

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**

May 11, 2018

Company name: Hodogaya Chemical Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4112 URL <http://www.hodogaya.co.jp/>
 Representative: President Yuto Matsumoto
 General Manager, Corporate Planning
 Inquiries: Department Taito Muraoka TEL 03-5299-8019
 Scheduled date of ordinary general meeting of shareholders: June 26, 2018
 Scheduled date to file Securities Report: June 25, 2018
 Scheduled date to commence dividend payments: June 27, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	38,693	11.4	3,903	83.3	4,169	99.1	2,862	46.7
Year ended March 31, 2017	34,739	2.7	2,129	156.8	2,094	230.6	1,951	140.6

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	362.29	–	8.8	7.7	10.1
Year ended March 31, 2017	246.86	–	6.4	4.0	6.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	54,997	35,869	60.5	4,210.82
As of March 31, 2017	53,430	33,857	59.5	4,023.85

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	4,215	(960)	(3,210)	6,583
Year ended March 31, 2017	3,100	(507)	(2,241)	6,597

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	2.50	–	35.00	–	474	24.3	1.6
Year ended March 31, 2018	–	25.00	–	25.00	50.00	395	13.8	1.2
Year ending March 31, 2019 (Forecast)	–	25.00	–	25.00	50.00		35.9	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	37,000	(4.4)	2,300	(41.1)	2,300	(44.8)	1,100	(61.6)	139.22

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2018	8,413,726 shares	As of March 31, 2017	8,413,726 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	512,650 shares	As of March 31, 2017	511,518 shares
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Average number of shares during the period

Year ended March 31, 2018	7,901,360 shares	Year ended March 31, 2017	7,904,516 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	7,172	6,702
Notes and accounts receivable - trade	12,250	12,335
Merchandise and finished goods	3,012	3,584
Work in process	415	416
Raw materials and supplies	1,207	1,607
Deferred tax assets	554	518
Other	379	418
Allowance for doubtful accounts	(21)	(16)
Total current assets	24,972	25,565
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,933	18,809
Accumulated depreciation	(12,519)	(12,876)
Buildings and structures, net	6,414	5,932
Machinery, equipment and vehicles	27,166	27,758
Accumulated depreciation	(25,154)	(25,844)
Machinery, equipment and vehicles, net	2,011	1,913
Tools, furniture and fixtures	2,762	2,726
Accumulated depreciation	(2,480)	(2,519)
Tools, furniture and fixtures, net	281	206
Land	11,234	11,493
Leased assets	335	347
Accumulated depreciation	(278)	(310)
Leased assets, net	56	37
Construction in progress	188	426
Total property, plant and equipment	20,186	20,010
Intangible assets		
Goodwill	14	6
Other	198	169
Total intangible assets	212	175
Investments and other assets		
Investment securities	7,407	8,211
Long-term loans receivable	15	246
Deferred tax assets	–	5
Net defined benefit asset	282	396
Other	558	583
Allowance for doubtful accounts	(205)	(197)
Total investments and other assets	8,058	9,245
Total non-current assets	28,457	29,431
Total assets	53,430	54,997

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,612	5,520
Short-term loans payable	2,185	2,085
Current portion of long-term loans payable	1,581	1,327
Lease obligations	29	18
Income taxes payable	291	261
Accrued consumption taxes	64	45
Provision for bonuses	456	481
Other provision	1	1
Other	1,269	1,685
Total current liabilities	10,491	11,426
Non-current liabilities		
Long-term loans payable	5,346	4,018
Lease obligations	30	22
Deferred tax liabilities	1,882	1,786
Deferred tax liabilities for land revaluation	1,228	1,228
Provision for environmental measures	82	82
Net defined benefit liability	88	83
Asset retirement obligations	79	80
Other	341	400
Total non-current liabilities	9,080	7,702
Total liabilities	19,572	19,128
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	9,589	8,716
Retained earnings	6,056	8,444
Treasury shares	(1,709)	(1,719)
Total shareholders' equity	25,132	26,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,238	2,737
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	1,205	755
Remeasurements of defined benefit plans	437	356
Total accumulated other comprehensive income	6,664	6,632
Non-controlling interests	2,060	2,599
Total net assets	33,857	35,869
Total liabilities and net assets	53,430	54,997

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	34,739	38,693
Cost of sales	23,317	24,787
Gross profit	11,421	13,905
Selling, general and administrative expenses		
Shipment expenses	1,622	1,683
Directors' compensations	394	404
Personnel expenses	1,915	2,057
Provision for bonuses	195	208
Retirement benefit expenses	85	76
Traveling and transportation expenses	217	253
Rent expenses	413	435
Depreciation	155	131
Research and development expenses	2,747	3,013
Amortization of goodwill	7	8
Other	1,537	1,729
Total selling, general and administrative expenses	9,292	10,001
Operating profit	2,129	3,903
Non-operating income		
Interest income	24	16
Dividend income	118	162
Foreign exchange gains	–	342
Rent income on non-current assets	58	57
Miscellaneous income	54	154
Total non-operating income	256	733
Non-operating expenses		
Interest expenses	99	80
Foreign exchange losses	17	–
Environmental maintenance expenses	132	310
Miscellaneous loss	40	76
Total non-operating expenses	291	467
Ordinary profit	2,094	4,169

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Extraordinary income		
Gain on sales of non-current assets	81	12
Gain on sales of investment securities	30	–
Subsidy income	3	1
Total extraordinary income	115	13
Extraordinary losses		
Loss on retirement of non-current assets	26	11
Impairment loss	67	–
Compensation expenses	–	440
Other	–	0
Total extraordinary losses	93	452
Profit before income taxes	2,115	3,731
Income taxes - current	390	494
Income taxes - deferred	(123)	(318)
Total income taxes	266	176
Profit	1,848	3,555
Profit (loss) attributable to non-controlling interests	(102)	692
Profit attributable to owners of parent	1,951	2,862

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	1,848	3,555
Other comprehensive income		
Valuation difference on available-for-sale securities	1,234	498
Foreign currency translation adjustment	89	(462)
Remeasurements of defined benefit plans, net of tax	37	(80)
Total other comprehensive income	1,362	(45)
Comprehensive income	3,210	3,509
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,283	2,830
Comprehensive income attributable to non-controlling interests	(72)	679

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of current period	11,196	9,589	4,500	(1,700)	23,585
Changes of items during period					
Dividends of surplus			(395)		(395)
Profit attributable to owners of parent			1,951		1,951
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	1,556	(9)	1,546
Balance at end of current period	11,196	9,589	6,056	(1,709)	25,132

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,004	2,783	1,146	399	5,333	2,137	31,056
Changes of items during period							
Dividends of surplus							(395)
Profit attributable to owners of parent							1,951
Purchase of treasury shares							(9)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	1,234	-	58	37	1,331	(76)	1,254
Total changes of items during period	1,234	-	58	37	1,331	(76)	2,801
Balance at end of current period	2,238	2,783	1,205	437	6,664	2,060	33,857

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of current period	11,196	9,589	6,056	(1,709)	25,132
Changes of items during period					
Dividends of surplus			(474)		(474)
Profit attributable to owners of parent			2,862		2,862
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		2		3	6
Capital increase of consolidated subsidiaries		(1)			(1)
Purchase of shares of consolidated subsidiaries		(874)			(874)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(873)	2,388	(9)	1,505
Balance at end of current period	11,196	8,716	8,444	(1,719)	26,637

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,238	2,783	1,205	437	6,664	2,060	33,857
Changes of items during period							
Dividends of surplus							(474)
Profit attributable to owners of parent							2,862
Purchase of treasury shares							(13)
Disposal of treasury shares							6
Capital increase of consolidated subsidiaries							(1)
Purchase of shares of consolidated subsidiaries							(874)
Net changes of items other than shareholders' equity	498	-	(450)	(80)	(32)	538	506
Total changes of items during period	498	-	(450)	(80)	(32)	538	2,011
Balance at end of current period	2,737	2,783	755	356	6,632	2,599	35,869

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,115	3,731
Depreciation	1,561	1,425
Impairment loss	67	–
Amortization of goodwill	7	8
Increase (decrease) in provision	24	12
Increase (decrease) in net defined benefit liability	(89)	(165)
Interest and dividend income	(142)	(178)
Interest expenses	99	80
Foreign exchange losses (gains)	(36)	(340)
Loss (gain) on sales of property, plant and equipment	(81)	(12)
Loss on retirement of property, plant and equipment	26	11
Loss (gain) on valuation of investment securities	–	0
Loss (gain) on sales of investment securities	(30)	–
Compensation expenses	–	440
Decrease (increase) in notes and accounts receivable - trade	(606)	(117)
Decrease (increase) in inventories	(180)	(990)
Increase (decrease) in notes and accounts payable - trade	228	946
Increase/decrease in other assets/liabilities	499	319
Increase (decrease) in accrued consumption taxes	(56)	(78)
Other, net	37	25
Subtotal	3,444	5,117
Interest and dividend income received	142	178
Interest expenses paid	(105)	(79)
Compensation expenses paid	–	(440)
Income taxes paid	(394)	(609)
Income taxes refund	13	49
Net cash provided by (used in) operating activities	3,100	4,215

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from investing activities		
Payments into time deposits	(1,176)	(119)
Proceeds from withdrawal of time deposits	1,434	574
Purchase of property, plant and equipment and intangible assets	(635)	(1,017)
Proceeds from sales of property, plant and equipment and intangible assets	88	25
Purchase of investment securities	(230)	(142)
Proceeds from sales and redemption of investment securities	62	51
Payments of loans receivable	(2)	(259)
Collection of loans receivable	19	21
Payments for guarantee deposits	(116)	(132)
Proceeds from collection of guarantee deposits	81	39
Other, net	(31)	(2)
Net cash provided by (used in) investing activities	(507)	(960)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,500)	(100)
Proceeds from long-term loans payable	2,500	–
Repayments of long-term loans payable	(1,801)	(1,581)
Cash dividends paid	(392)	(471)
Dividends paid to non-controlling interests	(3)	(6)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(9)	(13)
Repayments of lease obligations	(34)	(29)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,008)
Net cash provided by (used in) financing activities	(2,241)	(3,210)
Effect of exchange rate change on cash and cash equivalents	69	(58)
Net increase (decrease) in cash and cash equivalents	421	(14)
Cash and cash equivalents at beginning of period	6,175	6,597
Cash and cash equivalents at end of period	6,597	6,583