

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

October 30, 2018

Company name: Hodogaya Chemical Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4112 URL <https://www.hodogaya.co.jp/>
 Representative: President Yuto Matsumoto
 Director, Senior Managing Executive Officer
 Inquiries: & General Manager, Corporate Planning Eiichi Sunada TEL 03-5299-8019
 Department
 Scheduled date to file Quarterly Securities Report: November 9, 2018
 Scheduled date to commence dividend payments: December 6, 2018
 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, 2018 (from April 1, 2018 to September 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	%
Six months ended September 30, 2018	17,213	(9.1)	1,129	(44.8)	1,377	(44.9)	993	(39.3)
Six months ended September 30, 2017	18,938	20.8	2,047	289.1	2,499	803.0	1,637	327.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	125.79		-	
Six months ended September 30, 2017	207.28		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	54,394	36,925	62.9
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				
Year ended March 31, 2018	-	25.00	-	25.00	50.00
Year ending March 31, 2019	-	25.00	-	-	-
Year ending March 31, 2019 (Forecast)	-	-	-	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 six months ended September 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 September 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 September 30, 2018	512,480 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)

Six months ended September 30, 2018	7,901,311 shares	Six months ended September 30, 2017	7,901,859 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	6,702	7,509
Notes and accounts receivable - trade	12,335	9,445
Merchandise and finished goods	3,584	4,035
Work in process	416	480
Raw materials and supplies	1,607	2,084
Other	418	555
Allowance for doubtful accounts	(16)	(12)
Total current assets	25,047	24,098
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,932	5,926
Land	11,493	11,502
Other, net	2,584	3,044
Total property, plant and equipment	20,010	20,473
Intangible assets		
Goodwill	6	2
Other	169	161
Total intangible assets	175	164
Investments and other assets		
Investment securities	8,211	8,286
Long-term loans receivable	246	248
Deferred tax assets	263	291
Net defined benefit asset	396	430
Other	583	599
Allowance for doubtful accounts	(197)	(197)
Total investments and other assets	9,503	9,659
Total non-current assets	29,689	30,296
Total assets	54,737	54,394

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,520	4,772
Short-term loans payable	3,412	3,493
Income taxes payable	261	319
Provision	482	486
Other	1,748	1,690
Total current liabilities	11,426	10,763
Non-current liabilities		
Long-term loans payable	4,018	3,235
Deferred tax liabilities	1,526	1,541
Deferred tax liabilities for land revaluation	1,228	1,228
Provision	82	82
Net defined benefit liability	83	91
Asset retirement obligations	80	80
Other	422	446
Total non-current liabilities	7,441	6,706
Total liabilities	18,868	17,469
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	8,716	8,717
Retained earnings	8,444	9,240
Treasury shares	(1,719)	(1,719)
Total shareholders' equity	26,637	27,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,737	2,813
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	755	854
Remeasurements of defined benefit plans	356	311
Total accumulated other comprehensive income	6,632	6,763
Non-controlling interests	2,599	2,726
Total net assets	35,869	36,925
Total liabilities and net assets	54,737	54,394

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, 2017	Six months ended September 30, 2018
Net sales	18,938	17,213
Cost of sales	12,047	11,309
Gross profit	6,891	5,904
Selling, general and administrative expenses	4,843	4,774
Operating profit	2,047	1,129
Non-operating income		
Interest income	8	6
Dividend income	91	110
Foreign exchange gains	409	114
Rent income on non-current assets	28	29
Miscellaneous income	48	69
Total non-operating income	587	330
Non-operating expenses		
Interest expenses	42	32
Environmental maintenance expenses	58	42
Miscellaneous loss	34	7
Total non-operating expenses	135	82
Ordinary profit	2,499	1,377
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	4	6
Loss on valuation of investment securities	0	–
Total extraordinary losses	5	6
Profit before income taxes	2,498	1,371
Income taxes	309	194
Profit	2,188	1,177
Profit attributable to non-controlling interests	550	183
Profit attributable to owners of parent	1,637	993

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	2,188	1,177
Other comprehensive income		
Valuation difference on available-for-sale securities	959	76
Foreign currency translation adjustment	(497)	123
Remeasurements of defined benefit plans, net of tax	(54)	(44)
Total other comprehensive income	407	154
Comprehensive income	2,596	1,331
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,077	1,124
Comprehensive income attributable to non-controlling interests	518	207

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	2,498	1,371
Depreciation	705	662
Amortization of goodwill	4	4
Increase (decrease) in provision	0	(1)
Increase (decrease) in net defined benefit liability	(96)	(54)
Interest and dividend income	(100)	(117)
Interest expenses	42	32
Foreign exchange losses (gains)	(394)	(79)
Loss (gain) on sales of property, plant and equipment	(3)	–
Loss on retirement of non-current assets	4	6
Loss (gain) on valuation of investment securities	0	–
Decrease (increase) in notes and accounts receivable - trade	2,089	2,931
Decrease (increase) in inventories	(495)	(954)
Increase (decrease) in notes and accounts payable - trade	400	(797)
Increase/decrease in other assets/liabilities	178	(373)
Increase (decrease) in accrued consumption taxes	(48)	(17)
Other, net	74	(2)
Subtotal	4,861	2,610
Interest and dividend income received	99	117
Interest expenses paid	(41)	(33)
Income taxes paid	(413)	(252)
Income taxes refund	49	51
Net cash provided by (used in) operating activities	4,555	2,493
Cash flows from investing activities		
Payments into time deposits	(19)	(19)
Proceeds from withdrawal of time deposits	535	19
Purchase of property, plant and equipment and intangible assets	(374)	(878)
Proceeds from sales of property, plant and equipment and intangible assets	13	3
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	50	30
Payments of loans receivable	(24)	(17)
Collection of loans receivable	4	14
Payments for guarantee deposits	(75)	(24)
Proceeds from collection of guarantee deposits	30	3
Other, net	(3)	(4)
Net cash provided by (used in) investing activities	136	(875)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	–
Repayments of long-term loans payable	(800)	(702)
Cash dividends paid	(276)	(198)
Dividends paid to non-controlling interests	(6)	(9)
Proceeds from sales of treasury shares	0	–
Purchase of treasury shares	(7)	(1)
Repayments of lease obligations	(15)	(13)
Net cash provided by (used in) financing activities	(1,206)	(924)
Effect of exchange rate change on cash and cash equivalents	(9)	111
Net increase (decrease) in cash and cash equivalents	3,476	804
Cash and cash equivalents at beginning of period	6,597	6,583
Cash and cash equivalents at end of period	10,073	7,388