

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 16, 2022

Company name: Hodogaya Chemical Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4112 URL <https://www.hodogaya.co.jp/>
 Representative: President Yuto Matsumoto
 General Manager, Corporate Planning
 Inquiries: Department Yasuhiro Mohri TEL 03-6852-0327
 Scheduled date of ordinary general meeting of shareholders: June 24, 2022
 Scheduled date to file Securities Report: June 23, 2022
 Scheduled date to commence dividend payments: June 27, 2022
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	41,879	1.6	6,421	17.9	6,914	18.4	3,251	4.2
Year ended March 31, 2021	41,199	9.1	5,444	87.5	5,841	91.0	3,119	67.9

	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, 2022	410.69	–	8.1	10.7	15.3
Year ended March 31, 2021	394.25	–	8.6	9.9	13.2

(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, 2022	66,448	47,912	62.3	5,230.81
As of March 31, 2021	62,609	43,654	61.8	4,885.72

(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, 2022	6,143	(3,569)	(1,848)	10,365
Year ended March 31, 2021	5,380	(2,689)	(424)	9,331

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, 2021	–	25.00	–	25.00	50.00	395	12.6	1.0
Year ended March 31, 2022	–	30.00	–	30.00	60.00	474	14.6	1.2
Year ending March 31, 2023 (Forecast)	–	32.50	–	32.50	65.00		21.4	

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	44,000	5.1	4,300	(33.0)	4,300	(37.8)	2,400	(26.1)	303.12

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(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: Yes

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, 2022	8,413,726 shares	As of March 31, 2021	8,413,726 shares
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Number of treasury shares at the end of the period

As of March 31, 2022	496,038 shares	As of March 31, 2021	497,405 shares
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Average number of shares during the period

Year ended March 31, 2022	7,917,688 shares	Year ended March 31, 2021	7,913,098 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	9,447	10,943
Notes and accounts receivable - trade	12,016	–
Notes receivable - trade	–	1,141
Accounts receivable - trade	–	11,287
Securities	–	511
Merchandise and finished goods	4,828	6,019
Work in process	1,554	1,130
Raw materials and supplies	1,931	2,177
Other	510	831
Allowance for doubtful accounts	(191)	(29)
Total current assets	30,096	34,013
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,573	22,014
Accumulated depreciation	(15,121)	(15,732)
Buildings and structures, net	6,452	6,282
Machinery, equipment and vehicles	29,309	30,362
Accumulated depreciation	(26,537)	(27,238)
Machinery, equipment and vehicles, net	2,771	3,123
Tools, furniture and fixtures	2,889	2,968
Accumulated depreciation	(2,617)	(2,659)
Tools, furniture and fixtures, net	271	308
Land	12,085	11,709
Leased assets	925	927
Accumulated depreciation	(220)	(333)
Leased assets, net	705	594
Construction in progress	359	432
Total property, plant and equipment	22,645	22,449
Intangible assets		
Goodwill	53	43
Software	150	153
Other	41	46
Total intangible assets	245	243
Investments and other assets		
Investment securities	8,245	7,987
Long-term loans receivable	411	233
Deferred tax assets	355	232
Guarantee deposits	704	1,244
Other	96	61
Allowance for doubtful accounts	(192)	(17)
Total investments and other assets	9,621	9,741
Total non-current assets	32,512	32,435
Total assets	62,609	66,448

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,163	4,738
Short-term borrowings	3,395	1,995
Current portion of long-term borrowings	1,060	1,004
Lease liabilities	124	126
Income taxes payable	920	1,086
Accrued consumption taxes	129	17
Contract liabilities	–	24
Provision for bonuses	459	539
Provision for environmental measures	30	36
Other provisions	0	99
Asset retirement obligations	–	72
Other	1,499	1,747
Total current liabilities	11,783	11,487
Non-current liabilities		
Long-term borrowings	2,970	3,366
Lease liabilities	644	526
Deferred tax liabilities	1,623	1,259
Deferred tax liabilities for land revaluation	1,228	1,228
Provision for environmental measures	0	–
Retirement benefit liability	76	73
Asset retirement obligations	91	19
Other	536	575
Total non-current liabilities	7,171	7,048
Total liabilities	18,954	18,535
Net assets		
Shareholders' equity		
Share capital	11,196	11,196
Capital surplus	8,716	8,718
Retained earnings	14,119	16,883
Treasury shares	(1,670)	(1,666)
Total shareholders' equity	32,362	35,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,657	2,303
Revaluation reserve for land	2,784	2,784
Foreign currency translation adjustment	872	1,196
Total accumulated other comprehensive income	6,314	6,284
Non-controlling interests	4,977	6,496
Total net assets	43,654	47,912
Total liabilities and net assets	62,609	66,448

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	41,199	41,879
Cost of sales	25,125	24,221
Gross profit	16,073	17,657
Selling, general and administrative expenses		
Shipment expenses	1,765	2,064
Remuneration for directors (and other officers)	388	356
Personnel expenses	2,236	2,295
Provision for bonuses	198	231
Retirement benefit expenses	115	132
Travel and transportation expenses	51	95
Rent expenses	436	444
Depreciation	110	145
Research and development expenses	3,384	3,859
Amortization of goodwill	3	11
Other	1,938	1,600
Total selling, general and administrative expenses	10,629	11,236
Operating profit	5,444	6,421
Non-operating income		
Interest income	13	33
Dividend income	194	226
Foreign exchange gains	63	212
Rental income from non-current assets	75	76
Subsidy income	53	51
Commission income	59	–
Miscellaneous income	85	31
Total non-operating income	544	633
Non-operating expenses		
Interest expenses	51	47
Environmental maintenance expenses	65	75
Compensation expenses	16	–
Miscellaneous losses	14	17
Total non-operating expenses	147	140
Ordinary profit	5,841	6,914
Extraordinary income		
Gain on sale of non-current assets	17	23
Gain on sale of investment securities	12	–
Total extraordinary income	29	23

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Extraordinary losses		
Loss on retirement of non-current assets	17	14
Impairment losses	–	532
Loss on valuation of investment securities	48	–
Loss on disaster	103	54
provision for maintenance work-related reserves	–	112
Other	12	–
Total extraordinary losses	181	713
Profit before income taxes	5,689	6,224
Income taxes - current	1,008	1,526
Income taxes - deferred	(77)	(80)
Total income taxes	930	1,445
Profit	4,758	4,778
Profit attributable to non-controlling interests	1,639	1,526
Profit attributable to owners of parent	3,119	3,251

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	4,758	4,778
Other comprehensive income		
Valuation difference on available-for-sale securities	1,510	(353)
Foreign currency translation adjustment	792	539
Total other comprehensive income	2,302	186
Comprehensive income	7,061	4,964
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,078	3,221
Comprehensive income attributable to non-controlling interests	1,983	1,742

Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of period	11,196	8,706	11,396	(1,712)	29,586
Changes during period					
Dividends of surplus			(395)		(395)
Profit attributable to owners of parent			3,119		3,119
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		10		49	59
Reversal of revaluation reserve for land			(0)		(0)
Net changes in items other than shareholders' equity					-
Total changes during period	-	10	2,723	42	2,776
Balance at end of period	11,196	8,716	14,119	(1,670)	32,362

	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	Total accumulated other comprehensive income		
Balance at beginning of period	1,146	2,783	424	4,354	3,099	37,040
Changes during period						
Dividends of surplus						(395)
Profit attributable to owners of parent						3,119
Purchase of treasury shares						(6)
Disposal of treasury shares						59
Reversal of revaluation reserve for land						(0)
Net changes in items other than shareholders' equity	1,510	0	448	1,959	1,878	3,837
Total changes during period	1,510	0	448	1,959	1,878	6,614
Balance at end of period	2,657	2,784	872	6,314	4,977	43,654

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of period	11,196	8,716	14,119	(1,670)	32,362
Cumulative effects of changes in accounting policies			(52)		(52)
Restated balance	11,196	8,716	14,067	(1,670)	32,310
Changes during period					
Dividends of surplus			(435)		(435)
Profit attributable to owners of parent			3,251		3,251
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		1		7	8
Net changes in items other than shareholders' equity					
Total changes during period	-	1	2,816	3	2,821
Balance at end of period	11,196	8,718	16,883	(1,666)	35,131

	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	Total accumulated other comprehensive income		
Balance at beginning of period	2,657	2,784	872	6,314	4,977	43,654
Cumulative effects of changes in accounting policies						(52)
Restated balance	2,657	2,784	872	6,314	4,977	43,602
Changes during period						
Dividends of surplus						(435)
Profit attributable to owners of parent						3,251
Purchase of treasury shares						(3)
Disposal of treasury shares						8
Net changes in items other than shareholders' equity	(353)	-	323	(30)	1,518	1,488
Total changes during period	(353)	-	323	(30)	1,518	4,310
Balance at end of period	2,303	2,784	1,196	6,284	6,496	47,912

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,689	6,224
Depreciation	1,503	1,661
Impairment losses	–	532
Amortization of goodwill	3	11
Increase (decrease) in provisions	147	(152)
Increase (decrease) in retirement benefit liability	6	(2)
Interest and dividend income	(208)	(260)
Interest expenses	51	47
Foreign exchange losses (gains)	(76)	(88)
Loss (gain) on sale of property, plant and equipment	(16)	(23)
Loss on retirement of property, plant and equipment	17	14
Loss (gain) on sale of investment securities	(8)	–
Loss (gain) on valuation of investment securities	48	–
Subsidy income	(53)	(51)
Compensation expenses	16	–
Loss on disaster	103	54
Decrease (increase) in trade receivables	(636)	(281)
Decrease (increase) in inventories	(989)	(918)
Increase (decrease) in trade payables	(88)	461
Increase/decrease in other assets/liabilities	255	112
Increase (decrease) in accrued consumption taxes	11	(154)
Other, net	(157)	91
Subtotal	5,619	7,275
Interest and dividends received	208	255
Interest paid	(52)	(47)
Subsidies received	53	51
Compensation expenses paid	(16)	–
Income taxes paid	(484)	(1,397)
Income taxes refund	52	5
Net cash provided by (used in) operating activities	5,380	6,143

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(157)	(556)
Proceeds from withdrawal of time deposits	157	120
Purchase of securities	–	(488)
Purchase of property, plant and equipment and intangible assets	(2,309)	(1,747)
Proceeds from sale of property, plant and equipment and intangible assets	50	58
Payments for retirement of property, plant and equipment	(5)	(14)
Purchase of investment securities	(281)	(401)
Proceeds from sale and redemption of investment securities	79	–
Loan advances	(180)	(60)
Proceeds from collection of loans receivable	35	35
Purchase of long-term prepaid expenses	(0)	(5)
Payments of guarantee deposits	(139)	(668)
Proceeds from refund of guarantee deposits	60	160
Payments for acquisition of businesses	(0)	–
Other, net	0	0
Net cash provided by (used in) investing activities	(2,689)	(3,569)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,262	(1,400)
Proceeds from long-term borrowings	80	1,400
Repayments of long-term borrowings	(1,138)	(1,060)
Dividends paid	(393)	(433)
Dividends paid to non-controlling interests	(104)	(223)
Proceeds from sale of treasury shares	0	–
Purchase of treasury shares	(6)	(3)
Repayments of lease liabilities	(123)	(127)
Net cash provided by (used in) financing activities	(424)	(1,848)
Effect of exchange rate change on cash and cash equivalents	288	308
Net increase (decrease) in cash and cash equivalents	2,554	1,034
Cash and cash equivalents at beginning of period	6,769	9,331
Increase in cash and cash equivalents resulting from acquisition of businesses for consolidated subsidiaries	6	–
Cash and cash equivalents at end of period	9,331	10,365