

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 15, 2023

Company name: Hodogaya Chemical Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4112 URL <https://www.hodogaya.co.jp/>
 Representative: President Yuto Matsumoto
 General Manager, Corporate Planning
 Inquiries: Department Yasuhiro Mohri TEL 03-6852-0327
 Scheduled date of ordinary general meeting of shareholders: June 27, 2023
 Scheduled date to file Securities Report: June 26, 2023
 Scheduled date to commence dividend payments: June 28, 2023
 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, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023 | 43,324 | 3.5 | 3,701 | (42.4) | 4,211 | (39.1) | 2,223 | (31.6) |
| Year ended March 31, 2022 | 41,879 | 1.6 | 6,421 | 17.9 | 6,914 | 18.4 | 3,251 | 4.2 |

| | 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, 2023 | 280.65 | – | 5.3 | 6.1 | 8.5 |
| Year ended March 31, 2022 | 410.69 | – | 8.1 | 10.7 | 15.3 |

(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, 2023 | 72,051 | 49,897 | 59.5 | 5,405.73 |
| As of March 31, 2022 | 66,448 | 47,912 | 62.3 | 5,230.81 |

(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, 2023 | 1,058 | (7,036) | 2,288 | 6,708 |
| Year ended March 31, 2022 | 6,143 | (3,569) | (1,848) | 10,365 |

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, 2022 | – | 30.00 | – | 30.00 | 60.00 | 474 | 14.6 | 1.2 |
| Year ended March 31, 2023 | – | 32.50 | – | 32.50 | 65.00 | 517 | 23.1 | 1.2 |
| Year ending March 31, 2024 (Forecast) | – | 37.50 | – | 37.50 | 75.00 | | 24.8 | |

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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 | 47,000 | 8.5 | 3,900 | 5.4 | 4,300 | 2.1 | 2,400 | 7.9 | 302.97 |

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(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: Yes

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, 2023 | 8,413,726 shares | As of March 31, 2022 | 8,413,726 shares |
|----------------------|------------------|----------------------|------------------|

Number of treasury shares at the end of the period

| | | | |
|----------------------|----------------|----------------------|----------------|
| As of March 31, 2023 | 489,635 shares | As of March 31, 2022 | 496,038 shares |
|----------------------|----------------|----------------------|----------------|

Average number of shares during the period

| | | | |
|---------------------------|------------------|---------------------------|------------------|
| Year ended March 31, 2023 | 7,921,675 shares | Year ended March 31, 2022 | 7,917,688 shares |
|---------------------------|------------------|---------------------------|------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,943 | 10,487 |
| Notes receivable - trade | 1,141 | 1,170 |
| Accounts receivable - trade | 11,287 | 11,811 |
| Securities | 511 | – |
| Merchandise and finished goods | 6,019 | 7,707 |
| Work in process | 1,130 | 1,412 |
| Raw materials and supplies | 2,177 | 2,905 |
| Other | 831 | 1,155 |
| Allowance for doubtful accounts | (29) | (54) |
| Total current assets | 34,013 | 36,596 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 22,014 | 22,155 |
| Accumulated depreciation | (15,732) | (15,878) |
| Buildings and structures, net | 6,282 | 6,276 |
| Machinery, equipment and vehicles | 30,362 | 31,714 |
| Accumulated depreciation | (27,238) | (28,030) |
| Machinery, equipment and vehicles, net | 3,123 | 3,684 |
| Tools, furniture and fixtures | 2,968 | 3,081 |
| Accumulated depreciation | (2,659) | (2,604) |
| Tools, furniture and fixtures, net | 308 | 477 |
| Land | 11,709 | 11,712 |
| Leased assets | 927 | 960 |
| Accumulated depreciation | (333) | (455) |
| Leased assets, net | 594 | 505 |
| Construction in progress | 432 | 1,073 |
| Total property, plant and equipment | 22,449 | 23,729 |
| Intangible assets | | |
| Goodwill | 43 | 32 |
| Software | 153 | 171 |
| Other | 46 | 37 |
| Total intangible assets | 243 | 241 |
| Investments and other assets | | |
| Investment securities | 7,987 | 8,524 |
| Long-term loans receivable | 233 | 1,341 |
| Deferred tax assets | 232 | 211 |
| Guarantee deposits | 1,244 | 1,210 |
| Other | 61 | 214 |
| Allowance for doubtful accounts | (17) | (18) |
| Total investments and other assets | 9,741 | 11,483 |
| Total non-current assets | 32,435 | 35,454 |
| Total assets | 66,448 | 72,051 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,738 | 4,600 |
| Short-term borrowings | 1,995 | 4,155 |
| Current portion of long-term borrowings | 1,004 | 1,134 |
| Lease liabilities | 126 | 135 |
| Income taxes payable | 1,086 | 330 |
| Accrued consumption taxes | 17 | 47 |
| Contract liabilities | 24 | 14 |
| Provision for bonuses | 539 | 456 |
| Provision for environmental measures | 36 | 2 |
| Allowance for construction repair | 99 | 106 |
| Other provisions | 0 | 0 |
| Asset retirement obligations | 72 | – |
| Other | 1,747 | 1,989 |
| Total current liabilities | 11,487 | 12,972 |
| Non-current liabilities | | |
| Long-term borrowings | 3,366 | 5,232 |
| Lease liabilities | 526 | 423 |
| Deferred tax liabilities | 1,259 | 1,638 |
| Deferred tax liabilities for land revaluation | 1,228 | 1,228 |
| Retirement benefit liability | 73 | 81 |
| Asset retirement obligations | 19 | 81 |
| Other | 575 | 495 |
| Total non-current liabilities | 7,048 | 9,181 |
| Total liabilities | 18,535 | 22,153 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 11,196 | 11,196 |
| Capital surplus | 8,718 | 7,943 |
| Retained earnings | 16,883 | 18,612 |
| Treasury shares | (1,666) | (1,640) |
| Total shareholders' equity | 35,131 | 36,111 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,303 | 2,544 |
| Revaluation reserve for land | 2,784 | 2,784 |
| Foreign currency translation adjustment | 1,196 | 1,395 |
| Total accumulated other comprehensive income | 6,284 | 6,723 |
| Non-controlling interests | 6,496 | 7,061 |
| Total net assets | 47,912 | 49,897 |
| Total liabilities and net assets | 66,448 | 72,051 |

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

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 41,879 | 43,324 |
| Cost of sales | 24,221 | 26,654 |
| Gross profit | 17,657 | 16,669 |
| Selling, general and administrative expenses | | |
| Shipment expenses | 2,064 | 1,984 |
| Remuneration for directors (and other officers) | 356 | 319 |
| Personnel expenses | 2,295 | 2,505 |
| Provision for bonuses | 231 | 194 |
| Retirement benefit expenses | 132 | 136 |
| Travel and transportation expenses | 95 | 178 |
| Rent expenses | 444 | 507 |
| Depreciation | 145 | 153 |
| Research and development expenses | 3,859 | 4,939 |
| Amortization of goodwill | 11 | 12 |
| Other | 1,600 | 2,037 |
| Total selling, general and administrative expenses | 11,236 | 12,968 |
| Operating profit | 6,421 | 3,701 |
| Non-operating income | | |
| Interest income | 33 | 128 |
| Dividend income | 226 | 295 |
| Foreign exchange gains | 212 | 45 |
| Rental income from non-current assets | 76 | 59 |
| Miscellaneous income | 83 | 122 |
| Total non-operating income | 633 | 652 |
| Non-operating expenses | | |
| Interest expenses | 47 | 52 |
| Environmental maintenance expenses | 75 | 70 |
| Miscellaneous losses | 17 | 18 |
| Total non-operating expenses | 140 | 141 |
| Ordinary profit | 6,914 | 4,211 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 23 | 68 |
| Gain on sale of investment securities | – | 57 |
| Total extraordinary income | 23 | 126 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 14 | 39 |
| Impairment losses | 532 | – |
| Head office relocation expenses | – | 19 |
| Loss on valuation of investment securities | – | 7 |
| Loss on disaster | 54 | – |
| provision for maintenance work-related reserves | 112 | – |
| Total extraordinary losses | 713 | 66 |

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Profit before income taxes | 6,224 | 4,271 |
| Income taxes - current | 1,526 | 753 |
| Income taxes - deferred | (80) | 328 |
| Total income taxes | 1,445 | 1,081 |
| Profit | 4,778 | 3,189 |
| Profit attributable to non-controlling interests | 1,526 | 966 |
| Profit attributable to owners of parent | 3,251 | 2,223 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Profit | 4,778 | 3,189 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (353) | 240 |
| Foreign currency translation adjustment | 539 | 268 |
| Total other comprehensive income | 186 | 509 |
| Comprehensive income | 4,964 | 3,699 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,221 | 2,663 |
| Comprehensive income attributable to non-controlling interests | 1,742 | 1,036 |

Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Shareholders' equity |
| Balance at beginning of period | 11,196 | 8,716 | 14,119 | (1,670) | 32,362 |
| Cumulative effects of changes in accounting policies | | | (52) | | (52) |
| Restated balance | 11,196 | 8,716 | 14,067 | (1,670) | 32,310 |
| Changes during period | | | | | |
| Dividends of surplus | | | (435) | | (435) |
| Profit attributable to owners of parent | | | 3,251 | | 3,251 |
| Purchase of treasury shares | | | | (3) | (3) |
| Disposal of treasury shares | | 1 | | 7 | 8 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | 1 | 2,816 | 3 | 2,821 |
| Balance at end of period | 11,196 | 8,718 | 16,883 | (1,666) | 35,131 |

| | 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 | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 2,657 | 2,784 | 872 | 6,314 | 4,977 | 43,654 |
| Cumulative effects of changes in accounting policies | | | | | | (52) |
| Restated balance | 2,657 | 2,784 | 872 | 6,314 | 4,977 | 43,602 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (435) |
| Profit attributable to owners of parent | | | | | | 3,251 |
| Purchase of treasury shares | | | | | | (3) |
| Disposal of treasury shares | | | | | | 8 |
| Net changes in items other than shareholders' equity | (353) | – | 323 | (30) | 1,518 | 1,488 |
| Total changes during period | (353) | – | 323 | (30) | 1,518 | 4,310 |
| Balance at end of period | 2,303 | 2,784 | 1,196 | 6,284 | 6,496 | 47,912 |

Fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Shareholders' equity |
| Balance at beginning of period | 11,196 | 8,718 | 16,883 | (1,666) | 35,131 |
| Changes during period | | | | | |
| Dividends of surplus | | | (495) | | (495) |
| Profit attributable to owners of parent | | | 2,223 | | 2,223 |
| Purchase of treasury shares | | | | (265) | (265) |
| Disposal of treasury shares | | (4) | | 291 | 287 |
| Purchase of shares of consolidated subsidiaries | | (770) | | | (770) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | (774) | 1,728 | 25 | 979 |
| Balance at end of period | 11,196 | 7,943 | 18,612 | (1,640) | 36,111 |

| | 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 | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 2,303 | 2,784 | 1,196 | 6,284 | 6,496 | 47,912 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (495) |
| Profit attributable to owners of parent | | | | | | 2,223 |
| Purchase of treasury shares | | | | | | (265) |
| Disposal of treasury shares | | | | | | 287 |
| Purchase of shares of consolidated subsidiaries | | | | | | (770) |
| Net changes in items other than shareholders' equity | 240 | – | 199 | 439 | 565 | 1,005 |
| Total changes during period | 240 | – | 199 | 439 | 565 | 1,984 |
| Balance at end of period | 2,544 | 2,784 | 1,395 | 6,723 | 7,061 | 49,897 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 6,224 | 4,271 |
| Depreciation | 1,661 | 1,930 |
| Impairment losses | 532 | – |
| Amortization of goodwill | 11 | 12 |
| Increase (decrease) in provisions | (152) | (85) |
| Increase (decrease) in retirement benefit liability | (2) | 7 |
| Interest and dividend income | (260) | (424) |
| Interest expenses | 47 | 52 |
| Foreign exchange losses (gains) | (88) | 111 |
| Loss (gain) on sale of property, plant and equipment | (23) | (68) |
| Loss on retirement of property, plant and equipment | 14 | 39 |
| Loss (gain) on sale of investment securities | – | (57) |
| Loss (gain) on valuation of investment securities | – | 7 |
| Loss on disaster | 54 | – |
| Decrease (increase) in trade receivables | (281) | (434) |
| Decrease (increase) in inventories | (918) | (2,444) |
| Increase (decrease) in trade payables | 461 | (244) |
| Increase/decrease in other assets/liabilities | 112 | 9 |
| Increase (decrease) in accrued consumption taxes | (154) | (216) |
| Other, net | 91 | 40 |
| Subtotal | 7,327 | 2,506 |
| Interest and dividends received | 255 | 358 |
| Interest paid | (47) | (51) |
| Income taxes paid | (1,397) | (1,755) |
| Income taxes refund | 5 | – |
| Net cash provided by (used in) operating activities | 6,143 | 1,058 |

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from investing activities | | |
| Payments into time deposits | (556) | (3,918) |
| Proceeds from withdrawal of time deposits | 120 | 698 |
| Purchase of securities | (488) | – |
| Proceeds from redemption of securities | – | 523 |
| Purchase of property, plant and equipment and intangible assets | (1,747) | (3,099) |
| Proceeds from sale of property, plant and equipment and intangible assets | 58 | 71 |
| Payments for retirement of property, plant and equipment | (14) | (17) |
| Purchase of investment securities | (401) | (353) |
| Payments for asset retirement obligations | – | (72) |
| Proceeds from sale of investment securities | – | 282 |
| Loan advances | (60) | (1,076) |
| Proceeds from collection of loans receivable | 35 | 55 |
| Purchase of long-term prepaid expenses | (5) | (3) |
| Payments of guarantee deposits | (668) | (281) |
| Proceeds from refund of guarantee deposits | 160 | 186 |
| Other, net | 0 | (33) |
| Net cash provided by (used in) investing activities | (3,569) | (7,036) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (1,400) | 2,160 |
| Proceeds from long-term borrowings | 1,400 | 3,000 |
| Repayments of long-term borrowings | (1,060) | (1,004) |
| Dividends paid | (433) | (492) |
| Dividends paid to non-controlling interests | (223) | (253) |
| Proceeds from sale of treasury shares | – | 0 |
| Purchase of treasury shares | (3) | (1) |
| Repayments of lease liabilities | (127) | (132) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | – | (987) |
| Net cash provided by (used in) financing activities | (1,848) | 2,288 |
| Effect of exchange rate change on cash and cash equivalents | 308 | 32 |
| Net increase (decrease) in cash and cash equivalents | 1,034 | (3,657) |
| Cash and cash equivalents at beginning of period | 9,331 | 10,365 |
| Cash and cash equivalents at end of period | 10,365 | 6,708 |