

**OSAKA SODA CO., LTD.**  
**CONSOLIDATED FINANCIAL RESULTS**  
**For the quarterly period ended June 30, 2020**  
**(Prepared under Japan GAAP, unaudited)**

Company name: OSAKA SODA CO., LTD. Stock Exchange Listing: Tokyo  
 Securities code: 4046 URL: <http://www.osaka-soda.co.jp>  
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Scheduled date of filing of quarterly securities report: Aug 11, 2020  
 Scheduled date of commencement of dividend payment: —  
 Supplementary materials prepared for the financial results: None  
 Quarterly financial results briefings: None

**1. Consolidated Financial Results**

(Amounts are rounded down to the nearest million yen)

**(1) Results of Operations**

		Three Months Ended			
		June 30, 2020		June 30, 2019	
			Change *		Change *
Net sales	Millions of yen	23,257	(13.0)%	26,736	2.2%
Operating income	Millions of yen	1,947	(26.5)%	2,649	7.6%
Ordinary income	Millions of yen	2,165	(23.3)%	2,821	(2.3)%
Net income	Millions of yen	1,470	(13.2)%	1,693	(18.0)%
Comprehensive income	Millions of yen	2,577	82.0%	1,415	(13.9)%
Net income per share	Yen	61.96	-	73.02	-
Diluted net income per share	Yen	55.05	-	63.56	-

(Note) Percent changes for three months are year-on-year comparisons.

**(2) Financial Condition**

		June 30, 2020	March 31, 2020
Total assets	Millions of yen	111,431	110,851
Net assets	Millions of yen	70,930	69,121
Equity	Millions of yen	70,927	69,121
Equity ratio	%	63.7	62.4

## 2. Dividends

	Year ending Mar. 31, 2021 (Forecast)	Year ending Mar. 31, 2021	Year ended Mar. 31, 2020
End of first quarter		—	—
End of second quarter	32.50		32.50
End of third quarter	—		—
End of fourth quarter	32.50		32.50
Full year	65.00		65.00

(Note) Change in dividends forecast from the most recent announcement: None

## 3. Earnings Forecast for the fiscal year ending March 31, 2021

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	46,000	(13.3)%	96,000	(9.0)%
Operating income	Millions of yen	3,300	(33.4)%	8,000	(17.5)%
Ordinary income	Millions of yen	3,500	(32.6)%	8,400	(18.6)%
Net income	Millions of yen	2,400	(24.8)%	5,700	(12.4)%
Earnings per share	Yen	101.14	-	240.22	-

(Note) Change in dividends forecast from the most recent announcement: None

### \* Notes

- (1) Changes in significant subsidiaries during the current quarterly period  
(Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of accounting methods used specifically for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatements of revisions: None
  - 1) Changes in accounting policies due to revisions of accounting standards, etc.: None
  - 2) Changes in accounting policies other than 1): None
  - 3) Changes in accounting estimates: None
  - 4) Restatement of revisions: None
- (4) Number of outstanding shares (common stock)
  - 1) Number of shares outstanding at the end of the period (including treasury shares)
 

As of June 30, 2020:	26,731,415	shares
As of March 31, 2020:	26,731,415	shares
  - 2) Number of treasury shares at the end of period
 

As of June 30, 2020:	3,002,736	shares
As of March 31, 2020:	3,002,722	shares
  - 3) Average number of shares outstanding in each period
 

Three months ended June 30, 2020	23,728,689	shares
Three months ended June 30, 2019	23,191,445	shares

\*Disclosure regarding the execution of the quarterly review process:

This quarterly financial results are outside the scope of the quarterly review by certified public accountants or an audit firm.

\*Appropriate use of financial forecasts, other special notes:

This material contains forward-looking statements such as earnings forecast about OSAKA SODA CO., LTD. and its group companies (“Osaka Soda Group”). These forward-looking statements are based on the current assumptions and beliefs of Osaka Soda Group in light of the information currently available to it, and contain known and unknown risks, uncertainties and other factors. Osaka Soda Group therefore wishes to caution readers that actual results could be materially different from any future results.

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## 4. Qualitative Information

### (1) Results of Operations

During the three months ended June 30, 2020, Japan's economy has remained in an extremely difficult situation due to the sluggish economic activity caused by the spread of novel coronavirus infections. Recently, the number of newly infected person has been on the rise again, and the outlook remains uncertain.

Under the circumstances, in the last year of the Medium-Term Management Plan "BRIGHT - 2020", which was launched from the previous fiscal year, Osaka Soda Group continued to promote three basic policies, "Creating new growth engines", "Establishing a profitable global business", and "Completing business structural reforms".

As a result, net sales were ¥23,257 million, a decrease of 13.0% compared to the same period of fiscal 2019. Operating income was ¥1,947 million, a decrease of 26.5% compared to the same period of fiscal 2019. Ordinary income was ¥2,165 million, a decrease of 23.3% compared to the same period of fiscal 2019. Net income attributable to owners of parent was ¥1,470 million, a decrease of 13.2% compared to the same period of fiscal 2019.

The following is a summary of reporting segments.

#### **Basic Chemical Products**

In ***Chlor-Alkali***, net sales decreased due to the decline in overall domestic demand caused by the spread of novel coronavirus infections

In ***Epichlorohydrin***, net sales decreased due to the decline in domestic & overseas demand though electronic materials sales continued to increase steadily.

As a result, Basic Chemical Products reported net sales of ¥10,138 million, down 17.1% compared to the same period of fiscal 2019.

#### **Functional Chemical Products**

***Diallyl Phthalate Resin*** was affected by the declining demand of UV curable inks in Europe due to the spread of novel coronavirus infections.

In ***Allyl Ethers***, net sales increased due to volume growth in exported sales to United States.

In ***Synthetic Rubber and related businesses, Epichlorohydrin Rubber*** was affected by the decline in the number of global automobiles production. ***Acrylic Rubber*** was increasingly adopted by new customers in China and Europe.

In ***Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)***, the demand for peptide drug purification continued to increase in India and China. In addition, ***Colum for Liquid Chromatography and Analytical Instruments*** continued to increase favorably in instruments sales to Korea.

In ***Active Pharmaceutical Ingredients (API) and their Intermediates***, the sales of both *anti-tuberculosis drug intermediates* and *insomnia treatment intermediates* increased. Also, the number of contract manufacturing increased in *high pharmacologically active drug*.

As a result, Functional Chemical Products reported net sales of ¥9,220 million, down 9.9% compared to the same period of fiscal 2019.

#### **Housing Facilities and Others**

Net sales were ¥3,898 million, down 8.8% compared to the same period of fiscal 2019. Construction materials sales were sluggish.

### (2) Financial Condition

#### **Assets**

**Current assets** were ¥69,504 million, a decrease of 0.5% since March 31, 2020. The decrease was due primarily to a decrease of ¥2,055 million in *notes and accounts receivable-trade*, a decrease of ¥770 million in

*cash and deposits* respectively, an increase of ¥1,043 million in *merchandise and finished goods*, an increase of ¥1,036 million in *electronically recorded monetary claims*, an increase of ¥219 million in *work in process*, an increase of ¥106 million in *raw materials and supplies* respectively.

**Noncurrent assets** were ¥41,927 million, an increase of 2.3% since March 31, 2020. The decrease was due primarily to an increase of ¥1,608 million in *investment securities*, a decrease of ¥491 million in *property, plant, and equipment – net*.

As a result, **Total assets** were ¥111,431 million, an increase of 0.5% since March 31, 2020.

#### **Liabilities**

**Current liabilities** were ¥24,783 million, a decrease of 7.0% since March 31, 2020. The decrease was due primarily to a decrease of ¥ 1,033 million in *notes and accounts payable- trade*, a decrease of ¥835 million in *income taxes payable* respectively.

**Noncurrent liabilities** were ¥15,717 million, an increase of 4.3% since March 31, 2020. The increase was due primarily to an increase of ¥706 million in *deferred tax liabilities*.

As a result, **Total liabilities** were ¥40,501 million, a decrease of 2.9% since March 31, 2020.

#### **Net assets**

**Net assets** were ¥70,930 million, an increase of 2.6% since March 31, 2020.

### **(3) Earnings Forecasts**

There are no revisions to the earnings forecast from the previous forecast announced in the “Consolidated financial results both for the quarterly period ended September 30, 2020 and for the year ended March 31, 2021” dated on May 11, 2020.

## 5. Consolidated Financial Statements

### CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2020	June 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	15,099	14,329
Notes and accounts receivable-trade	25,641	23,586
Electronically recorded monetary claims	3,096	4,132
Short term investment securities	14,299	14,798
Merchandise and finished goods	6,901	7,944
Work in process	1,368	1,587
Raw materials and supplies	2,268	2,374
Other current assets	1,296	850
Less: Allowance for doubtful accounts	(100)	(100)
Total current assets	<u>69,871</u>	<u>69,504</u>
<b>Noncurrent assets</b>		
Property, plant, and equipment		
Property, plant, and equipment - Net	10,110	9,736
Other - Net	11,743	11,625
Total property, plant and equipment	<u>21,853</u>	<u>21,362</u>
Intangible assets		
Goodwill	681	635
Other	346	323
Total intangible assets	<u>1,027</u>	<u>959</u>
Investments and other assets		
Investment securities	16,803	18,411
Deferred tax assets	368	290
Other, net	933	909
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>18,099</u>	<u>19,605</u>
Total noncurrent assets	<u>40,980</u>	<u>41,927</u>
<b>Total assets</b>	<u>110,851</u>	<u>111,431</u>

**CONSOLIDATED BALANCE SHEETS** *(Continued)*

(Millions of yen)

	March 31, 2020	June 30, 2020
<b>Liabilities</b>		
<b><i>Current liabilities</i></b>		
Notes and accounts payable- trade	13,159	12,125
Short term loans payable	7,767	7,767
Income taxes payable	1,278	443
Provision for bonuses	911	457
Other current liabilities	3,543	3,990
Total current liabilities	26,660	24,783
<b><i>Noncurrent liabilities</i></b>		
Bonds with subscription rights to shares	10,000	10,000
Deferred tax liabilities	436	1,142
Provision for directors retirement benefits	281	13
Net defined benefit liability	3,265	3,243
Other noncurrent liabilities	1,085	1,317
Total noncurrent liabilities	15,069	15,717
<b>Total liabilities</b>	41,730	40,501
<b>Net assets</b>		
<b><i>Shareholders' equity</i></b>		
Capital stock	15,870	15,870
Capital surplus	14,387	14,387
Retained earnings	41,870	42,569
Treasury stock	(6,682)	(6,682)
Total shareholders' equity	65,446	66,145
<b><i>Accumulated other comprehensive income</i></b>		
Valuation difference on available-for-sale securities	4,177	5,305
Deferred gains or losses on hedges	8	5
Foreign currency translation adjustments	7	(21)
Re-measurements of defined benefit plans	(518)	(508)
Total accumulated other comprehensive income	3,674	4,781
Non-controlling interests	-	3
<b>Total net assets</b>	69,121	70,930
<b>Total net assets and liabilities</b>	110,851	111,431

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2019	June 30, 2020
<b>Net sales</b>	26,736	23,257
<b>Cost of sales</b>	20,939	18,314
<b>Gross profit</b>	5,797	4,942
<b>Selling, general, and administrative expenses</b>	3,147	2,994
<b>Operating income</b>	2,649	1,947
<b><i>Non-operating income</i></b>		
Interest income	3	4
Dividend income	239	256
Share of profit of entities accounted for using equity method	11	-
Other	14	21
Total non-operating income	268	282
<b><i>Non-operating expenses</i></b>		
Interest expenses	24	22
Share of loss of entities accounted for using equity method	-	10
Foreign exchange loss	64	24
Other	8	6
Total non-operating expenses	96	64
<b>Ordinary income</b>	2,821	2,165
<b><i>Extraordinary loss</i></b>		
Loss on retirement of noncurrent assets	25	42
Loss on valuation of investment securities	363	-
Other	2	-
Total extraordinary loss	391	42
<b>Income before income taxes</b>	2,430	2,123
Income taxes - current	345	371
Income taxes - deferred	391	282
Total income taxes	737	653
<b>Net income</b>	1,693	1,470
<b>Net income attributable to non-controlling interests</b>	—	(0)
<b>Net income attributable to owners of parent</b>	1,693	1,470

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2019	June 30, 2020
<b>Net income</b>	1,693	1,470
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(283)	1,128
Deferred gains or losses on hedges	(6)	(2)
Foreign currency translation adjustments	3	(26)
Re-measurements of defined benefit plans	8	9
Share of other comprehensive income of entities accounted for using equity method	(0)	(2)
Total other comprehensive income	(277)	1,107
<b>Comprehensive income</b>	<b>1,415</b>	<b>2,577</b>
Comprehensive income attributable to:		
Owners of parent	1,415	2,577
Non-controlling interests	—	(0)

## 6. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Notes on significant changes in shareholders' equity: None

(3) Segment information

### Three months ended June 30, 2019

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	12,233	10,228	4,274	26,736	—	26,736
Intersegment sales or reclassifications	9	25	231	266	(266)	—
Total	12,242	10,254	4,506	27,003	(266)	26,736
Segment income	1,374	1,407	160	2,942	(292)	2,649

Note 1: Adjustments of segment income of ¥(292) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Note 2: Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

### Three months ended June 30, 2020

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	10,138	9,220	3,898	23,257	—	23,257
Intersegment sales or reclassifications	8	53	133	194	(194)	—
Total	10,147	9,273	4,031	23,452	(194)	23,257
Segment income	1,089	1,075	66	2,231	(283)	1,947

Note 1: Adjustments of segment income of ¥(283) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Note 2: Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.