

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Year Ended March 31, 2019
(Based on Japanese GAAP)**

May 14, 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 of ordinary general meeting of shareholders: June 25, 2019
 Scheduled date to file Securities Report: June 24, 2019
 Scheduled date to commence dividend payments: June 26, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

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	%
Year ended March 31, 2019	37,548	(3.0)	3,028	(22.4)	3,104	(25.6)	1,883	(34.2)
Year ended March 31, 2018	38,693	11.4	3,903	83.3	4,169	99.1	2,862	46.7

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	238.40	–	5.6	5.5	8.1
Year ended March 31, 2018	362.29	–	8.8	7.7	10.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	57,140	36,860	59.5	4,299.75
As of March 31, 2018	54,737	35,869	60.8	4,210.82

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	2,525	(2,351)	668	7,442
Year ended March 31, 2018	4,215	(960)	(3,210)	6,583

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	–	25.00	–	25.00	50.00	395	13.8	1.2
Year ended March 31, 2019	–	25.00	–	25.00	50.00	395	20.9	1.1
Year ending March 31, 2020 (Forecast)	–	25.00	–	25.00	50.00		28.2	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	38,000	1.2	2,300	(24.1)	2,300	(25.9)	1,400	(25.7)	177.18

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	8,413,726 shares	As of March 31, 2018	8,413,726 shares
----------------------	------------------	----------------------	------------------

Number of treasury shares at the end of the period

As of March 31, 2019	511,715 shares	As of March 31, 2018	512,650 shares
----------------------	----------------	----------------------	----------------

Average number of shares during the period

Year ended March 31, 2019	7,901,651 shares	Year ended March 31, 2018	7,901,360 shares
---------------------------	------------------	---------------------------	------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	6,702	7,559
Notes and accounts receivable - trade	12,335	12,438
Merchandise and finished goods	3,584	4,246
Work in process	416	523
Raw materials and supplies	1,607	2,023
Other	418	570
Allowance for doubtful accounts	(16)	(18)
Total current assets	25,047	27,344
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,809	19,959
Accumulated depreciation	(12,876)	(14,138)
Buildings and structures, net	5,932	5,820
Machinery, equipment and vehicles	27,758	27,630
Accumulated depreciation	(25,844)	(25,291)
Machinery, equipment and vehicles, net	1,913	2,339
Tools, furniture and fixtures	2,726	2,815
Accumulated depreciation	(2,519)	(2,619)
Tools, furniture and fixtures, net	206	195
Land	11,493	11,975
Leased assets	347	148
Accumulated depreciation	(310)	(58)
Leased assets, net	37	89
Construction in progress	426	357
Total property, plant and equipment	20,010	20,778
Intangible assets		
Goodwill	6	–
Other	169	151
Total intangible assets	175	151
Investments and other assets		
Investment securities	8,211	7,331
Long-term loans receivable	246	266
Deferred tax assets	263	338
Retirement benefit asset	396	400
Other	583	726
Allowance for doubtful accounts	(197)	(197)
Total investments and other assets	9,503	8,865
Total non-current assets	29,689	29,795
Total assets	54,737	57,140

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,520	5,564
Short-term loans payable	2,085	2,065
Current portion of long-term loans payable	1,327	1,449
Lease obligations	18	21
Income taxes payable	261	410
Accrued consumption taxes	45	38
Provision for bonuses	481	490
Other provision	1	0
Other	1,685	1,723
Total current liabilities	11,426	11,763
Non-current liabilities		
Long-term loans payable	4,018	5,089
Lease obligations	22	75
Deferred tax liabilities	1,526	1,458
Deferred tax liabilities for land revaluation	1,228	1,228
Provision for environmental measures	82	82
Retirement benefit liability	83	85
Asset retirement obligations	80	80
Other	400	416
Total non-current liabilities	7,441	8,517
Total liabilities	18,868	20,280
Net assets		
Shareholders' equity		
Capital stock	11,196	11,196
Capital surplus	8,716	8,716
Retained earnings	8,444	9,933
Treasury shares	(1,719)	(1,716)
Total shareholders' equity	26,637	28,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,737	2,097
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	755	718
Remeasurements of defined benefit plans	356	247
Total accumulated other comprehensive income	6,632	5,846
Non-controlling interests	2,599	2,883
Total net assets	35,869	36,860
Total liabilities and net assets	54,737	57,140

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	38,693	37,548
Cost of sales	24,787	24,663
Gross profit	13,905	12,884
Selling, general and administrative expenses		
Shipment expenses	1,683	1,776
Remuneration for directors (and other officers)	404	350
Personnel expenses	2,057	2,087
Provision for bonuses	208	201
Retirement benefit expenses	76	84
Traveling and transportation expenses	253	222
Rent expenses	435	416
Depreciation	131	95
Research and development expenses	3,013	2,899
Amortization of goodwill	8	6
Other	1,729	1,716
Total selling, general and administrative expenses	10,001	9,856
Operating profit	3,903	3,028
Non-operating income		
Interest income	16	16
Dividend income	162	189
Foreign exchange gains	342	16
Rent income on non-current assets	57	59
Subsidy income	27	58
Miscellaneous income	126	118
Total non-operating income	733	458
Non-operating expenses		
Interest expenses	80	65
Environmental maintenance expenses	310	279
Miscellaneous loss	76	37
Total non-operating expenses	467	382
Ordinary profit	4,169	3,104

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Extraordinary income		
Gain on sales of non-current assets	12	7
Subsidy income	1	–
Total extraordinary income	13	7
Extraordinary losses		
Loss on retirement of non-current assets	11	138
Compensation expenses	440	–
Other	0	–
Total extraordinary losses	452	138
Profit before income taxes	3,731	2,973
Income taxes - current	494	577
Income taxes - deferred	(318)	75
Total income taxes	176	653
Profit	3,555	2,319
Profit attributable to non-controlling interests	692	436
Profit attributable to owners of parent	2,862	1,883

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	3,555	2,319
Other comprehensive income		
Valuation difference on available-for-sale securities	498	(639)
Foreign currency translation adjustment	(462)	(108)
Remeasurements of defined benefit plans, net of tax	(80)	(109)
Total other comprehensive income	(45)	(857)
Comprehensive income	3,509	1,462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,830	1,098
Comprehensive income attributable to non-controlling interests	679	364

Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of current period	11,196	9,589	6,056	(1,709)	25,132
Changes of items during period					
Dividends of surplus			(474)		(474)
Profit attributable to owners of parent			2,862		2,862
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		2		3	6
Capital increase of consolidated subsidiaries		(1)			(1)
Purchase of shares of consolidated subsidiaries		(874)			(874)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(873)	2,388	(9)	1,505
Balance at end of current period	11,196	8,716	8,444	(1,719)	26,637

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,238	2,783	1,205	437	6,664	2,060	33,857
Changes of items during period							
Dividends of surplus							(474)
Profit attributable to owners of parent							2,862
Purchase of treasury shares							(13)
Disposal of treasury shares							6
Capital increase of consolidated subsidiaries							(1)
Purchase of shares of consolidated subsidiaries							(874)
Net changes of items other than shareholders' equity	498	-	(450)	(80)	(32)	538	506
Total changes of items during period	498	-	(450)	(80)	(32)	538	2,011
Balance at end of current period	2,737	2,783	755	356	6,632	2,599	35,869

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of current period	11,196	8,716	8,444	(1,719)	26,637
Changes of items during period					
Dividends of surplus			(395)		(395)
Profit attributable to owners of parent			1,883		1,883
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		0		6	6
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	1,488	3	1,492
Balance at end of current period	11,196	8,716	9,933	(1,716)	28,129

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,737	2,783	755	356	6,632	2,599	35,869
Changes of items during period							
Dividends of surplus							(395)
Profit attributable to owners of parent							1,883
Purchase of treasury shares							(3)
Disposal of treasury shares							6
Net changes of items other than shareholders' equity	(639)	-	(36)	(109)	(785)	284	(501)
Total changes of items during period	(639)	-	(36)	(109)	(785)	284	990
Balance at end of current period	2,097	2,783	718	247	5,846	2,883	36,860

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,731	2,973
Depreciation	1,425	1,388
Amortization of goodwill	8	6
Increase (decrease) in provision	12	9
Increase (decrease) in retirement benefit liability	(165)	(123)
Interest and dividend income	(178)	(206)
Interest expenses	80	65
Foreign exchange losses (gains)	(340)	(34)
Loss (gain) on sales of property, plant and equipment	(12)	(7)
Loss on retirement of property, plant and equipment	11	138
Loss (gain) on valuation of investment securities	0	–
Subsidy income	(27)	(58)
Compensation expenses	440	–
Decrease (increase) in notes and accounts receivable - trade	(117)	(87)
Decrease (increase) in inventories	(990)	(1,193)
Increase (decrease) in notes and accounts payable - trade	946	17
Increase/decrease in other assets/liabilities	319	(177)
Increase (decrease) in accrued consumption taxes	(78)	(37)
Other, net	25	51
Subtotal	5,090	2,724
Interest and dividend income received	178	205
Interest expenses paid	(79)	(66)
Proceeds from subsidy income	27	58
Compensation expenses paid	(440)	–
Income taxes paid	(609)	(449)
Income taxes refund	49	52
Net cash provided by (used in) operating activities	4,215	2,525

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(119)	(118)
Proceeds from withdrawal of time deposits	574	118
Purchase of property, plant and equipment and intangible assets	(1,017)	(2,033)
Proceeds from sales of property, plant and equipment and intangible assets	25	17
Payments for retirement of property, plant and equipment	–	(132)
Purchase of investment securities	(142)	(1)
Proceeds from sales and redemption of investment securities	51	30
Payments of loans receivable	(259)	(56)
Collection of loans receivable	21	26
Purchase of long-term prepaid expenses	–	(129)
Payments for guarantee deposits	(132)	(83)
Proceeds from collection of guarantee deposits	39	12
Other, net	(2)	–
Net cash provided by (used in) investing activities	(960)	(2,351)
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	(1,581)	(1,327)
Cash dividends paid	(471)	(396)
Dividends paid to non-controlling interests	(6)	(79)
Proceeds from sales of treasury shares	0	–
Purchase of treasury shares	(13)	(3)
Repayments of lease obligations	(29)	(25)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,008)	–
Net cash provided by (used in) financing activities	(3,210)	668
Effect of exchange rate change on cash and cash equivalents	(58)	17
Net increase (decrease) in cash and cash equivalents	(14)	859
Cash and cash equivalents at beginning of period	6,597	6,583
Cash and cash equivalents at end of period	6,583	7,442