

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Based on Japanese GAAP)

January 31, 2020

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, 2020
 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, 2019 (from April 1, 2019 to December 31, 2019)

(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, 2019	27,418	2.2	1,756	(17.6)	1,962	(17.8)	1,095	(35.6)
Nine months ended December 31, 2018	26,822	(4.7)	2,131	(28.8)	2,386	(33.4)	1,702	(29.2)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	138.67		–	
Nine months ended December 31, 2018	215.45		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	57,281	37,269	59.8
As of March 31, 2019	57,140	36,860	59.5

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, 2019	–	25.00	–	25.00	50.00
Year ending March 31, 2020	–	25.00	–		
Year ending March 31, 2020 (Forecast)				25.00	50.00

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	36,000	(4.1)	1,400	(53.8)	1,400	(54.9)	600	(68.1)	75.92

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2019
(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, 2019	8,413,726 shares	As of March 31, 2019	8,413,726 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	510,504 shares	As of March 31, 2019	511,715 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, 2019	7,903,159 shares	Nine months ended December 31, 2018	7,901,505 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	7,559	7,354
Notes and accounts receivable - trade	12,438	10,640
Merchandise and finished goods	4,246	4,737
Work in process	523	713
Raw materials and supplies	2,023	2,438
Other	570	614
Allowance for doubtful accounts	(18)	(17)
Total current assets	27,344	26,480
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,820	5,504
Land	11,975	11,972
Other, net	2,982	4,858
Total property, plant and equipment	20,778	22,334
Intangible assets		
Other	151	144
Total intangible assets	151	144
Investments and other assets		
Investment securities	7,331	7,209
Long-term loans receivable	266	263
Deferred tax assets	338	355
Retirement benefit asset	400	—
Other	726	685
Allowance for doubtful accounts	(197)	(192)
Total investments and other assets	8,865	8,321
Total non-current assets	29,795	30,800
Total assets	57,140	57,281

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,564	5,148
Short-term borrowings	3,514	3,226
Income taxes payable	410	414
Provisions	490	265
Other	1,783	2,561
Total current liabilities	11,763	11,616
Non-current liabilities		
Long-term borrowings	5,089	4,335
Deferred tax liabilities	1,458	1,320
Deferred tax liabilities for land revaluation	1,228	1,228
Provisions	82	82
Retirement benefit liability	85	65
Asset retirement obligations	80	80
Other	492	1,281
Total non-current liabilities	8,517	8,394
Total liabilities	20,280	20,011
Net assets		
Shareholders' equity		
Share capital	11,196	11,196
Capital surplus	8,716	8,706
Retained earnings	9,933	10,634
Treasury shares	(1,716)	(1,712)
Total shareholders' equity	28,129	28,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,097	2,059
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	718	611
Remeasurements of defined benefit plans	247	–
Total accumulated other comprehensive income	5,846	5,454
Non-controlling interests	2,883	2,991
Total net assets	36,860	37,269
Total liabilities and net assets	57,140	57,281

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, 2018	Nine months ended December 31, 2019
Net sales	26,822	27,418
Cost of sales	17,513	18,208
Gross profit	9,308	9,210
Selling, general and administrative expenses	7,176	7,453
Operating profit	2,131	1,756
Non-operating income		
Interest income	11	12
Dividend income	185	189
Foreign exchange gains	30	–
Rental income from non-current assets	44	46
Miscellaneous income	101	201
Total non-operating income	373	450
Non-operating expenses		
Interest expenses	47	47
Foreign exchange losses	–	107
Environmental maintenance expenses	61	51
Miscellaneous loss	9	37
Total non-operating expenses	118	244
Ordinary profit	2,386	1,962
Extraordinary income		
Gain on sales of non-current assets	–	10
Total extraordinary income	–	10
Extraordinary losses		
Loss on retirement of non-current assets	13	11
Loss on valuation of investment securities	–	62
Loss on termination of retirement benefit plan	–	94
Total extraordinary losses	13	168
Profit before income taxes	2,372	1,804
Income taxes	367	425
Profit	2,004	1,379
Profit attributable to non-controlling interests	302	283
Profit attributable to owners of parent	1,702	1,095

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	2,004	1,379
Other comprehensive income		
Valuation difference on available-for-sale securities	(882)	(38)
Foreign currency translation adjustment	(37)	(181)
Remeasurements of defined benefit plans, net of tax	(54)	(247)
Total other comprehensive income	(975)	(466)
Comprehensive income	1,029	913
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	769	703
Comprehensive income attributable to non-controlling interests	259	209

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,372	1,804
Depreciation	1,010	1,092
Amortization of goodwill	6	–
Increase (decrease) in provision	(240)	(229)
Increase (decrease) in retirement benefit liability	(82)	25
Interest and dividend income	(197)	(202)
Interest expenses	47	47
Foreign exchange losses (gains)	(37)	36
Loss (gain) on sales of property, plant and equipment	–	(10)
Loss on retirement of property, plant and equipment	13	11
Loss (gain) on valuation of investment securities	–	62
Loss on termination of retirement benefit plan	–	94
Decrease (increase) in trade receivables	2,001	1,778
Decrease (increase) in inventories	(1,622)	(1,115)
Increase (decrease) in trade payables	(164)	(403)
Increase/decrease in other assets/liabilities	(251)	211
Increase (decrease) in accrued consumption taxes	25	61
Other, net	24	(35)
Subtotal	2,905	3,229
Interest and dividends received	196	200
Interest paid	(46)	(47)
Income taxes paid	(390)	(560)
Income taxes refund	52	46
Net cash provided by (used in) operating activities	2,717	2,867
Cash flows from investing activities		
Payments into time deposits	(19)	(19)
Proceeds from withdrawal of time deposits	19	19
Purchase of property, plant and equipment and intangible assets	(1,412)	(1,590)
Proceeds from sales of property, plant and equipment and intangible assets	3	14
Payments for retirement of property, plant and equipment	–	(5)
Purchase of investment securities	(0)	(1)
Proceeds from sales and redemption of investment securities	30	–
Loan advances	(29)	(23)
Collection of loans receivable	20	24
Payments of guarantee deposits	(53)	(83)
Proceeds from refund of guarantee deposits	4	87
Other, net	(8)	1
Net cash provided by (used in) investing activities	(1,446)	(1,575)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(20)	–
Proceeds from long-term borrowings	2,520	–
Repayments of long-term borrowings	(970)	(1,041)
Dividends paid	(216)	(199)
Dividends paid to non-controlling interests	(11)	(91)
Proceeds from sales of treasury shares	–	0
Purchase of treasury shares	(2)	(1)
Repayments of lease obligations	(20)	(58)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(20)
Net cash provided by (used in) financing activities	1,278	(1,413)
Effect of exchange rate change on cash and cash equivalents	34	(80)
Net increase (decrease) in cash and cash equivalents	2,584	(201)
Cash and cash equivalents at beginning of period	6,583	7,442
Cash and cash equivalents at end of period	9,167	7,240