

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

January 31, 2019

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: February 14, 2019
 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, 2018 (from April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	26,822	(4.7)	2,131	(28.8)	2,386	(33.4)	1,702	(29.2)
Nine months ended December 31, 2017	28,154	18.9	2,992	233.3	3,582	272.4	2,405	135.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	215.45		–	
Nine months ended December 31, 2017	304.46		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	56,412	36,428	59.6
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 nine months ended December 31, 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 December 31, 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 December 31, 2018	511,393 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)

Nine months ended December 31, 2018	7,901,505 shares	Nine months ended December 31, 2017	7,901,516 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	6,702	9,285
Notes and accounts receivable - trade	12,335	10,353
Merchandise and finished goods	3,584	4,577
Work in process	416	452
Raw materials and supplies	1,607	2,203
Other	418	635
Allowance for doubtful accounts	(16)	(18)
Total current assets	25,047	27,490
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,932	5,764
Land	11,493	11,522
Other, net	2,584	3,111
Total property, plant and equipment	20,010	20,398
Intangible assets		
Goodwill	6	–
Other	169	157
Total intangible assets	175	157
Investments and other assets		
Investment securities	8,211	6,975
Long-term loans receivable	246	254
Deferred tax assets	263	273
Net defined benefit asset	396	447
Other	583	612
Allowance for doubtful accounts	(197)	(197)
Total investments and other assets	9,503	8,365
Total non-current assets	29,689	28,921
Total assets	54,737	56,412

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,520	5,382
Short-term loans payable	3,412	3,463
Income taxes payable	261	337
Provision	482	241
Other	1,748	1,904
Total current liabilities	11,426	11,328
Non-current liabilities		
Long-term loans payable	4,018	5,496
Deferred tax liabilities	1,526	1,202
Deferred tax liabilities for land revaluation	1,228	1,228
Provision	82	82
Net defined benefit liability	83	93
Asset retirement obligations	80	80
Other	422	470
Total non-current liabilities	7,441	8,655
Total liabilities	18,868	19,984
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	8,716	8,716
Retained earnings	8,444	9,751
Treasury shares	(1,719)	(1,715)
Total shareholders' equity	26,637	27,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,737	1,854
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	755	759
Remeasurements of defined benefit plans	356	301
Total accumulated other comprehensive income	6,632	5,699
Non-controlling interests	2,599	2,779
Total net assets	35,869	36,428
Total liabilities and net assets	54,737	56,412

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, 2017	Nine months ended December 31, 2018
Net sales	28,154	26,822
Cost of sales	17,837	17,513
Gross profit	10,317	9,308
Selling, general and administrative expenses	7,324	7,176
Operating profit	2,992	2,131
Non-operating income		
Interest income	13	11
Dividend income	158	185
Foreign exchange gains	409	30
Rent income on non-current assets	43	44
Miscellaneous income	145	101
Total non-operating income	770	373
Non-operating expenses		
Interest expenses	63	47
Environmental maintenance expenses	80	61
Miscellaneous loss	36	9
Total non-operating expenses	180	118
Ordinary profit	3,582	2,386
Extraordinary income		
Gain on sales of non-current assets	12	–
Subsidy income	1	–
Total extraordinary income	13	–
Extraordinary losses		
Loss on retirement of non-current assets	5	13
Loss on valuation of investment securities	0	–
Total extraordinary losses	5	13
Profit before income taxes	3,589	2,372
Income taxes	501	367
Profit	3,088	2,004
Profit attributable to non-controlling interests	682	302
Profit attributable to owners of parent	2,405	1,702

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	3,088	2,004
Other comprehensive income		
Valuation difference on available-for-sale securities	1,205	(882)
Foreign currency translation adjustment	(146)	(37)
Remeasurements of defined benefit plans, net of tax	(78)	(54)
Total other comprehensive income	980	(975)
Comprehensive income	4,068	1,029
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,257	769
Comprehensive income attributable to non-controlling interests	811	259

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,589	2,372
Depreciation	1,064	1,010
Amortization of goodwill	6	6
Increase (decrease) in provision	(227)	(240)
Increase (decrease) in net defined benefit liability	(131)	(82)
Interest and dividend income	(172)	(197)
Interest expenses	63	47
Foreign exchange losses (gains)	(389)	(37)
Loss (gain) on sales of property, plant and equipment	(12)	-
Loss on retirement of non-current assets	5	13
Loss (gain) on valuation of investment securities	0	-
Decrease (increase) in notes and accounts receivable - trade	2,158	2,001
Decrease (increase) in inventories	(1,383)	(1,622)
Increase (decrease) in notes and accounts payable - trade	831	(164)
Increase/decrease in other assets/liabilities	144	(251)
Increase (decrease) in accrued consumption taxes	(115)	25
Other, net	(40)	24
Subtotal	5,390	2,905
Interest and dividend income received	171	196
Interest expenses paid	(60)	(46)
Income taxes paid	(496)	(390)
Income taxes refund	49	52
Net cash provided by (used in) operating activities	5,053	2,717
Cash flows from investing activities		
Payments into time deposits	(19)	(19)
Proceeds from withdrawal of time deposits	543	19
Purchase of property, plant and equipment and intangible assets	(824)	(1,412)
Proceeds from sales of property, plant and equipment and intangible assets	24	3
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	51	30
Payments of loans receivable	(29)	(29)
Collection of loans receivable	15	20
Payments for guarantee deposits	(123)	(53)
Proceeds from collection of guarantee deposits	32	4
Other, net	(3)	(8)
Net cash provided by (used in) investing activities	(334)	(1,446)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	(20)
Proceeds from long-term loans payable	–	2,520
Repayments of long-term loans payable	(1,130)	(970)
Cash dividends paid	(277)	(216)
Dividends paid to non-controlling interests	(6)	(11)
Proceeds from sales of treasury shares	0	–
Purchase of treasury shares	(12)	(2)
Repayments of lease obligations	(22)	(20)
Net cash provided by (used in) financing activities	(1,549)	1,278
Effect of exchange rate change on cash and cash equivalents	128	34
Net increase (decrease) in cash and cash equivalents	3,298	2,584
Cash and cash equivalents at beginning of period	6,597	6,583
Cash and cash equivalents at end of period	9,896	9,167