

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 Six Months Ended September 30, 2020 (Based on Japanese GAAP)

October 29, 2020

Company name: Hodogaya Chemical Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4112 URL <https://www.hodogaya.co.jp/>
 Representative: President Yuto Matsumoto
 Inquiries: General Manager, Corporate Planning Yasuhiro Mohri TEL 03-5299-8019
 Department
 Scheduled date to file Quarterly Securities Report: November 9, 2020
 Scheduled date to commence dividend payments: December 7, 2020
 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 six months ended September 30, 2020 (from April 1, 2020 to September 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	%
Six months ended September 30, 2020	19,420	10.7	2,792	244.0	2,900	266.2	1,252	122.6
Six months ended September 30, 2019	17,549	2.0	811	(28.1)	792	(42.5)	562	(43.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	158.40		-	
Six months ended September 30, 2019	71.23		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	56,746	39,915	63.2
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	-	25.00	-	-	-
Year ending March 31, 2021 (Forecast)	-	-	-	25.00	50.00

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	39,000	3.3	4,300	48.1	4,500	47.1	2,200	18.4	278.13

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 30, 2020	8,413,726 shares	As of March 31, 2020	8,413,726 shares
--------------------------	------------------	----------------------	------------------

Number of treasury shares at the end of the period

As of September 30, 2020	496,607 shares	As of March 31, 2020	510,700 shares
--------------------------	----------------	----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	7,910,038 shares	Six months ended September 30, 2019	7,903,106 shares
-------------------------------------	------------------	-------------------------------------	------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	6,877	8,115
Notes and accounts receivable - trade	11,250	9,367
Merchandise and finished goods	4,251	4,458
Work in process	624	1,152
Raw materials and supplies	2,169	2,222
Other	410	672
Allowance for doubtful accounts	(21)	(18)
Total current assets	25,563	25,969
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,326	6,343
Land	11,967	11,969
Other, net	4,814	4,082
Total property, plant and equipment	22,108	22,396
Intangible assets		
Software	127	129
Other	30	31
Total intangible assets	157	160
Investments and other assets		
Investment securities	5,966	7,061
Long-term loans receivable	261	401
Deferred tax assets	344	179
Other	694	770
Allowance for doubtful accounts	(192)	(192)
Total investments and other assets	7,074	8,220
Total non-current assets	29,340	30,777
Total assets	54,903	56,746

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,179	3,674
Short-term borrowings	3,203	3,202
Income taxes payable	360	580
Provisions	504	517
Other	1,959	1,460
Total current liabilities	10,207	9,434
Non-current liabilities		
Long-term borrowings	3,950	3,392
Deferred tax liabilities	1,108	1,427
Deferred tax liabilities for land revaluation	1,228	1,228
Provisions	1	1
Retirement benefit liability	69	72
Asset retirement obligations	81	81
Other	1,215	1,193
Total non-current liabilities	7,655	7,396
Total liabilities	17,863	16,830
Net assets		
Shareholders' equity		
Share capital	11,196	11,196
Capital surplus	8,706	8,716
Retained earnings	11,396	12,451
Treasury shares	(1,712)	(1,666)
Total shareholders' equity	29,586	30,698
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,146	1,914
Revaluation reserve for land	2,783	2,783
Foreign currency translation adjustment	424	489
Total accumulated other comprehensive income	4,354	5,186
Non-controlling interests	3,099	4,030
Total net assets	37,040	39,915
Total liabilities and net assets	54,903	56,746

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	17,549	19,420
Cost of sales	11,917	11,492
Gross profit	5,631	7,927
Selling, general and administrative expenses	4,819	5,134
Operating profit	811	2,792
Non-operating income		
Interest income	8	5
Dividend income	111	110
Rental income from non-current assets	30	33
Miscellaneous income	82	92
Total non-operating income	232	242
Non-operating expenses		
Interest expenses	32	25
Foreign exchange losses	169	67
Environmental maintenance expenses	33	32
Miscellaneous loss	16	9
Total non-operating expenses	252	134
Ordinary profit	792	2,900
Extraordinary income		
Gain on sales of non-current assets	0	2
Total extraordinary income	0	2
Extraordinary losses		
Loss on retirement of non-current assets	10	6
Loss on valuation of investment securities	26	–
Total extraordinary losses	37	6
Profit before income taxes	755	2,896
Income taxes	127	664
Profit	628	2,231
Profit attributable to non-controlling interests	65	978
Profit attributable to owners of parent	562	1,252

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	628	2,231
Other comprehensive income		
Valuation difference on available-for-sale securities	(542)	767
Foreign currency translation adjustment	(450)	121
Remeasurements of defined benefit plans, net of tax	(12)	–
Total other comprehensive income	(1,005)	889
Comprehensive income	(377)	3,120
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(252)	2,084
Comprehensive income attributable to non-controlling interests	(124)	1,035

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	755	2,896
Depreciation	705	718
Increase (decrease) in provisions	9	10
Increase (decrease) in retirement benefit liability	(43)	2
Interest and dividend income	(119)	(115)
Interest expenses	32	25
Foreign exchange losses (gains)	76	15
Loss (gain) on sales of property, plant and equipment	(0)	(2)
Loss on retirement of property, plant and equipment	10	6
Loss (gain) on valuation of investment securities	26	–
Decrease (increase) in trade receivables	2,991	1,891
Decrease (increase) in inventories	(481)	(751)
Increase (decrease) in trade payables	(1,449)	(498)
Increase/decrease in other assets/liabilities	(225)	1
Increase (decrease) in accrued consumption taxes	62	(101)
Other, net	79	8
Subtotal	2,431	4,107
Interest and dividends received	117	115
Interest paid	(33)	(26)
Income taxes paid	(416)	(351)
Income taxes refund	46	52
Net cash provided by (used in) operating activities	2,145	3,898
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	(669)	(1,525)
Proceeds from sales of property, plant and equipment and intangible assets	1	3
Payments for retirement of property, plant and equipment	(6)	(2)
Purchase of investment securities	(0)	(0)
Loan advances	(15)	(154)
Collection of loans receivable	14	14
Payments of guarantee deposits	(7)	(101)
Proceeds from refund of guarantee deposits	31	19
Other, net	0	1
Net cash provided by (used in) investing activities	(650)	(1,746)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Repayments of long-term borrowings	(783)	(560)
Dividends paid	(197)	(197)
Dividends paid to non-controlling interests	(91)	(104)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(1)	(2)
Repayments of lease obligations	(28)	(61)
Net cash provided by (used in) financing activities	(1,101)	(926)
Effect of exchange rate change on cash and cash equivalents	(170)	9
Net increase (decrease) in cash and cash equivalents	221	1,235
Cash and cash equivalents at beginning of period	7,442	6,769
Cash and cash equivalents at end of period	7,664	8,005