

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on Japanese GAAP)

July 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: August 7, 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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	10,353	21.9	2,260	378.3	2,396	392.2	1,068	250.8
Three months ended June 30, 2019	8,497	(0.7)	472	(23.2)	486	(39.1)	304	(43.8)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	135.22		–	
Three months ended June 30, 2019	38.56		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	56,587	39,163	62.5
As of March 31, 2020	54,903	37,040	61.8

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, 2020	–	25.00	–	25.00	50.00
Year ending March 31, 2021	–	–	–	–	–
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
Six months ending September 30, 2020	18,300	4.3	2,000	146.3	2,100	165.1	700	24.3	88.55

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020
(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 June 30, 2020	8,413,726 shares	As of March 31, 2020	8,413,726 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	507,424 shares	As of March 31, 2020	510,700 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2020	7,904,658 shares	Three months ended June 30, 2019	7,902,845 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	6,877	7,389
Notes and accounts receivable - trade	11,250	10,282
Merchandise and finished goods	4,251	4,958
Work in process	624	681
Raw materials and supplies	2,169	2,448
Other	410	482
Allowance for doubtful accounts	(21)	(23)
Total current assets	25,563	26,217
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,326	6,199
Land	11,967	11,969
Other, net	4,814	4,204
Total property, plant and equipment	22,108	22,373
Intangible assets		
Software	127	133
Other	30	32
Total intangible assets	157	165
Investments and other assets		
Investment securities	5,966	6,697
Long-term loans receivable	261	409
Deferred tax assets	344	192
Other	694	723
Allowance for doubtful accounts	(192)	(192)
Total investments and other assets	7,074	7,830
Total non-current assets	29,340	30,369
Total assets	54,903	56,587

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,179	3,891
Short-term borrowings	3,203	3,211
Income taxes payable	360	528
Provisions	504	278
Other	1,959	1,900
Total current liabilities	10,207	9,810
Non-current liabilities		
Long-term borrowings	3,950	3,662
Deferred tax liabilities	1,108	1,376
Deferred tax liabilities for land revaluation	1,228	1,228
Provisions	1	1
Retirement benefit liability	69	70
Asset retirement obligations	81	81
Other	1,215	1,192
Total non-current liabilities	7,655	7,613
Total liabilities	17,863	17,424
Net assets		
Shareholders' equity		
Share capital	11,196	11,196
Capital surplus	8,706	8,706
Retained earnings	11,396	12,267
Treasury shares	(1,712)	(1,702)
Total shareholders' equity	29,586	30,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,146	1,661
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	424	468
Total accumulated other comprehensive income	4,354	4,913
Non-controlling interests	3,099	3,780
Total net assets	37,040	39,163
Total liabilities and net assets	54,903	56,587

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	8,497	10,353
Cost of sales	5,663	5,514
Gross profit	2,833	4,839
Selling, general and administrative expenses	2,361	2,579
Operating profit	472	2,260
Non-operating income		
Interest income	3	2
Dividend income	99	106
Rental income from non-current assets	15	16
Miscellaneous income	63	70
Total non-operating income	182	196
Non-operating expenses		
Interest expenses	16	12
Foreign exchange losses	117	23
Environmental maintenance expenses	17	18
Miscellaneous loss	15	6
Total non-operating expenses	167	60
Ordinary profit	486	2,396
Extraordinary income		
Gain on sales of non-current assets	–	1
Total extraordinary income	–	1
Extraordinary losses		
Loss on retirement of non-current assets	5	3
Loss on valuation of investment securities	25	–
Total extraordinary losses	31	3
Profit before income taxes	455	2,393
Income taxes	72	577
Profit	383	1,816
Profit attributable to non-controlling interests	78	747
Profit attributable to owners of parent	304	1,068

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	383	1,816
Other comprehensive income		
Valuation difference on available-for-sale securities	(338)	514
Foreign currency translation adjustment	(258)	83
Remeasurements of defined benefit plans, net of tax	(6)	—
Total other comprehensive income	(603)	597
Comprehensive income	(219)	2,413
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(188)	1,627
Comprehensive income attributable to non-controlling interests	(30)	786

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	455	2,393
Depreciation	340	346
Increase (decrease) in provisions	(233)	(223)
Increase (decrease) in retirement benefit liability	(21)	1
Interest and dividend income	(102)	(109)
Interest expenses	16	12
Foreign exchange losses (gains)	57	2
Loss on retirement of property, plant and equipment	5	3
Loss (gain) on sales of property, plant and equipment	–	(1)
Loss (gain) on valuation of investment securities	25	–
Decrease (increase) in trade receivables	1,091	980
Decrease (increase) in inventories	(458)	(1,018)
Increase (decrease) in trade payables	(866)	(283)
Increase/decrease in other assets/liabilities	(149)	199
Increase (decrease) in accrued consumption taxes	39	(20)
Other, net	42	(0)
Subtotal	242	2,284
Interest and dividends received	100	104
Interest paid	(15)	(12)
Income taxes paid	(392)	(236)
Net cash provided by (used in) operating activities	(65)	2,140
Cash flows from investing activities		
Payments into time deposits	(19)	–
Proceeds from withdrawal of time deposits	19	–
Purchase of property, plant and equipment and intangible assets	(326)	(1,111)
Payments for retirement of property, plant and equipment	(1)	(0)
Proceeds from sales of property, plant and equipment and intangible assets	–	2
Purchase of investment securities	(0)	(0)
Loan advances	(7)	(154)
Collection of loans receivable	6	5
Payments of guarantee deposits	(1)	(35)
Proceeds from refund of guarantee deposits	14	4
Other, net	0	0
Net cash provided by (used in) investing activities	(314)	(1,288)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from financing activities		
Repayments of long-term borrowings	(369)	(280)
Dividends paid	(0)	(0)
Dividends paid to non-controlling interests	(38)	(50)
Proceeds from sales of treasury shares	–	0
Purchase of treasury shares	(0)	(0)
Repayments of lease obligations	(6)	(30)
Net cash provided by (used in) financing activities	(414)	(361)
Effect of exchange rate change on cash and cash equivalents	(108)	20
Net increase (decrease) in cash and cash equivalents	(903)	510
Cash and cash equivalents at beginning of period	7,442	6,769
Cash and cash equivalents at end of period	6,539	7,279