

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, 2020
(Based on Japanese GAAP)**

May 28, 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 of ordinary general meeting of shareholders: June 24, 2020
 Scheduled date to file Securities Report: July 31, 2020
 Scheduled date to commence dividend payments: June 25, 2020
 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, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020	37,771	0.6	2,902	(4.2)	3,058	(1.5)	1,858	(1.3)
Year ended March 31, 2019	37,548	(3.0)	3,028	(22.4)	3,104	(25.6)	1,883	(34.2)

	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, 2020	235.15	–	5.5	5.5	7.7
Year ended March 31, 2019	238.40	–	5.6	5.5	8.1

(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, 2020	54,903	37,040	61.8	4,294.69
As of March 31, 2019	57,140	36,860	59.5	4,299.75

(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, 2020	3,597	(2,060)	(2,049)	6,769
Year ended March 31, 2019	2,525	(2,351)	668	7,442

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, 2019	–	25.00	–	25.00	50.00	395	20.9	1.1
Year ended March 31, 2020	–	25.00	–	25.00	50.00	395	21.2	1.1
Year ending March 31, 2021 (Forecast)	–	–	–	–	–	–	–	–

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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	–	–	–	–	–	–	–	–	–

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(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, 2020	8,413,726 shares	As of March 31, 2019	8,413,726 shares
----------------------	------------------	----------------------	------------------

Number of treasury shares at the end of the period

As of March 31, 2020	510,700 shares	As of March 31, 2019	511,715 shares
----------------------	----------------	----------------------	----------------

Average number of shares during the period

Year ended March 31, 2020	7,903,140 shares	Year ended March 31, 2019	7,901,651 shares
---------------------------	------------------	---------------------------	------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	7,559	6,877
Notes and accounts receivable - trade	12,438	11,250
Merchandise and finished goods	4,246	4,251
Work in process	523	624
Raw materials and supplies	2,023	2,169
Other	570	410
Allowance for doubtful accounts	(18)	(21)
Total current assets	27,344	25,563
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,959	19,797
Accumulated depreciation	(14,138)	(14,470)
Buildings and structures, net	5,820	5,326
Machinery, equipment and vehicles	27,630	28,680
Accumulated depreciation	(25,291)	(25,773)
Machinery, equipment and vehicles, net	2,339	2,906
Tools, furniture and fixtures	2,815	2,798
Accumulated depreciation	(2,619)	(2,597)
Tools, furniture and fixtures, net	195	201
Land	11,975	11,967
Leased assets	148	909
Accumulated depreciation	(58)	(105)
Leased assets, net	89	803
Construction in progress	357	903
Total property, plant and equipment	20,778	22,108
Intangible assets		
Software	119	127
Other	32	30
Total intangible assets	151	157
Investments and other assets		
Investment securities	7,331	5,966
Long-term loans receivable	266	261
Deferred tax assets	338	344
Retirement benefit asset	400	—
Other	726	694
Allowance for doubtful accounts	(197)	(192)
Total investments and other assets	8,865	7,074
Total non-current assets	29,795	29,340
Total assets	57,140	54,903

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,564	4,179
Short-term borrowings	2,065	2,065
Current portion of long-term borrowings	1,449	1,138
Lease obligations	21	122
Income taxes payable	410	360
Accrued consumption taxes	38	87
Provision for bonuses	490	481
Provision for environmental measures	–	22
Other provisions	0	0
Other	1,723	1,749
Total current liabilities	11,763	10,207
Non-current liabilities		
Long-term borrowings	5,089	3,950
Lease obligations	75	748
Deferred tax liabilities	1,458	1,108
Deferred tax liabilities for land revaluation	1,228	1,228
Provision for environmental measures	82	1
Retirement benefit liability	85	69
Asset retirement obligations	80	81
Other	416	466
Total non-current liabilities	8,517	7,655
Total liabilities	20,280	17,863
Net assets		
Shareholders' equity		
Share capital	11,196	11,196
Capital surplus	8,716	8,706
Retained earnings	9,933	11,396
Treasury shares	(1,716)	(1,712)
Total shareholders' equity	28,129	29,586
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,097	1,146
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	718	424
Remeasurements of defined benefit plans	247	–
Total accumulated other comprehensive income	5,846	4,354
Non-controlling interests	2,883	3,099
Total net assets	36,860	37,040
Total liabilities and net assets	57,140	54,903

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	37,548	37,771
Cost of sales	24,663	25,017
Gross profit	12,884	12,753
Selling, general and administrative expenses		
Shipment expenses	1,776	1,786
Remuneration for directors (and other officers)	350	368
Personnel expenses	2,087	2,123
Provision for bonuses	201	200
Retirement benefit expenses	84	93
Travel and transportation expenses	222	224
Rent expenses	416	413
Depreciation	95	85
Research and development expenses	2,899	2,877
Amortization of goodwill	6	–
Other	1,716	1,676
Total selling, general and administrative expenses	9,856	9,850
Operating profit	3,028	2,902
Non-operating income		
Interest income	16	16
Dividend income	189	193
Foreign exchange gains	16	–
Rental income from non-current assets	59	61
Subsidy income	58	34
Gain on sale of Data	–	83
Miscellaneous income	118	123
Total non-operating income	458	513
Non-operating expenses		
Interest expenses	65	61
Foreign exchange losses	–	177
Environmental maintenance expenses	279	68
Miscellaneous loss	37	50
Total non-operating expenses	382	357
Ordinary profit	3,104	3,058
Extraordinary income		
Gain on sales of non-current assets	7	10
Gain on reversal of provision for environmental measures	–	58
Total extraordinary income	7	69
Extraordinary losses		
Loss on retirement of non-current assets	138	20
Loss on valuation of investment securities	–	79
Loss on termination of retirement benefit plan	–	94
Total extraordinary losses	138	193
Profit before income taxes	2,973	2,934
Income taxes - current	577	475
Income taxes - deferred	75	63
Total income taxes	653	538
Profit	2,319	2,395
Profit attributable to non-controlling interests	436	537
Profit attributable to owners of parent	1,883	1,858

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	2,319	2,395
Other comprehensive income		
Valuation difference on available-for-sale securities	(639)	(950)
Foreign currency translation adjustment	(108)	(513)
Remeasurements of defined benefit plans, net of tax	(109)	(247)
Total other comprehensive income	(857)	(1,711)
Comprehensive income	1,462	684
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,098	366
Comprehensive income attributable to non-controlling interests	364	318

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of period	11,196	8,716	8,444	(1,719)	26,637
Changes 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
Purchase of shares of consolidated subsidiaries					
Net changes in items other than shareholders' equity					
Total changes during period	–	0	1,488	3	1,492
Balance at end of 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 period	2,737	2,783	755	356	6,632	2,599	35,869
Changes during period							
Dividends of surplus							(395)
Profit attributable to owners of parent							1,883
Purchase of treasury shares							(3)
Disposal of treasury shares							6
Purchase of shares of consolidated subsidiaries							
Net changes in items other than shareholders' equity	(639)	–	(36)	(109)	(785)	284	(501)
Total changes during period	(639)	–	(36)	(109)	(785)	284	990
Balance at end of period	2,097	2,783	718	247	5,846	2,883	36,860

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of period	11,196	8,716	9,933	(1,716)	28,129
Changes during period					
Dividends of surplus			(395)		(395)
Profit attributable to owners of parent			1,858		1,858
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(0)		6	5
Purchase of shares of consolidated subsidiaries		(9)			(9)
Net changes in items other than shareholders' equity					
Total changes during period	–	(10)	1,463	3	1,456
Balance at end of period	11,196	8,706	11,396	(1,712)	29,586

	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 period	2,097	2,783	718	247	5,846	2,883	36,860
Changes during period							
Dividends of surplus							(395)
Profit attributable to owners of parent							1,858
Purchase of treasury shares							(2)
Disposal of treasury shares							5
Purchase of shares of consolidated subsidiaries							(9)
Net changes in items other than shareholders' equity	(950)	–	(294)	(247)	(1,492)	215	(1,276)
Total changes during period	(950)	–	(294)	(247)	(1,492)	215	180
Balance at end of period	1,146	2,783	424	–	4,354	3,099	37,040

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,973	2,934
Depreciation	1,388	1,492
Amortization of goodwill	6	–
Increase (decrease) in provisions	9	(9)
Increase (decrease) in retirement benefit liability	(123)	28
Interest and dividend income	(206)	(210)
Interest expenses	65	61
Foreign exchange losses (gains)	(34)	70
Loss (gain) on sales of property, plant and equipment	(7)	(10)
Loss on retirement of property, plant and equipment	138	20
Loss (gain) on valuation of investment securities	–	79
Subsidy income	(58)	(34)
Gain on reversal of provision for environmental measures	–	(58)
Loss on termination of retirement benefit plan	–	94
Decrease (increase) in trade receivables	(87)	1,127
Decrease (increase) in inventories	(1,193)	(366)
Increase (decrease) in trade payables	17	(1,354)
Increase/decrease in other assets/liabilities	(177)	(60)
Increase (decrease) in accrued consumption taxes	(37)	141
Other, net	51	13
Subtotal	2,724	3,958
Interest and dividends received	205	210
Interest paid	(66)	(63)
Subsidies received	58	34
Income taxes paid	(449)	(588)
Income taxes refund	52	46
Net cash provided by (used in) operating activities	2,525	3,597

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(118)	(111)
Proceeds from withdrawal of time deposits	118	111
Purchase of property, plant and equipment and intangible assets	(2,033)	(2,041)
Proceeds from sales of property, plant and equipment and intangible assets	17	14
Payments for retirement of property, plant and equipment	(132)	(6)
Purchase of investment securities	(1)	(1)
Proceeds from sales and redemption of investment securities	30	0
Loan advances	(56)	(28)
Collection of loans receivable	26	30
Purchase of long-term prepaid expenses	(129)	(1)
Payments of guarantee deposits	(83)	(117)
Proceeds from refund of guarantee deposits	12	88
Other, net	–	0
Net cash provided by (used in) investing activities	(2,351)	(2,060)
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	(1,327)	(1,449)
Dividends paid	(396)	(395)
Dividends paid to non-controlling interests	(79)	(91)
Proceeds from sales of treasury shares	–	0
Purchase of treasury shares	(3)	(2)
Repayments of lease obligations	(25)	(89)
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	668	(2,049)
Effect of exchange rate change on cash and cash equivalents	17	(161)
Net increase (decrease) in cash and cash equivalents	859	(673)
Cash and cash equivalents at beginning of period	6,583	7,442
Cash and cash equivalents at end of period	7,442	6,769