

Translation

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**Summary of Consolidated Financial Results
for the Three Months Ended June 30, 2018
(Based on Japanese GAAP)**

July 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 Taito Muraoka
 Department TEL 03-5299-8019
 Scheduled date to file Quarterly Securities Report: August 9, 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 three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(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, 2018	8,553	(12.0)	615	(52.8)	798	(40.4)	542	(29.8)
Three months ended June 30, 2017	9,720	28.3	1,303	589.4	1,341	–	772	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	68.67	–
Three months ended June 30, 2017	97.75	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	53,682	35,945	62.1
As of March 31, 2018	54,737	35,869	60.8

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, 2018	–	25.00	–	25.00	50.00
Year ending March 31, 2019	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	25.00	–	25.00	50.00

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 three months ended June 30, 2018
 (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, 2018	8,413,726 shares	As of March 31, 2018	8,413,726 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	512,260 shares	As of March 31, 2018	512,650 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2018	7,901,287 shares	Three months ended June 30, 2017	7,902,176 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	6,702	6,534
Notes and accounts receivable - trade	12,335	11,055
Merchandise and finished goods	3,584	3,808
Work in process	416	455
Raw materials and supplies	1,607	1,841
Other	418	506
Allowance for doubtful accounts	(16)	(16)
Total current assets	25,047	24,185
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,932	5,859
Land	11,493	11,493
Other, net	2,584	2,811
Total property, plant and equipment	20,010	20,164
Intangible assets		
Goodwill	6	4
Other	169	159
Total intangible assets	175	163
Investments and other assets		
Investment securities	8,211	7,864
Long-term loans receivable	246	248
Deferred tax assets	263	266
Net defined benefit asset	396	412
Other	583	573
Allowance for doubtful accounts	(197)	(197)
Total investments and other assets	9,503	9,168
Total non-current assets	29,689	29,497
Total assets	54,737	53,682

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,520	4,943
Short-term loans payable	3,412	3,446
Income taxes payable	261	199
Provision	482	248
Other	1,748	1,924
Total current liabilities	11,426	10,761
Non-current liabilities		
Long-term loans payable	4,018	3,649
Deferred tax liabilities	1,526	1,453
Deferred tax liabilities for land revaluation	1,228	1,228
Provision	82	82
Net defined benefit liability	83	88
Asset retirement obligations	80	80
Other	422	393
Total non-current liabilities	7,441	6,975
Total liabilities	18,868	17,736
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	8,716	8,717
Retained earnings	8,444	8,789
Treasury shares	(1,719)	(1,718)
Total shareholders' equity	26,637	26,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,737	2,503
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	755	754
Remeasurements of defined benefit plans	356	321
Total accumulated other comprehensive income	6,632	6,362
Non-controlling interests	2,599	2,598
Total net assets	35,869	35,945
Total liabilities and net assets	54,737	53,682

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, 2017	Three months ended June 30, 2018
Net sales	9,720	8,553
Cost of sales	6,040	5,575
Gross profit	3,679	2,978
Selling, general and administrative expenses	2,376	2,362
Operating profit	1,303	615
Non-operating income		
Interest income	4	2
Foreign exchange gains	–	51
Dividend income	89	107
Rent income on non-current assets	14	14
Miscellaneous income	26	49
Total non-operating income	134	226
Non-operating expenses		
Interest expenses	22	16
Foreign exchange losses	6	–
Environmental maintenance expenses	35	21
Miscellaneous loss	32	4
Total non-operating expenses	96	42
Ordinary profit	1,341	798
Extraordinary income		
Gain on sales of non-current assets	3	–
Subsidy income	1	–
Total extraordinary income	4	–
Extraordinary losses		
Loss on retirement of non-current assets	1	4
Loss on valuation of investment securities	0	–
Total extraordinary losses	2	4
Profit before income taxes	1,343	794
Income taxes	174	125
Profit	1,168	669
Profit attributable to non-controlling interests	396	126
Profit attributable to owners of parent	772	542

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	1,168	669
Other comprehensive income		
Valuation difference on available-for-sale securities	544	(234)
Foreign currency translation adjustment	(139)	(48)
Remeasurements of defined benefit plans, net of tax	(29)	(34)
Total other comprehensive income	374	(317)
Comprehensive income	1,543	351
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,190	272
Comprehensive income attributable to non-controlling interests	353	78

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,343	794
Depreciation	359	329
Amortization of goodwill	2	2
Increase (decrease) in provision	(226)	(235)
Increase (decrease) in net defined benefit liability	(9)	(25)
Interest and dividend income	(93)	(110)
Interest expenses	22	16
Foreign exchange losses (gains)	5	(24)
Loss (gain) on sales of property, plant and equipment	(3)	-
Loss on retirement of non-current assets	1	4
Loss (gain) on valuation of investment securities	0	-
Decrease (increase) in notes and accounts receivable - trade	1,352	1,296
Decrease (increase) in inventories	(474)	(501)
Increase (decrease) in notes and accounts payable - trade	(186)	(602)
Increase/decrease in other assets/liabilities	(11)	(308)
Increase (decrease) in accrued consumption taxes	28	135
Other, net	(19)	14
Subtotal	2,090	786
Interest and dividend income received	90	110
Interest expenses paid	(19)	(11)
Income taxes paid	(291)	(230)
Net cash provided by (used in) operating activities	1,869	655
Cash flows from investing activities		
Payments into time deposits	-	(19)
Proceeds from withdrawal of time deposits	516	19
Purchase of property, plant and equipment and intangible assets	(187)	(512)
Proceeds from sales of property, plant and equipment and intangible assets	10	3
Purchase of investment securities	(0)	(0)
Proceeds from redemption of investment securities	-	30
Payments of loans receivable	-	(10)
Collection of loans receivable	1	4
Payments for guarantee deposits	(50)	(2)
Proceeds from collection of guarantee deposits	6	1
Other, net	(0)	(4)
Net cash provided by (used in) investing activities	296	(489)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	–
Repayments of long-term loans payable	(387)	(335)
Cash dividends paid	(0)	(0)
Dividends paid to non-controlling interests	(6)	(9)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(1)	(1)
Repayments of lease obligations	(8)	(7)
Net cash provided by (used in) financing activities	(504)	(352)
Effect of exchange rate change on cash and cash equivalents	(45)	20
Net increase (decrease) in cash and cash equivalents	1,616	(166)
Cash and cash equivalents at beginning of period	6,597	6,583
Cash and cash equivalents at end of period	8,213	6,416