

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

July 31, 2017

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 to file Quarterly Securities Report: August 10, 2017  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

#### (1) Consolidated operating results (cumulative)

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	%
Three months ended June 30, 2017	9,720	28.3	1,303	589.4	1,341	–	772	–
Three months ended June 30, 2016	7,578	(2.1)	189	–	6	–	69	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2017	97.75	–
Three months ended June 30, 2016	8.75	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	54,199	35,116	60.4
As of March 31, 2017	53,430	33,857	59.5

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	2.50	–	35.00	–
Year ending March 31, 2018	–	–	–	–	–
Year ending March 31, 2018 (Forecast)	–	25.00	–	25.00	50.00

### 3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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	35,500	2.2	1,300	(38.9)	1,100	(47.5)	600	(69.3)	75.91

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2017  
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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

(4) Number of issued shares (common shares)

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

As of June 30, 2017	8,413,726 shares	As of March 31, 2017	8,413,726 shares
---------------------	------------------	----------------------	------------------

Number of treasury shares at the end of the period

As of June 30, 2017	511,497 shares	As of March 31, 2017	511,518 shares
---------------------	----------------	----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2017	7,902,176 shares	Three months ended June 30, 2016	7,905,258 shares
----------------------------------	------------------	----------------------------------	------------------

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	7,172	8,262
Notes and accounts receivable - trade	12,250	10,887
Merchandise and finished goods	3,012	3,330
Work in process	415	301
Raw materials and supplies	1,207	1,466
Deferred tax assets	554	536
Other	379	473
Allowance for doubtful accounts	(21)	(16)
Total current assets	24,972	25,241
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,414	6,253
Land	11,234	11,228
Other, net	2,538	2,398
Total property, plant and equipment	20,186	19,880
Intangible assets		
Goodwill	14	12
Other	198	183
Total intangible assets	212	195
Investments and other assets		
Investment securities	7,407	8,182
Long-term loans receivable	15	16
Net defined benefit asset	282	308
Other	558	572
Allowance for doubtful accounts	(205)	(197)
Total investments and other assets	8,058	8,881
Total non-current assets	28,457	28,957
Total assets	53,430	54,199

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,612	4,421
Short-term loans payable	3,766	3,614
Income taxes payable	291	195
Provision	458	244
Other	1,363	1,622
Total current liabilities	10,491	10,098
Non-current liabilities		
Long-term loans payable	5,346	5,010
Deferred tax liabilities	1,882	2,120
Deferred tax liabilities for land revaluation	1,228	1,228
Provision	82	82
Net defined benefit liability	88	76
Asset retirement obligations	79	79
Other	372	385
Total non-current liabilities	9,080	8,983
Total liabilities	19,572	19,082
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	9,589	9,589
Retained earnings	6,056	6,552
Treasury shares	(1,709)	(1,710)
Total shareholders' equity	25,132	25,628
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,238	2,783
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	1,205	1,108
Remeasurements of defined benefit plans	437	407
Total accumulated other comprehensive income	6,664	7,083
Non-controlling interests	2,060	2,405
Total net assets	33,857	35,116
Total liabilities and net assets	53,430	54,199

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	7,578	9,720
Cost of sales	5,195	6,040
Gross profit	2,382	3,679
Selling, general and administrative expenses	2,193	2,376
Operating profit	189	1,303
Non-operating income		
Interest income	5	4
Dividend income	60	89
Rent income on non-current assets	14	14
Miscellaneous income	9	26
Total non-operating income	89	134
Non-operating expenses		
Interest expenses	27	22
Foreign exchange losses	209	6
Environmental maintenance expenses	30	35
Miscellaneous loss	4	32
Total non-operating expenses	271	96
Ordinary profit	6	1,341
Extraordinary income		
Gain on sales of non-current assets	80	3
Subsidy income	3	1
Total extraordinary income	84	4
Extraordinary losses		
Loss on retirement of non-current assets	1	1
Loss on valuation of investment securities	–	0
Total extraordinary losses	1	2
Profit before income taxes	88	1,343
Income taxes	84	174
Profit	4	1,168
Profit (loss) attributable to non-controlling interests	(64)	396
Profit attributable to owners of parent	69	772

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	4	1,168
Other comprehensive income		
Valuation difference on available-for-sale securities	(269)	544
Foreign currency translation adjustment	(507)	(139)
Remeasurements of defined benefit plans, net of tax	(14)	(29)
Total other comprehensive income	(791)	374
Comprehensive income	(786)	1,543
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(577)	1,190
Comprehensive income attributable to non-controlling interests	(208)	353

## Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	88	1,343
Depreciation	387	359
Amortization of goodwill	1	2
Increase (decrease) in provision	(187)	(226)
Increase (decrease) in net defined benefit liability	(25)	(9)
Interest and dividend income	(65)	(93)
Interest expenses	27	22
Foreign exchange losses (gains)	138	5
Loss (gain) on sales of property, plant and equipment	(80)	(3)
Loss on retirement of non-current assets	1	1
Loss (gain) on valuation of investment securities	-	0
Decrease (increase) in notes and accounts receivable - trade	1,428	1,352
Decrease (increase) in inventories	(344)	(474)
Increase (decrease) in notes and accounts payable - trade	(397)	(186)
Increase/decrease in other assets/liabilities	162	(11)
Increase (decrease) in accrued consumption taxes	(48)	28
Other, net	26	(19)
Subtotal	1,115	2,090
Interest and dividend income received	52	90
Interest expenses paid	(28)	(19)
Income taxes paid	(237)	(291)
Net cash provided by (used in) operating activities	901	1,869
Cash flows from investing activities		
Payments into time deposits	(203)	-
Proceeds from withdrawal of time deposits	186	516
Purchase of property, plant and equipment and intangible assets	(122)	(187)
Proceeds from sales of property, plant and equipment and intangible assets	85	10
Purchase of investment securities	(0)	(0)
Collection of loans receivable	5	1
Payments for guarantee deposits	(59)	(50)
Proceeds from collection of guarantee deposits	21	6
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	(87)	296

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(100)
Repayments of long-term loans payable	(384)	(387)
Cash dividends paid	(0)	(0)
Dividends paid to non-controlling interests	(3)	(6)
Proceeds from sales of treasury shares	–	0
Purchase of treasury shares	(0)	(1)
Repayments of lease obligations	(8)	(8)
Net cash provided by (used in) financing activities	(396)	(504)
Effect of exchange rate change on cash and cash equivalents	(217)	(45)
Net increase (decrease) in cash and cash equivalents	200	1,616
Cash and cash equivalents at beginning of period	6,175	6,597
Cash and cash equivalents at end of period	6,376	8,213