

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on Japanese GAAP)

February 7, 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 Department Yasuhiro Mohri TEL 03-6852-0327
 Scheduled date to file Quarterly Securities Report: February 7, 2023
 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, 2022 (from April 1, 2022 to December 31, 2022)

(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, 2022 | 31,824 | 2.3 | 3,132 | (37.1) | 3,581 | (32.5) | 1,734 | (38.3) |
| Nine months ended December 31, 2021 | 31,107 | 5.0 | 4,982 | 16.9 | 5,307 | 19.7 | 2,812 | 34.1 |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Nine months ended December 31, 2022 | 219.03 | | – | |
| Nine months ended December 31, 2021 | 355.19 | | – | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of December 31, 2022 | 70,965 | 49,335 | 59.5 |
| As of March 31, 2022 | 66,448 | 47,912 | 62.3 |

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, 2022 | – | 30.00 | – | 30.00 | 60.00 |
| Year ending March 31, 2023 | – | 32.50 | – | | |
| Year ending March 31, 2023 (Forecast) | | | | 32.50 | 65.00 |

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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 | 44,000 | 5.1 | 4,300 | (33.0) | 4,300 | (37.8) | 2,400 | (26.1) | 303.12 |

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022
(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: Yes
- 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, 2022 | 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 December 31, 2022 | 489,534 shares | As of March 31, 2022 | 496,038 shares |
|-------------------------|----------------|----------------------|----------------|

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

| | | | |
|-------------------------------------|------------------|-------------------------------------|------------------|
| Nine months ended December 31, 2022 | 7,920,928 shares | Nine months ended December 31, 2021 | 7,917,679 shares |
|-------------------------------------|------------------|-------------------------------------|------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,943 | 10,011 |
| Notes and accounts receivable - trade, and contract assets | 12,429 | 11,311 |
| Securities | 511 | – |
| Merchandise and finished goods | 6,019 | 7,996 |
| Work in process | 1,130 | 1,841 |
| Raw materials and supplies | 2,177 | 4,035 |
| Other | 831 | 1,256 |
| Allowance for doubtful accounts | (29) | (22) |
| Total current assets | 34,013 | 36,429 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,282 | 6,452 |
| Land | 11,709 | 11,717 |
| Other, net | 4,458 | 5,678 |
| Total property, plant and equipment | 22,449 | 23,848 |
| Intangible assets | | |
| Goodwill | 43 | 36 |
| Software | 153 | 185 |
| Other | 46 | 29 |
| Total intangible assets | 243 | 250 |
| Investments and other assets | | |
| Investment securities | 7,987 | 7,729 |
| Long-term loans receivable | 233 | 1,235 |
| Deferred tax assets | 232 | 193 |
| Other | 1,305 | 1,296 |
| Allowance for doubtful accounts | (17) | (18) |
| Total investments and other assets | 9,741 | 10,436 |
| Total non-current assets | 32,435 | 34,535 |
| Total assets | 66,448 | 70,965 |

(Millions of yen)

| | As of March 31, 2022 | As of December 31, 2022 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,738 | 5,865 |
| Short-term borrowings | 2,999 | 6,059 |
| Income taxes payable | 1,086 | 310 |
| Provisions | 675 | 401 |
| Contract liabilities | 24 | 16 |
| Asset retirement obligations | 72 | – |
| Other | 1,890 | 2,752 |
| Total current liabilities | 11,487 | 15,405 |
| Non-current liabilities | | |
| Long-term borrowings | 3,366 | 2,572 |
| Deferred tax liabilities | 1,259 | 1,298 |
| Deferred tax liabilities for land revaluation | 1,228 | 1,228 |
| Retirement benefit liability | 73 | 80 |
| Asset retirement obligations | 19 | 81 |
| Other | 1,101 | 964 |
| Total non-current liabilities | 7,048 | 6,225 |
| Total liabilities | 18,535 | 21,630 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 11,196 | 11,196 |
| Capital surplus | 8,718 | 7,948 |
| Retained earnings | 16,883 | 18,123 |
| Treasury shares | (1,666) | (1,644) |
| Total shareholders' equity | 35,131 | 35,623 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,303 | 2,200 |
| Revaluation reserve for land | 2,784 | 2,784 |
| Foreign currency translation adjustment | 1,196 | 1,597 |
| Total accumulated other comprehensive income | 6,284 | 6,582 |
| Non-controlling interests | 6,496 | 7,129 |
| Total net assets | 47,912 | 49,335 |
| Total liabilities and net assets | 66,448 | 70,965 |

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, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Net sales | 31,107 | 31,824 |
| Cost of sales | 17,719 | 19,128 |
| Gross profit | 13,388 | 12,695 |
| Selling, general and administrative expenses | 8,405 | 9,562 |
| Operating profit | 4,982 | 3,132 |
| Non-operating income | | |
| Interest income | 19 | 83 |
| Dividend income | 222 | 289 |
| Foreign exchange gains | 54 | 30 |
| Rental income from non-current assets | 61 | 44 |
| Miscellaneous income | 70 | 93 |
| Total non-operating income | 428 | 542 |
| Non-operating expenses | | |
| Interest expenses | 35 | 37 |
| Environmental maintenance expenses | 55 | 46 |
| Miscellaneous losses | 12 | 9 |
| Total non-operating expenses | 103 | 93 |
| Ordinary profit | 5,307 | 3,581 |
| Extraordinary income | | |
| Gain on sale of investment securities | – | 57 |
| Gain on sale of non-current assets | – | 67 |
| Total extraordinary income | – | 124 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 4 | 31 |
| Head office relocation expenses | – | 19 |
| Loss on valuation of investment securities | – | 8 |
| provision for maintenance work-related reserves | 107 | – |
| Other | 0 | – |
| Total extraordinary losses | 111 | 59 |
| Profit before income taxes | 5,195 | 3,646 |
| Income taxes | 1,221 | 1,029 |
| Profit | 3,974 | 2,616 |
| Profit attributable to non-controlling interests | 1,162 | 882 |
| Profit attributable to owners of parent | 2,812 | 1,734 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Profit | 3,974 | 2,616 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (480) | (103) |
| Foreign currency translation adjustment | (17) | 622 |
| Total other comprehensive income | (497) | 519 |
| Comprehensive income | 3,476 | 3,136 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,330 | 2,033 |
| Comprehensive income attributable to non-controlling interests | 1,145 | 1,103 |

Consolidated statements of cash flows

(Millions of yen)

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,195 | 3,646 |
| Depreciation | 1,215 | 1,390 |
| Amortization of goodwill | 8 | 9 |
| Increase (decrease) in provisions | (141) | (282) |
| Increase (decrease) in retirement benefit liability | (5) | 6 |
| Interest and dividend income | (242) | (373) |
| Interest expenses | 35 | 37 |
| Foreign exchange losses (gains) | 34 | 82 |
| Loss (gain) on sale of property, plant and equipment | – | (67) |
| Loss on retirement of property, plant and equipment | 4 | 31 |
| Loss (gain) on valuation of investment securities | – | 8 |
| Loss (gain) on sale of investment securities | – | (57) |
| Decrease (increase) in trade receivables | 225 | 1,266 |
| Decrease (increase) in inventories | (1,045) | (4,190) |
| Increase (decrease) in trade payables | 903 | 1,020 |
| Increase/decrease in other assets/liabilities | 159 | 221 |
| Increase (decrease) in accrued consumption taxes | (91) | (422) |
| Other, net | 47 | 11 |
| Subtotal | 6,303 | 2,339 |
| Interest and dividends received | 233 | 343 |
| Interest paid | (35) | (37) |
| Income taxes paid | (1,381) | (1,726) |
| Income taxes refund | 5 | – |
| Net cash provided by (used in) operating activities | 5,125 | 919 |
| Cash flows from investing activities | | |
| Payments into time deposits | (506) | (3,857) |
| Proceeds from withdrawal of time deposits | 23 | 541 |
| Purchase of property, plant and equipment and intangible assets | (1,189) | (2,446) |
| Proceeds from sale of property, plant and equipment and intangible assets | – | 69 |
| Payments for retirement of property, plant and equipment | (4) | (9) |
| Payments for asset retirement obligations | – | (72) |
| Purchase of investment securities | (232) | (52) |
| Proceeds from sale of investment securities | – | 282 |
| Proceeds from redemption of securities | – | 522 |
| Loan advances | (46) | (1,050) |
| Proceeds from collection of loans receivable | 26 | 44 |
| Payments of guarantee deposits | (354) | (126) |
| Proceeds from refund of guarantee deposits | 138 | 184 |
| Purchase of long-term prepaid expenses | (4) | (0) |
| Other, net | 0 | (33) |
| Net cash provided by (used in) investing activities | (2,148) | (6,003) |

(Millions of yen)

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2022 |
|--|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (1,400) | 3,000 |
| Proceeds from long-term borrowings | 1,400 | – |
| Repayments of long-term borrowings | (790) | (733) |
| Dividends paid | (197) | (236) |
| 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 | (95) | (98) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | – | (987) |
| Net cash provided by (used in) financing activities | (1,309) | 689 |
| Effect of exchange rate change on cash and cash equivalents | (11) | 67 |
| Net increase (decrease) in cash and cash equivalents | 1,656 | (4,326) |
| Cash and cash equivalents at beginning of period | 9,331 | 10,365 |
| Cash and cash equivalents at end of period | 10,987 | 6,038 |