

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

January 31, 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 to file Quarterly Securities Report: February 13, 2018
 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 nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	28,154	18.9	2,992	233.3	3,582	272.4	2,405	135.7
Nine months ended December 31, 2016	23,675	(2.0)	897	–	961	–	1,020	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2017	304.46	–
Nine months ended December 31, 2016	129.11	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	57,523	37,432	60.1
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	–	25.00	–		
Year ending March 31, 2018 (Forecast)				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	38,200	10.0	3,700	73.8	3,700	76.7	2,000	2.5	253.10

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2017	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 December 31, 2017	513,259 shares	As of March 31, 2017	511,518 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2017	7,901,516 shares	Nine months ended December 31, 2016	7,904,909 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	7,172	9,947
Notes and accounts receivable - trade	12,250	10,103
Merchandise and finished goods	3,012	4,100
Work in process	415	330
Raw materials and supplies	1,207	1,620
Deferred tax assets	554	536
Other	379	745
Allowance for doubtful accounts	(21)	(14)
Total current assets	24,972	27,370
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,414	6,164
Land	11,234	11,499
Other, net	2,538	2,398
Total property, plant and equipment	20,186	20,061
Intangible assets		
Goodwill	14	8
Other	198	191
Total intangible assets	212	200
Investments and other assets		
Investment securities	7,407	9,084
Long-term loans receivable	15	30
Net defined benefit asset	282	346
Other	558	627
Allowance for doubtful accounts	(205)	(197)
Total investments and other assets	8,058	9,891
Total non-current assets	28,457	30,153
Total assets	53,430	57,523

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,612	5,452
Short-term loans payable	3,766	3,506
Income taxes payable	291	392
Provision	458	246
Other	1,363	1,802
Total current liabilities	10,491	11,400
Non-current liabilities		
Long-term loans payable	5,346	4,375
Deferred tax liabilities	1,882	2,425
Deferred tax liabilities for land revaluation	1,228	1,228
Provision	82	82
Net defined benefit liability	88	80
Asset retirement obligations	79	79
Other	372	418
Total non-current liabilities	9,080	8,690
Total liabilities	19,572	20,090
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	9,589	9,588
Retained earnings	6,056	7,987
Treasury shares	(1,709)	(1,721)
Total shareholders' equity	25,132	27,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,238	3,444
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	1,205	930
Remeasurements of defined benefit plans	437	358
Total accumulated other comprehensive income	6,664	7,516
Non-controlling interests	2,060	2,864
Total net assets	33,857	37,432
Total liabilities and net assets	53,430	57,523

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	23,675	28,154
Cost of sales	16,020	17,837
Gross profit	7,655	10,317
Selling, general and administrative expenses	6,757	7,324
Operating profit	897	2,992
Non-operating income		
Interest income	19	13
Dividend income	115	158
Foreign exchange gains	19	409
Rent income on non-current assets	43	43
Miscellaneous income	49	145
Total non-operating income	247	770
Non-operating expenses		
Interest expenses	77	63
Environmental maintenance expenses	90	80
Miscellaneous loss	16	36
Total non-operating expenses	183	180
Ordinary profit	961	3,582
Extraordinary income		
Gain on sales of non-current assets	80	12
Gain on sales of investment securities	11	-
Subsidy income	3	1
Total extraordinary income	95	13
Extraordinary losses		
Loss on retirement of non-current assets	6	5
Loss on valuation of investment securities	-	0
Total extraordinary losses	6	5
Profit before income taxes	1,051	3,589
Income taxes	283	501
Profit	767	3,088
Profit (loss) attributable to non-controlling interests	(253)	682
Profit attributable to owners of parent	1,020	2,405

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	767	3,088
Other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,205
Foreign currency translation adjustment	(111)	(146)
Remeasurements of defined benefit plans, net of tax	(43)	(78)
Total other comprehensive income	954	980
Comprehensive income	1,722	4,068
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,006	3,257
Comprehensive income attributable to non-controlling interests	(284)	811

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,051	3,589
Depreciation	1,161	1,064
Amortization of goodwill	5	6
Increase (decrease) in provision	(210)	(227)
Increase (decrease) in net defined benefit liability	(66)	(131)
Interest and dividend income	(135)	(172)
Interest expenses	77	63
Foreign exchange losses (gains)	(27)	(389)
Loss (gain) on sales of property, plant and equipment	(80)	(12)
Loss on retirement of non-current assets	6	5
Loss (gain) on valuation of investment securities	-	0
Loss (gain) on sales of investment securities	(11)	-
Decrease (increase) in notes and accounts receivable - trade	1,631	2,158
Decrease (increase) in inventories	(893)	(1,383)
Increase (decrease) in notes and accounts payable - trade	988	831
Increase/decrease in other assets/liabilities	539	144
Increase (decrease) in accrued consumption taxes	(112)	(115)
Other, net	21	(40)
Subtotal	3,943	5,390
Interest and dividend income received	130	171
Interest expenses paid	(80)	(60)
Income taxes paid	(375)	(496)
Income taxes refund	12	49
Net cash provided by (used in) operating activities	3,631	5,053
Cash flows from investing activities		
Payments into time deposits	(827)	(19)
Proceeds from withdrawal of time deposits	814	543
Purchase of property, plant and equipment and intangible assets	(367)	(824)
Proceeds from sales of property, plant and equipment and intangible assets	85	24
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	30	51
Payments of loans receivable	(2)	(29)
Collection of loans receivable	15	15
Payments for guarantee deposits	(72)	(123)
Proceeds from collection of guarantee deposits	84	32
Other, net	12	(3)
Net cash provided by (used in) investing activities	(227)	(334)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(100)
Repayments of long-term loans payable	(1,257)	(1,130)
Cash dividends paid	(214)	(277)
Dividends paid to non-controlling interests	(3)	(6)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(3)	(12)
Repayments of lease obligations	(25)	(22)
Net cash provided by (used in) financing activities	(1,503)	(1,549)
Effect of exchange rate change on cash and cash equivalents	11	128
Net increase (decrease) in cash and cash equivalents	1,911	3,298
Cash and cash equivalents at beginning of period	6,175	6,597
Cash and cash equivalents at end of period	8,087	9,896