¥1,450 million	
Total	US\$45,934 thousand (¥4,754 million, converted at a rate of US\$1 = ¥103.50)	¥2,377 million	

Note: The difference between the provision of allowance for doubtful accounts of ¥2,377 million in 4 above and the provision of allowance for doubtful accounts of ¥2,474 million posted in the consolidated accounts for the first quarter of the year ending March 31, 2021 is due to foreign exchange rates.

5. Future prospects

The Company is still carrying out legal proceedings such as litigation against the Chengxing Group and is focusing efforts on the collection of accounts receivable.

In the third quarter of the year ending March 31, 2021, the Company has recorded a provision of allowance for doubtful accounts of ¥2,377 million, having taken into consideration factors such as the continued operating status of the Chengxing Group and estimated value of chattel mortgage over collective property that has already been obtained. As of this point in time, there has been no impact on business results.

Furthermore, regarding Chengxing Phosph-Chemicals, the Company has not confirmed whether legal action or the like has been taken.

There is the possibility that future results could be affected by the progress of the reconstructive bankruptcy proceedings of Chengold Packaging, developments at the Chengxing Group, progress of legal proceedings for collection, and the status of the chattel mortgage over collective property that has already been obtained. In the event that revisions to the business and dividend forecasts become necessary, the Company will promptly issue a disclosure.

(Reference) Full-year consolidated performance forecast for the year ending March 31, 2021 (issued on February 8, 2021) and results for the previous fiscal year

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Forecast for the current year (For the year ending Mar. 31, 2021)	210,000	6,000	6,400	3,000
Results for the previous year (For the year ended Mar. 31, 2020)	329,360	8,219	8,685	6,101