

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

October 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: November 13, 2017
 Scheduled date to commence dividend payments: December 6, 2017
 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 six months ended September 30, 2017 (from April 1, 2017 to September 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	%
Six months ended September 30, 2017	18,938	20.8	2,047	289.1	2,499	803.0	1,637	327.8
Six months ended September 30, 2016	15,675	(2.4)	526	—	276	—	382	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	207.28	—
Six months ended September 30, 2016	48.43	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	55,800	36,162	60.2
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	—

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 six months ended September 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 September 30, 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 September 30, 2017	512,524 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)

Six months ended September 30, 2017	7,901,859 shares	Six months ended September 30, 2016	7,905,145 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	7,172	10,122
Notes and accounts receivable - trade	12,250	10,156
Merchandise and finished goods	3,012	3,236
Work in process	415	334
Raw materials and supplies	1,207	1,545
Deferred tax assets	554	532
Other	379	481
Allowance for doubtful accounts	(21)	(14)
Total current assets	24,972	26,393
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,414	6,144
Land	11,234	11,229
Other, net	2,538	2,402
Total property, plant and equipment	20,186	19,776
Intangible assets		
Goodwill	14	10
Other	198	165
Total intangible assets	212	175
Investments and other assets		
Investment securities	7,407	8,725
Long-term loans receivable	15	30
Net defined benefit asset	282	327
Other	558	568
Allowance for doubtful accounts	(205)	(197)
Total investments and other assets	8,058	9,454
Total non-current assets	28,457	29,406
Total assets	53,430	55,800

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,612	5,015
Short-term loans payable	3,766	3,568
Income taxes payable	291	355
Provision	458	473
Other	1,363	1,378
Total current liabilities	10,491	10,791
Non-current liabilities		
Long-term loans payable	5,346	4,643
Deferred tax liabilities	1,882	2,304
Deferred tax liabilities for land revaluation	1,228	1,228
Provision	82	82
Net defined benefit liability	88	78
Asset retirement obligations	79	79
Other	372	428
Total non-current liabilities	9,080	8,846
Total liabilities	19,572	19,637
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	9,589	9,589
Retained earnings	6,056	7,417
Treasury shares	(1,709)	(1,716)
Total shareholders' equity	25,132	26,487
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,238	3,198
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	1,205	740
Remeasurements of defined benefit plans	437	382
Total accumulated other comprehensive income	6,664	7,104
Non-controlling interests	2,060	2,570
Total net assets	33,857	36,162
Total liabilities and net assets	53,430	55,800

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	15,675	18,938
Cost of sales	10,760	12,047
Gross profit	4,915	6,891
Selling, general and administrative expenses	4,388	4,843
Operating profit	526	2,047
Non-operating income		
Interest income	10	8
Dividend income	63	91
Foreign exchange gains	–	409
Rent income on non-current assets	28	28
Miscellaneous income	23	48
Total non-operating income	126	587
Non-operating expenses		
Interest expenses	53	42
Foreign exchange losses	248	–
Environmental maintenance expenses	59	58
Miscellaneous loss	13	34
Total non-operating expenses	375	135
Ordinary profit	276	2,499
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	3	4
Loss on valuation of investment securities	–	0
Total extraordinary losses	3	5
Profit before income taxes	357	2,498
Income taxes	148	309
Profit	208	2,188
Profit (loss) attributable to non-controlling interests	(174)	550
Profit attributable to owners of parent	382	1,637

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	208	2,188
Other comprehensive income		
Valuation difference on available-for-sale securities	156	959
Foreign currency translation adjustment	(396)	(497)
Remeasurements of defined benefit plans, net of tax	(29)	(54)
Total other comprehensive income	(269)	407
Comprehensive income	(60)	2,596
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	222	2,077
Comprehensive income attributable to non-controlling interests	(283)	518

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	357	2,498
Depreciation	772	705
Amortization of goodwill	3	4
Increase (decrease) in provision	(3)	0
Increase (decrease) in net defined benefit liability	(45)	(96)
Interest and dividend income	(74)	(100)
Interest expenses	53	42
Foreign exchange losses (gains)	146	(394)
Loss (gain) on sales of property, plant and equipment	(80)	(3)
Loss on retirement of non-current assets	3	4
Loss (gain) on valuation of investment securities	–	0
Decrease (increase) in notes and accounts receivable - trade	2,151	2,089
Decrease (increase) in inventories	(30)	(495)
Increase (decrease) in notes and accounts payable - trade	(243)	400
Increase/decrease in other assets/liabilities	65	178
Increase (decrease) in accrued consumption taxes	(44)	(48)
Other, net	14	74
Subtotal	3,047	4,861
Interest and dividend income received	62	99
Interest expenses paid	(55)	(41)
Income taxes paid	(227)	(413)
Income taxes refund	0	49
Net cash provided by (used in) operating activities	2,827	4,555
Cash flows from investing activities		
Payments into time deposits	(807)	(19)
Proceeds from withdrawal of time deposits	808	535
Purchase of property, plant and equipment and intangible assets	(197)	(374)
Proceeds from sales of property, plant and equipment and intangible assets	85	13
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	–	50
Payments of loans receivable	(2)	(24)
Collection of loans receivable	12	4
Payments for guarantee deposits	(63)	(75)
Proceeds from collection of guarantee deposits	28	30
Other, net	2	(3)
Net cash provided by (used in) investing activities	(134)	136

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(100)
Repayments of long-term loans payable	(899)	(800)
Cash dividends paid	(196)	(276)
Dividends paid to non-controlling interests	(3)	(6)
Proceeds from sales of treasury shares	–	0
Purchase of treasury shares	(1)	(7)
Repayments of lease obligations	(16)	(15)
Net cash provided by (used in) financing activities	(1,116)	(1,206)
Effect of exchange rate change on cash and cash equivalents	(214)	(9)
Net increase (decrease) in cash and cash equivalents	1,362	3,476
Cash and cash equivalents at beginning of period	6,175	6,597
Cash and cash equivalents at end of period	7,537	10,073