



OSAKA SODA



# FY2022 Presentation Material

- Results for FY2022 & Forecast for FY2023 -

June 2, 2023

OSAKA SODA CO., LTD.



# Recovery Status: Main Equipment Malfunctions in AC Production Facility

## Situation to Date

On April 4, 2023, the main equipment of the Allyl Chloride (AC) production facility at the Mizushima Plant was suspended due to malfunctions. The facility had been out of service since early March for regular maintenance. After conducting equipment checks and inspections, full-scale operation resumed in late March after test runs were held to confirm that there weren't any issues. Currently, the recovery plan announced on May 11 is proceeding on schedule.

## Recovery Plan (as of May 11, 2023)

May 8, 2023

Resume production of some products



Mid-June 2023

Partial repairs to improve manufacturing capacity to approx. 70%



March 2024

Full-recovery during regular maintenance

## Impact on Performance

We have calculated the forecast for FY2023 based on the above recovery plan.

We apologize for any inconvenience and concern this may cause, and will continue to work toward a full recovery as soon as possible.



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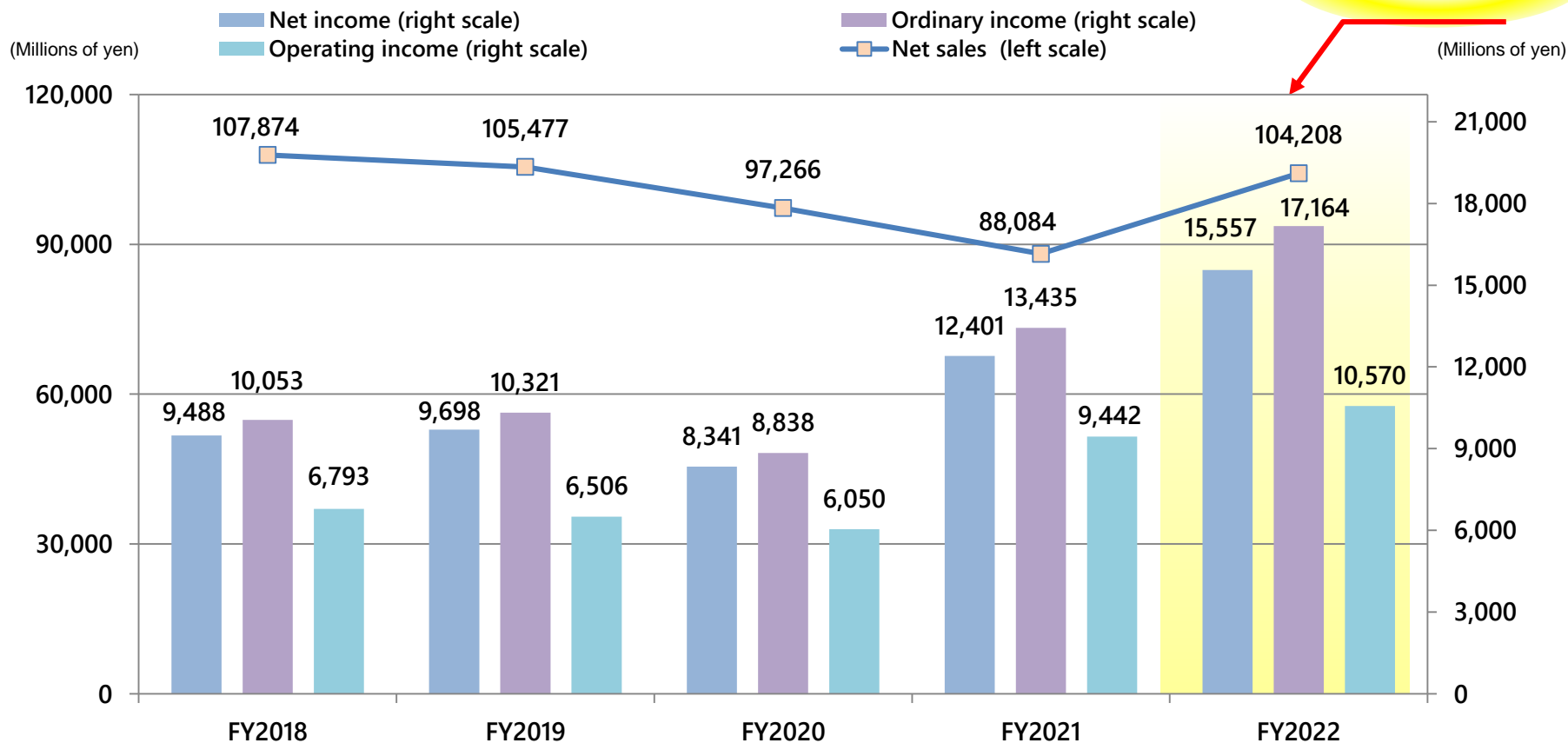


# Results for FY2022

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# Earnings Trends (FY2018 to FY2022)

- Net Sales increased significantly from the previous fiscal year when the Accounting Standard for Revenue Recognition was applied
- Set new record highs for each stage of profit by a significant margin for the second period in a row



\* The "Accounting Standard for Revenue Recognition" has been adopted since FY2021

# Overview of Consolidated Financial Results

- Landing on the planned line, which was revised upward on August 5, 2022
- Net income target was not achieved due to the recording of impairment losses caused by deterioration in the performance of rubber compounds company that was newly consolidated at the end of FY2022

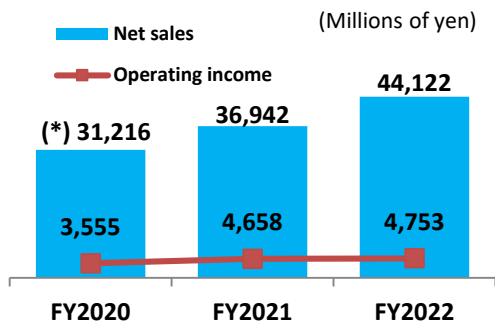
(Millions of yen)	FY2021		FY2022		%Change (YoY)	Change (YoY)	Revised target * (B)	Achievement rate	Change (A)-(B)
		To sales	(A)	To sales					
Net sales	88,084	-	104,208	-	18.3%	16,124	98,000	106.3%	6,208
Operating income	12,401	14.1%	15,557	14.9	25.4%	3,156	15,700	99.1%	(143)
Ordinary income	13,435	15.3%	17,164	16.5	27.8%	3,729	16,900	101.6%	264
Net income	9,442	10.7%	10,570	10.1	12.0%	1,128	11,700	90.3%	(1,130)
Earnings per share (yen)	404.73	-	428.43	-	-	-	501.97	-	-
Overseas sales	31,807	36.1%	39,675	38.1	24.7%	7,868	-	-	-

\*Announced on 5 August, 2023

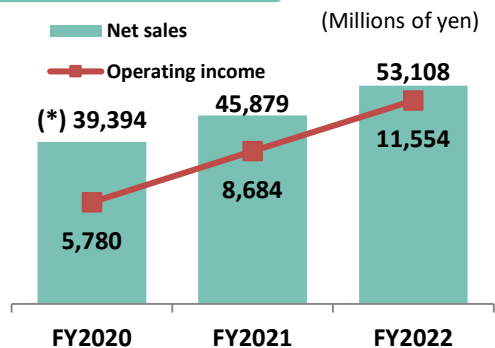
		FY2021	FY2022
Average exchange rate	Yen / USD	112 yen	134 yen
	Yen / Euro	131 yen	140 yen
Naphtha price (Yen / KL)		55,500 yen	75,500 yen

# FY2022 Results by Segment

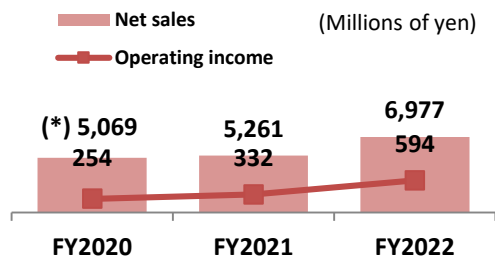
## Basic Chemicals



## Functional Chemicals



## Housing Facilities and Others



\*FY2020 calculated by assuming the adoption of the "Accounting Standard for Revenue Recognition"

## Achieved increases in sales and profits in all segments

### Strong performance of mainstay products continued

- Chlor-Alkali  
Penetration of price revisions in line with rising raw material and fuel prices
- Epichlorohydrin  
Strong demand related to electronic materials in the first half of the year, and price revisions also contributed to higher earnings

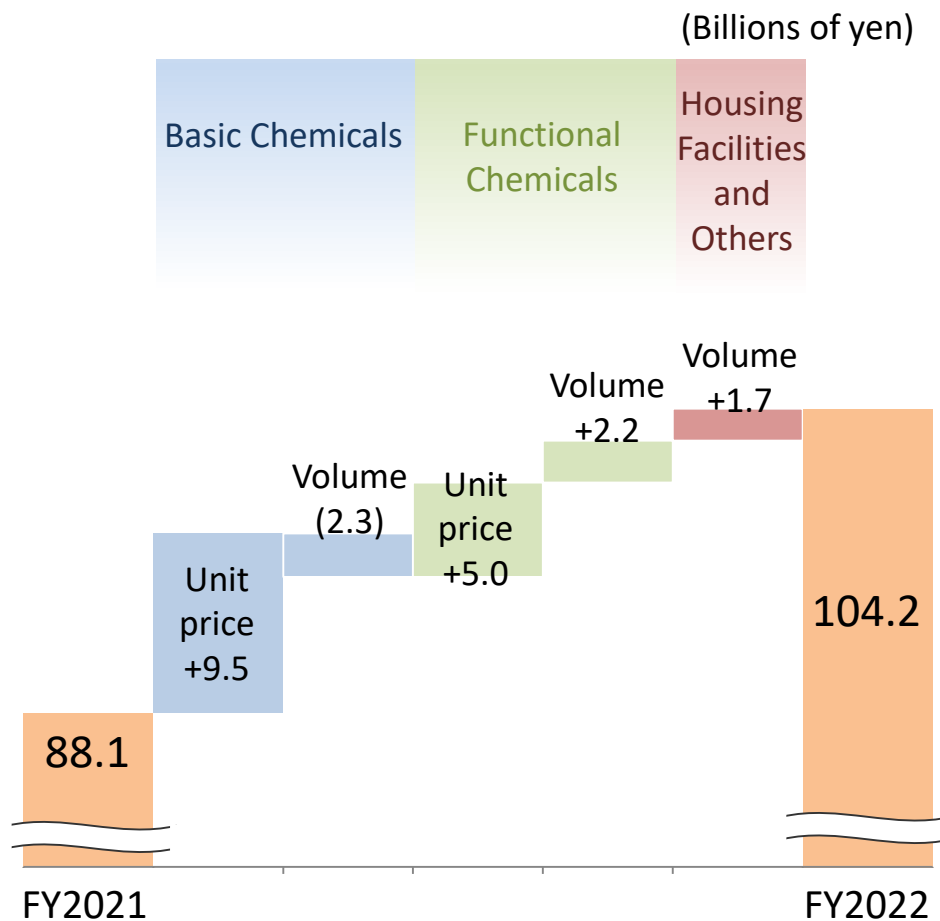
### Sales and profits increased due to solid demand for global niche top products and steady expansion of high value-added healthcare

- Synthetic Rubber  
Epichlorohydrin Rubber : Demand for automobiles increased due to addressing environmental regulations  
Acrylic Rubber : Sales increased for new adoptions in Japan and overseas, particularly in Asia
- Synthetic Resin  
Sales for insulating varnishes increased in China, especially in the first half of the year
- Allyl Ethers  
Sales of silane coupling agents was strong for functional paint and electronic material applications in Europe, the U.S., and China
- Healthcare  
Chromatography : Demand increased for applications in diabetes medications in Europe, the U.S., and Asia, etc.  
APIs and their intermediates : Increased entrustment contracts (Medications for diabetes complications, insomnia medications, dementia medications)

- Increased as sales of Consumer Products, etc.

# Variance Analysis (Net sales, YoY)

## Net Sales by Segment



## Changes by Main Products

(Billions of yen)

Basic Chemicals		+7.2
Main Products	Change	
Chlor-Alkali	+7.3	
Epichlorohydrin (EP)	+0.4	
Others	(0.5)	

Functional Chemicals		+7.2
Main Products	Change	
Allyl Ethers	+3.1	
Healthcare *1	+1.6	
Synthetic Rubber/Synthetic Resin *2	+0.7	
Electrodes	+0.6	
Rubber Compounds	+1.7	
Others	(0.5)	

\*1 Healthcare: Chromatography (pharmaceutical purification materials), Active pharmaceutical ingredients (APIs) and their intermediates, etc.

\*2 Synthetic rubber/Synthetic resin: Epichlorohydrin Rubber, DAP resin, etc.

Housing Facilities and Others		+1.7
Main Products	Change	
Consumer Products, etc.	+1.7	

# Variance Analysis (Operating income, YoY)

## Basic Chemicals :

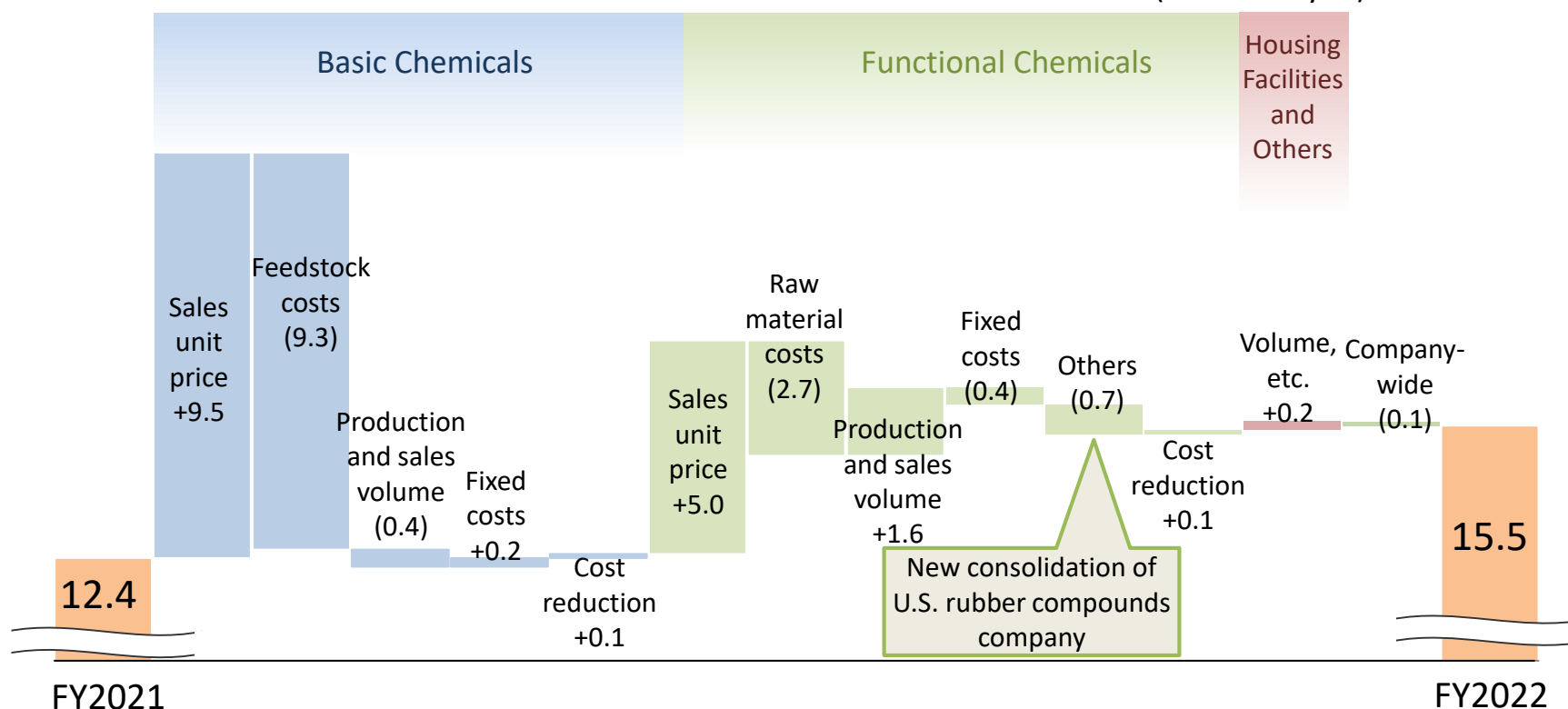
- The impact of higher raw material and fuel prices were absorbed through price revisions of main products

## Functional Chemicals :

- Penetration of price revisions of mainstay products, particularly Allyl Ethers
- Increase in sales volume for high value-added products in Healthcare contributed to profit growth

## Operating income by Segment

(Billions of yen)





# Balance Sheet, Statement of Cash Flows

- Maintained a ROE at the 11% level due to continued improvement in profitability
- Lower debt and higher net assets as a result of CB conversion pushed shareholder's equity ratio 72.1%

(Millions of yen)	FY2020	FY2021	FY2022	Change from FY2021
Total assets	119,373	129,159	138,029	8,870
Net assets	77,232	83,896	99,543	15,647
Shareholder's equity ratio	64.7%	64.9%	72.1%	7.2%
Interest-bearing debt	15,909	15,905	7,664	(8,241)
Return on Equity (ROE)	8.3%	11.7%	11.5%	(0.2%)

(Millions of yen)	FY2020	FY2021	FY2022	Change from FY2021
Cash flow from operating activities	9,347	13,378	9,354	(4,024)
Cash flow from investing activities	(1,850)	(6,961)	(5,380)	1,581
Cash flow from financing activities	(4,464)	(1,646)	(4,596)	(2,950)
Cash and cash equivalents	31,936	37,016	36,843	(173)



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# Forecast for FY2023

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# Effect of Main Equipment Malfunctions in AC Production Facility

- The forecast for FY2023 was calculated based on the recovery plan
- Suspension of operation expected to have a significant impact in 1Q, with 70% operation expected from mid-June

## Impact on forecast for FY2023

(Billions of yen)

Net sales			Operating income		
1H	2H	Full Year	1H	2H	Full Year
(2.4)	(1.6)	(4.0)	(3.2)	(1.3)	(4.5)

## Status of product supply

Basic Chemicals	Chlor-Alkali <small>(Inorganic chemicals such as Caustic Soda)</small>	<ul style="list-style-type: none"> <li>■ After mid-June, operation of both Chlor-Alkali and AC/EP will recover to about 70%</li> <li>■ Shipment adjustments will continue until full recovery</li> </ul>
	Allyl Chloride (AC)	
	Epichlorohydrin (EP)	
Functional Chemicals	Epichlorohydrin Rubber	<ul style="list-style-type: none"> <li>■ For 1Q, temporary inventory shipments were used</li> <li>■ Production as usual from mid-June</li> <li>■ Minimal impact on sales throughout the period</li> <li>■ No impact on Healthcare business</li> </ul>
	DAP resin	
	Allyl Ethers	

# Forecast for FY2023

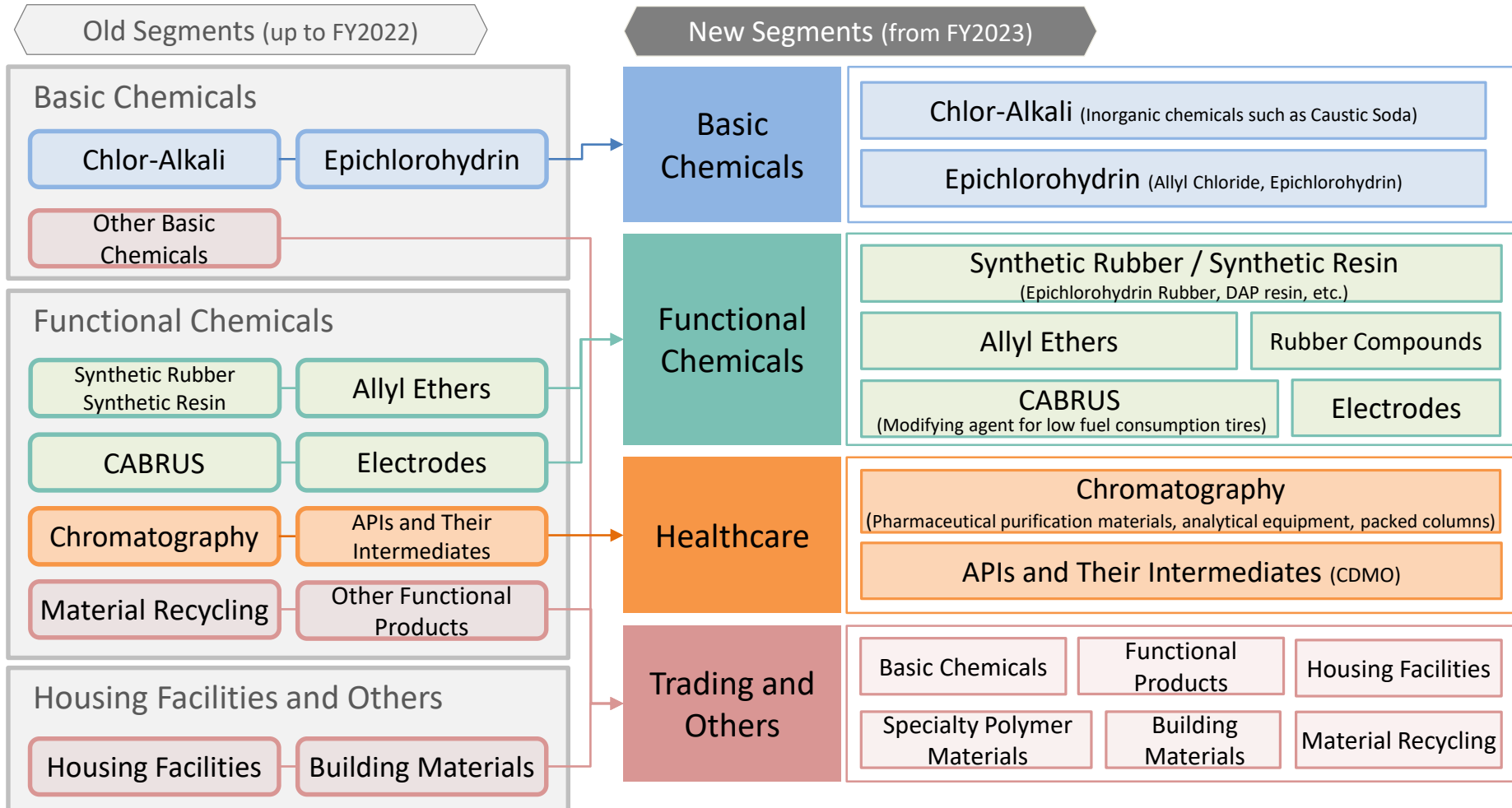
- Expecting continued economic recovery, but there are concerns over economic downturn risks due to monetary tightening and rising electricity rates and prices
- Due to the impact of main equipment malfunctions in the AC production facility, the full-year forecast is for a temporary increase in sales and decrease in profit

(Millions of yen)	FY2022		FY2023 Forecast		Change (YoY)	
		To sales (%)		To sales (%)	Amount	Percentage (%)
Net sales	104,208	-	105,000	-	792	0.8
Operating income	15,557	14.9	10,000	9.5	(5,557)	(35.7)
Ordinary income	17,164	16.5	11,100	10.6	(6,064)	(35.3)
Net income	10,570	10.1	7,500	7.1	(3,070)	(29.0)
Net income per share	428.43 yen	-	294.81 yen	-	-	-
Overseas sales	39,675	38.1	37,200	35.5	(2,475)	(2.6)

Assumptions		FY2022	FY2023 Forecast
Average exchange rate	Yen / USD	134 yen	130 yen
	Yen / Euro	140 yen	140 yen
Naphtha price	(Yen / KL)	75,500 yen	63,000 yen

# Changes in Reportable Segments

- The Healthcare business was separated and spun off from the Functional Chemicals segment in line with business expansion
- New segments for “Healthcare” and “Trading and Others”



# FY2023 Forecast by Segment

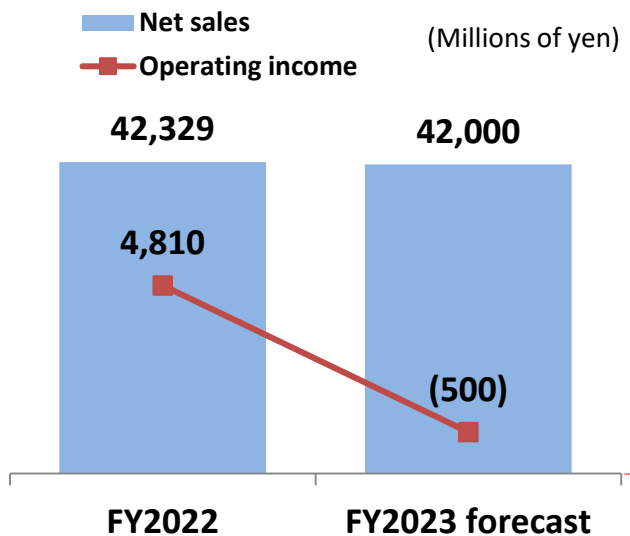
- Basic Chemicals: Decline in operating income due to the impact of main equipment malfunctions in the AC production facility
- Functional Chemicals: Factored in production adjustments for some products and improved rubber compound earnings
- Healthcare: Continue to expand and perform strongly in main business

		FY2022*			FY2023 Forecast			Change (YoY)		
		1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
(Millions of yen)										
Net sales	Basic Chemicals	21,141	21,188	42,329	20,300	21,700	<b>42,000</b>	(841)	512	(329)
	Functional Chemicals	15,625	17,146	32,771	16,200	17,000	<b>33,200</b>	575	(146)	429
	Healthcare	5,891	5,398	11,289	6,000	6,300	<b>12,300</b>	109	902	1,011
	Trading and Others	9,257	8,561	17,818	8,500	9,000	<b>17,500</b>	(757)	439	(318)
	Total	51,915	52,293	104,208	51,000	54,000	<b>105,000</b>	(915)	1,707	792
Operating income	Basic Chemicals	3,709	1,101	4,810	(1,300)	800	<b>(500)</b>	(5,009)	(301)	(5,310)
	Functional Chemicals	3,945	2,415	6,360	2,300	3,350	<b>5,650</b>	(1,645)	935	(710)
	Healthcare	2,282	2,314	4,596	2,500	2,600	<b>5,100</b>	218	286	504
	Trading and Others	472	664	1,136	700	300	<b>1,000</b>	228	(364)	(136)
	Company-wide, eliminations	(686)	(659)	(1,345)	(600)	(650)	<b>(1,250)</b>	86	9	95
	Total	9,722	5,835	15,557	3,600	6,400	<b>10,000</b>	(6,122)	565	(5,557)

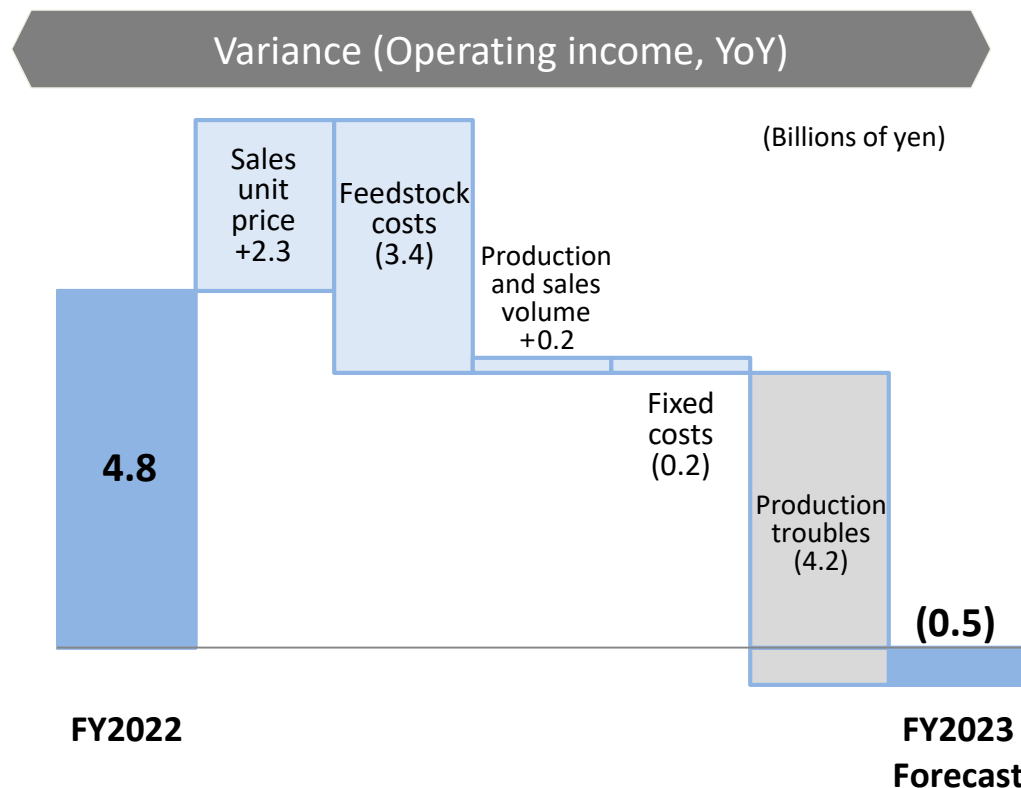
\* Figures by segment for FY2022 are approximate figures reclassified into new segments

# Segment (Basic Chemicals)

- **Basic Chemicals** : Tough market condition is expected in 1H, followed by a moderate recovery in demand in the 2H and beyond
- **Chlor-Alkali** : Products will benefit from price revisions implemented in FY2022
- **Epichlorohydrin** : Expect the impact of market deterioration in 1H, but will recover slowly from 2H

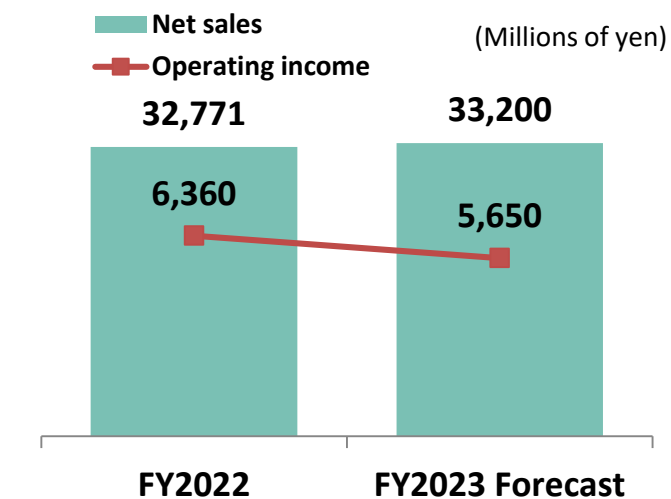


Net sales (down 0.3 billion yen YoY)	
Chlor-Alkali	+5.5
Epichlorohydrin	(2.3)
Production troubles	(3.5)



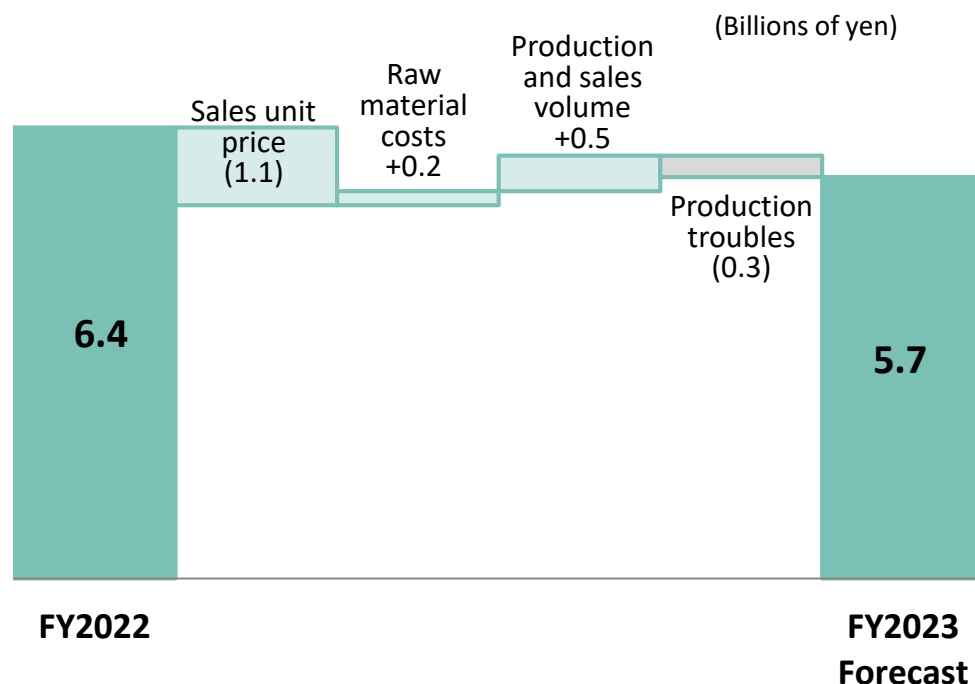
# Segment (Functional Chemicals)

- **Synthetic Rubber** : Sales will recover slowly for automobiles, focusing on developing new applications and alternative demand from other materials in line with stricter environmental regulations
- **Synthetic Resin** : Expect to shift to recovery in demand for UV inks, and promote new development outside of inks
- **Allyl Ethers** : Demand for silane coupling agents will expand, especially for functional paints  
Sales unit price will decline due to softening raw material market conditions



Net sales (up 0.4 billion yen YoY)	
Synthetic Rubber/Synthetic Resin	+1.0
Allyl Ethers	+0
Electrodes, etc.	(0.1)
Production troubles	(0.5)

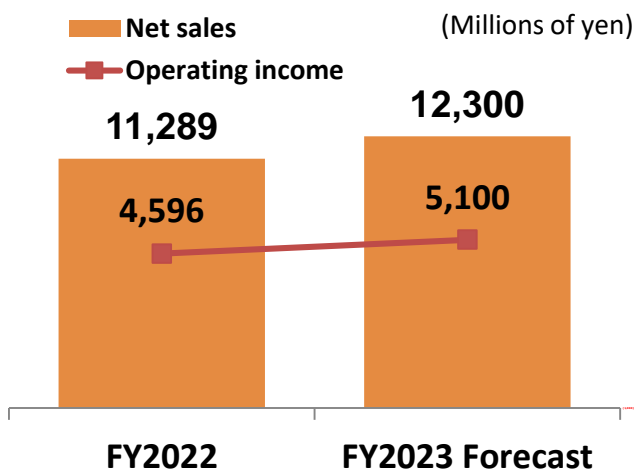
## Variance (Operating income, YoY)





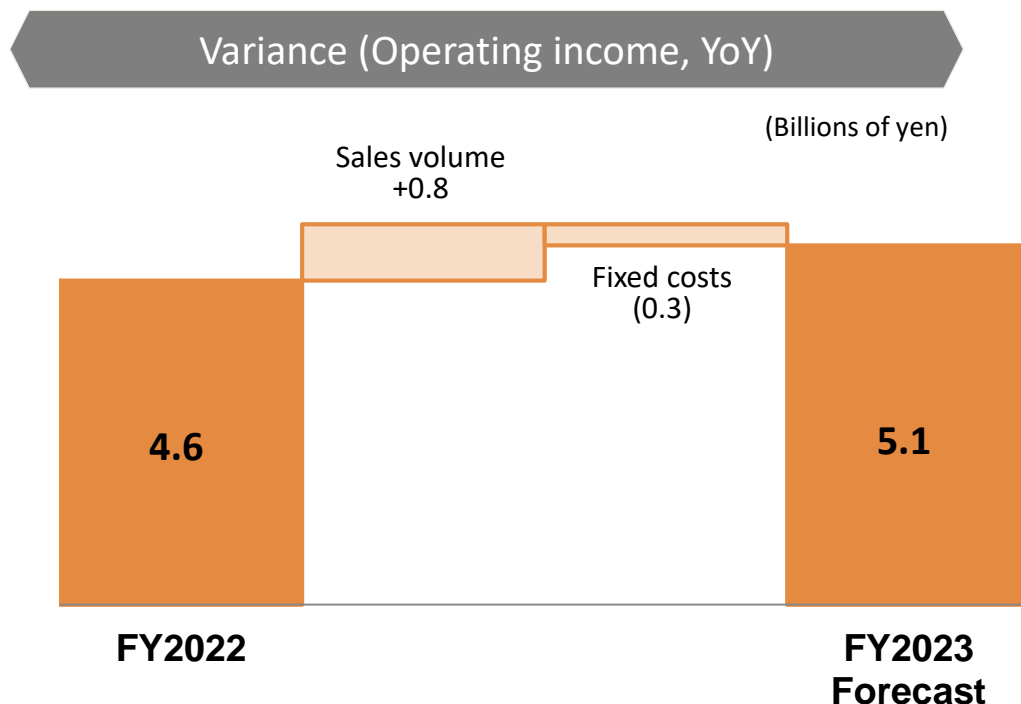
# Segment (Healthcare)

- **Healthcare** : The changing modality of the pharmaceutical industry will create new demand in the medium to long term
- **Chromatography** : Sales expansion of pharmaceutical purification materials for diabetes medications and the rapidly expanding obesity medications by enhancing of the Amagasaki Plant  
Expand our new product lineup for analytical equipment and packed columns
- **APIs and their Intermediates** : Construction of a new facility “PI-3” will be completed in March of this year with the aim of securing large-scale projects by leveraging the facility’s capacity



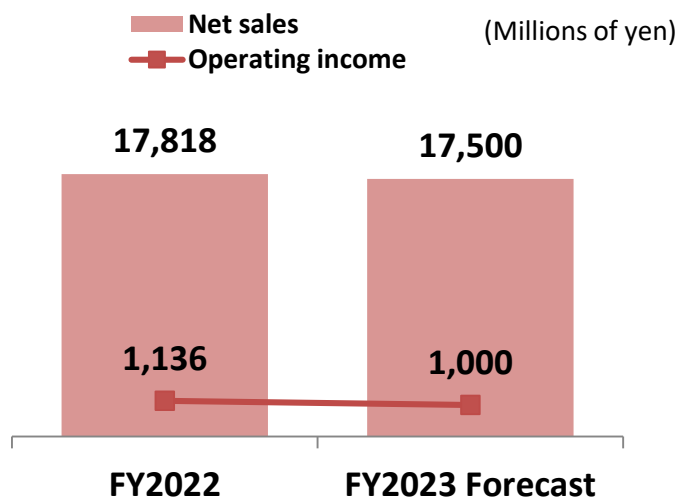
Net sales (up 1.0 billion yen YoY)	
Chromatography*	+0.7
APIs and Their Intermediates	+0.3

\* Pharmaceutical purification materials, analytical equipment, packed columns



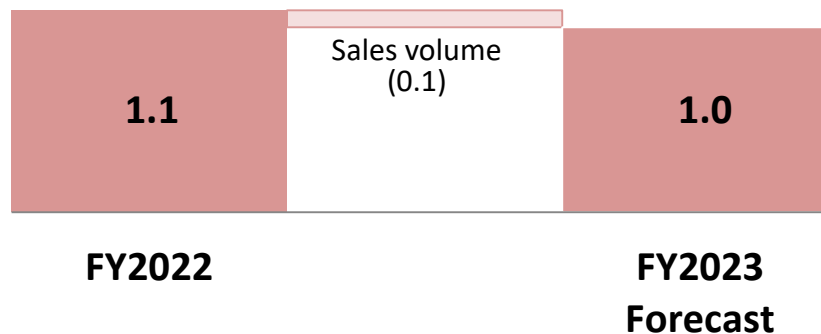
# Segment (Trading and Others)

- **Consumer Products** : Expect to sales remain strong as in FY2022
- **Specialty Polymer Materials** : Sales of photosensitive resins and related products will increase as demand for printing recovers
- Revenue will decline due to exiting from the plant engineering business



Variance (Operating income, YoY)

(Billions of yen)

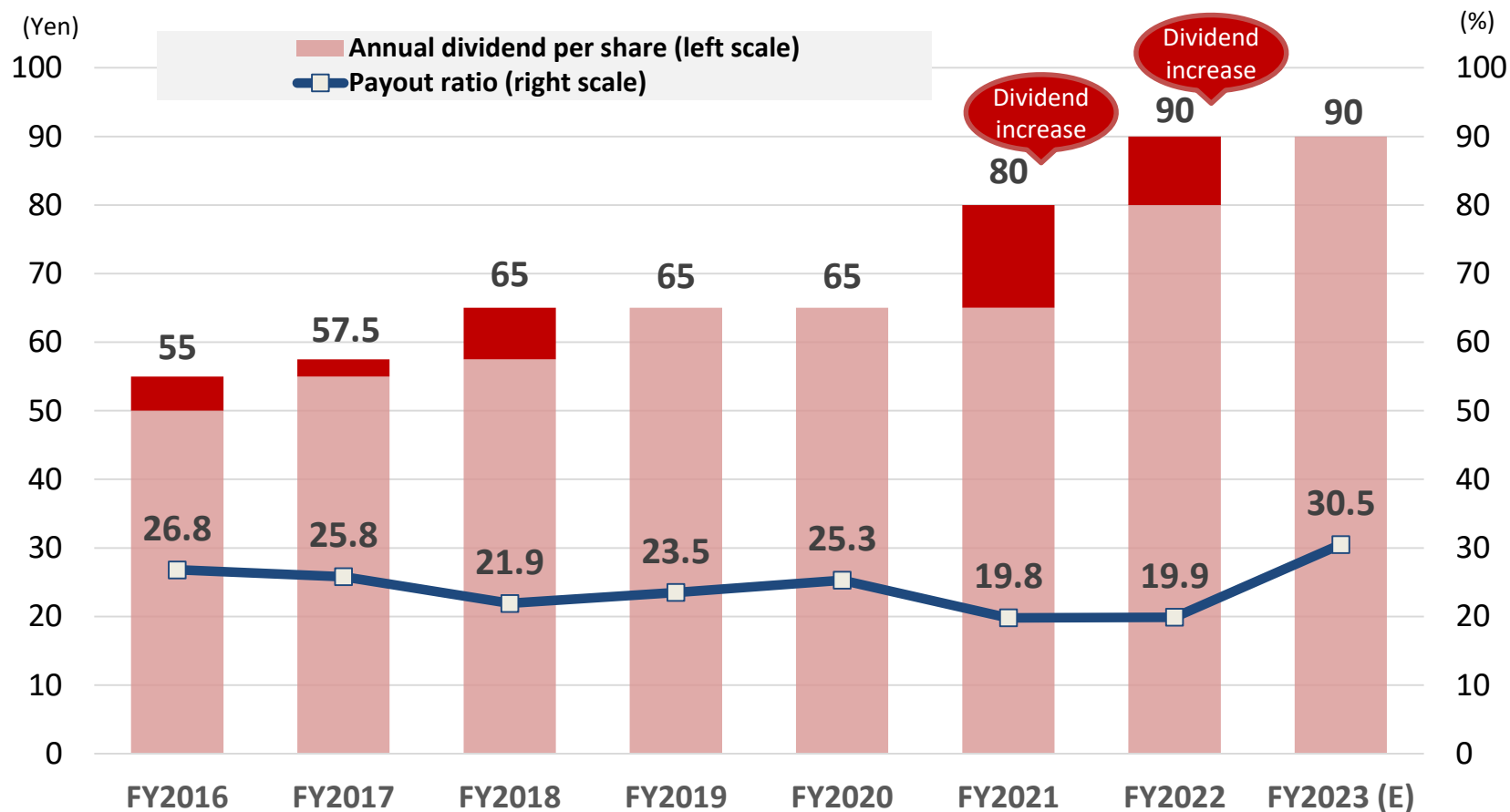


**Net sales** (down 0.3 billion yen YoY)

Consumer Products	+0.3
Specialty Polymer Materials	+0.2
Plant Engineering, etc.	(0.8)

# Shareholder Returns

- FY2022, an annual dividend of ¥90 per year (up ¥10 from FY2021) and repurchased treasury shares
- Although earnings for FY2023 are expected to decline, we plan to continue paying a stable dividend



\* Dividends per share before FY2017 are converted to figures after the reverse stock split in October 2017



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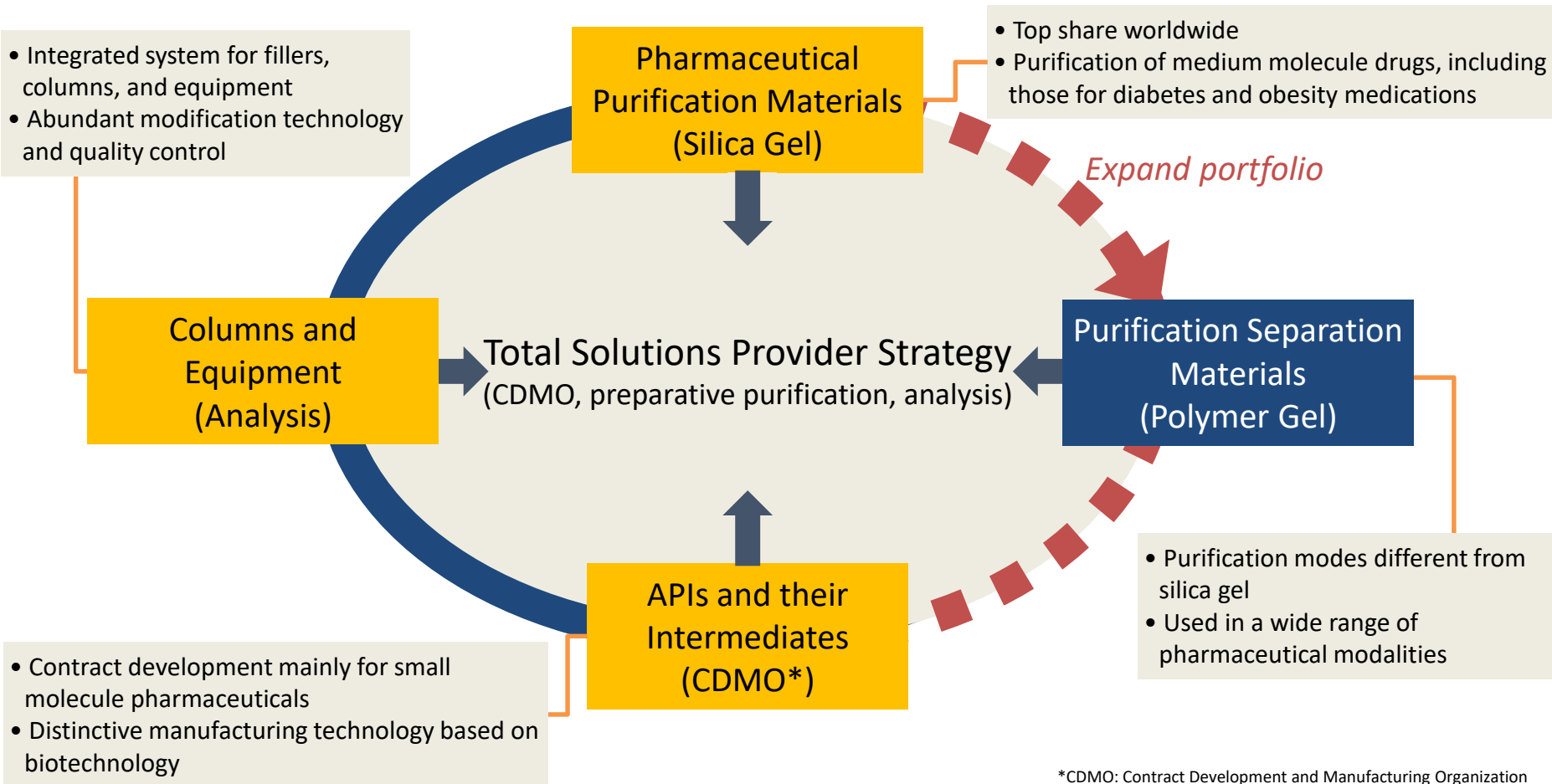


# Expansion of the Healthcare Business

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# Strategy of the Healthcare Business

- Develop a synergistic strategy that leverages the strengths of Chromatography, APIs and their Intermediates
- Provide total solutions with development of pharmaceuticals, contract manufacturing, preparative purification, and analysis



# Pharmaceutical Purification Materials (Silica Gel)

- Purification separation materials market will grow as biopharmaceutical market expands
- Rapidly expanding demand for purification applications for diabetes and obesity medications
- High-strength, highly alkaline resistant silica gel is permeating market
- Global expansion will steadily increase market share not only in Europe and the U.S., but also in emerging countries such as China and India

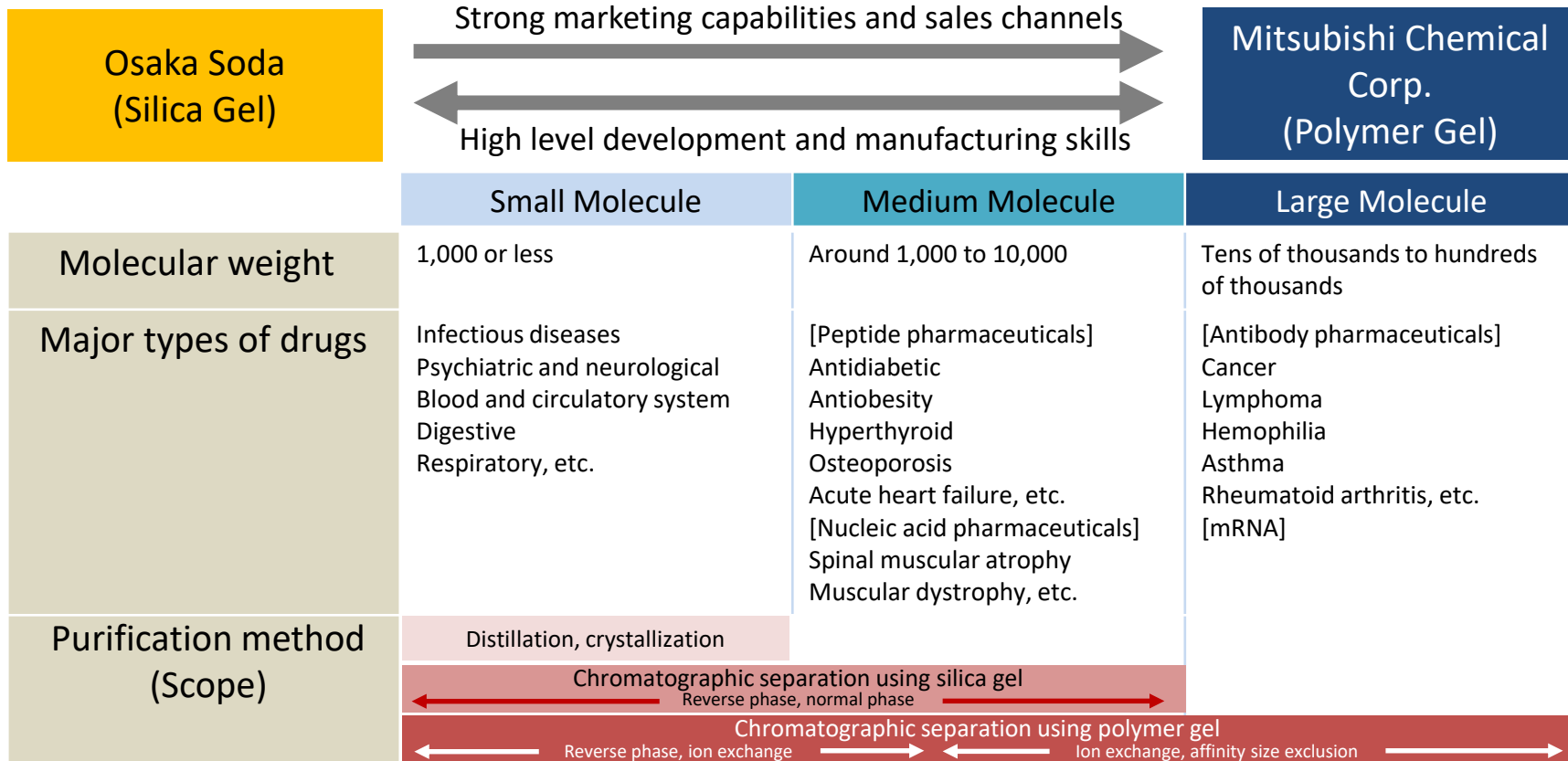
Increase production capacity to meet robust demand



\* Manufacturing capacity compared to 2021

# Entry Into the Polymer Gel Market

- In March 2023, a basic agreement was reached with Mitsubishi Chemical Corporation on joint development and marketing of polymer gels
- Expand portfolio to purification modes different from silica gel
- Expand into peptide drugs, mRNA, nucleic acid drugs, antibody drugs, etc.
- Aim to develop next-generation purification materials with state-of-the-art separation performance



# Columns and Equipment

- Inspection and analysis opportunities are expanding due to stricter quality control and environmental regulations
- Accelerate R&D of medium and large molecule drugs in response to changing modalities
- Analysis needs are increasing by expansion of the biopharmaceutical market, the column and equipment market is also growing
- Due to the need for faster analysis speeds, introduction of ultra high performance liquid chromatography (UHPLC) is accelerating

## □ Enhanced column production capacity

UHPLC column production capacity doubled (March 2023)

## □ Enhanced column lineup

Develop and launch products that meet the analytical needs of biopharmaceuticals

- Size exclusion columns (SEC)
- Highly alkaline resistant columns



## □ Higher pressure resistance for analytical equipment

Responding to the need for faster analysis speeds



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# APIs and Their Intermediates (CDMO)

- Stricter quality issues and environmental regulations have led to supply concerns among APIs and their intermediate manufacturers in China and India
- Return of API procurement to Japan is accelerating
- Strengthen production system to meet strong customer contracting demand
- Focus on medium molecule drugs as a new modality following small molecule drugs and large molecule antibody drugs

## □ Establish a full production system for new facility “PI-3”

- Construction was completed in March 2023, doubling manufacturing capacity
- Consigned large-scale projects and moved to full-scale operation early

## □ Consider further capacity expansion

- Looking ahead to growing demand, we are considering the next facility expansion at the Fukui Plant

## □ Strengthen the high potency pharmaceuticals business

- Considering mass production facility for full-scale entry from the kiloscale

## □ Advance into the biopharmaceutical business

- Advancing into the biopharmaceutical business by upgrading existing technologies



New facility “PI-3” at Matsuyama Plant  
(Construction completed in March 2023)

# FY2030: “Ideal Image” of the Healthcare Business

## Double Healthcare business revenue in FY2030

FY2026–FY2030

- **Become the de facto standard in the global silica gel market**
- **Bioseparation business diversification**
- **Full-scale entry for high potency and biopharmaceutical drugs**

2030

Matsuyama Plant : Full-scale operation of new silica gel facility  
Amagasaki Plant : Full-scale operation of 2<sup>nd</sup> phase expansion silica gel facility  
Construction of mass production facility for high potency APIs and their intermediates  
Enter into the biopharmaceutical business (CDMO)

FY2023–FY2025

2025

Matsuyama Plant : Construction of new silica gel facility  
Amagasaki Plant : Full-scale operation of 1<sup>st</sup> phase expansion silica gel facility  
2<sup>nd</sup> Phase expansion of silica gel facility  
Enter into the polymer gel market  
Matsuyama Plant : Full-scale operation of “PI-3”

2024

2023

2022

FY2021–FY2022

Amagasaki Plant: 1<sup>st</sup> phase expansion of silica gel facility  
Sanyo Fine Irica Technology: Enhance UHPLC column manufacturing capacity  
Matsuyama Plant: Construction of APIs and their intermediates facility “PI-3”

### In addition to investment of more than ¥8 billion, Enhance sales force

- Strengthen global operations (market, customer sales access)
- Thorough implementation of a long-term drug development process and a “prospective customer creation and opportunity management process” in sensitive markets
- Strengthen the ability to make proposals (issues and problems, improvement responses)
- Strengthen performance, credibility, trust, and brand image



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