

**OSAKA SODA CO., LTD.**  
**CONSOLIDATED FINANCIAL RESULTS**  
**For the quarterly period ended June 30, 2019**  
**(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 7, 2019  
 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, 2019		June 30, 2018	
			Change *		Change *
Net sales	Millions of yen	26,736	2.2%	26,160	10.7%
Operating income	Millions of yen	2,649	7.6%	2,461	61.1%
Ordinary income	Millions of yen	2,821	(2.3)%	2,887	59.1%
Net income	Millions of yen	1,693	(18.0)%	2,065	68.4%
Comprehensive income	Millions of yen	1,415	(13.9)%	1,644	(23.3)%
Net income per share	Yen	73.02	-	91.44	-
Diluted net income per share	Yen	63.56	-	76.71	-

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

**(2) Financial Condition**

		June 30, 2019	March 31, 2019
Total assets	Millions of yen	110,529	112,661
Net assets	Millions of yen	65,565	64,548
Equity	Millions of yen	65,565	64,548
Equity ratio	%	59.3	57.3

## 2. Dividends

	Year ending Mar. 31, 2020 (Forecast)	Year ending Mar. 31, 2020	Year ended Mar. 31, 2019
End of first quarter		—	—
End of second quarter	32.50		30.00
End of third quarter	—		—
End of fourth quarter	32.50		35.00
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, 2020

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	51,000	(3.2)%	105,000	(2.7)%
Operating income	Millions of yen	4,400	1.9%	9,600	1.2%
Ordinary income	Millions of yen	4,700	(4.2)%	10,200	1.5%
Net income	Millions of yen	3,100	(7.6)%	6,800	0.1%
Earnings per share	Yen	134.26	-	294.51	-

(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, 2019:	26,272,370	shares
As of March 31, 2019:	26,090,580	shares
  - 2) Number of treasury shares at the end of period
 

As of June 30, 2019:	3,002,016	shares
As of March 31, 2019:	3,001,554	shares
  - 3) Average number of shares outstanding in each period
 

Three months ended June 30, 2019	23,191,445	shares
Three months ended June 30, 2018	22,583,312	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, 2019, Japan's economy has continued its moderate recovery trend, with improvements in the employment situation and corporate profits, though the economic outlook remains uncertain due to US-China trade friction and China's economic slowdown.

Under the circumstances, in the second 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 ¥26,736 million, an increase of 2.2% compared to the same period of fiscal 2018. Operating income was ¥2,649 million, an increase of 7.6% compared to the same period of fiscal 2018. Ordinary income was ¥2,821 million, a decrease of 2.3% compared to the same period of fiscal 2018. Net income attributable to owners of parent was ¥1,693 million, a decrease of 18.0% compared to the same period of fiscal 2018.

The following is a summary of reporting segments.

#### **Basic Chemical Products**

In ***Chlor-Alkali***, net sales decreased due to the decline in demand for semiconductor & electronic materials.

In ***Epichlorohydrin***, net sales increased due to volume growth affected by tightened environmental & safety regulation in China as well as steady sales in domestic market.

As a result, Basic Chemical Products reported net sales of ¥12,233 million, up 0.7% compared to the same period of fiscal 2018.

#### **Functional Chemical Products**

In ***Allyl Ethers***, net sales increased due to Increase in sales volume for use in silane coupling agents exported to China.

In ***Diallyl Phthalate Resin***, net sales increased due to continued favorable sales of hot stamping in China, as well as sales of UV curable inks in domestic and Europe.

In ***Synthetic Rubber and related businesses, Epichlorohydrin Rubber*** was affected by a decline in the number of automobiles manufactured in China. ***Acrylic Rubber*** was increasingly adopted by new customers and the adoption for new parts by existing customers expanded.

In ***Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)***, peptide drug purification continued favorable sales to Europe and USA. In addition, Colum for Liquid Chromatography and analytical Instruments continued favorable sales to Korea and domestic sales.

In ***Active Pharmaceutical Ingredients (API) and their Intermediates***, domestic sales of intermediates for treatment of infectious diseases, export sales of vasodilator intermediate, and imported product sales of generic drug API expanded, in addition, the supply of generic drug API using high pharmacological activity facility made good progress.

In LCD (liquid crystal display) related products such as color resists, net sales decreased due to decline in sales volume for LCD panels in China. In glass fiber, net sales decreased due to decline in domestic sales volume for electronic materials.

As a result, Functional Chemical Products reported net sales of ¥10,228 million, down 0.7% compared to the same period of fiscal 2018.

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

Net sales were ¥4,274 million, up 14.9% compared to the same period of fiscal 2018, due to continued favorable sales of consumer-related products.

## (2) Financial Condition

### Assets

**Current assets** were ¥67,138 million, a decrease of 1.6% since March 31, 2019. The decrease was due primarily to a decrease of ¥1,399 million in *notes and accounts receivable-trade*.

**Noncurrent assets** were ¥43,390 million, a decrease of 2.4% since March 31, 2019. The decrease was due primarily to an increase of ¥768 million in *investment securities*.

As a result, **Total assets** were ¥110,529 million, a decrease of 1.9% since March 31, 2019.

### Liabilities

**Current liabilities** were ¥29,374 million, a decrease of 8.8% since March 31, 2019. The decrease was due primarily to a decrease of ¥ 1,894 million in *income taxes payable*.

**Noncurrent liabilities** were ¥15,590 million, a decrease of 2.0% since March 31, 2019. The decrease was due primarily to a decrease of ¥426 million in *provision for directors' retirement benefits*.

As a result, **Total liabilities** were ¥44,964 million, a decrease of 6.5% since March 31, 2019.

### Net assets

**Net assets** were ¥65,565 million, an increase of 1.6% since March 31, 2019.

## (3) Earnings Forecasts

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the year ended March 31, 2020" dated on May 10, 2019.

## 5. Consolidated Financial Statements

### CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2019	June 30, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	11,876	11,006
Notes and accounts receivable-trade	29,268	27,869
Electronically recorded monetary claims	3,508	4,128
Short term investment securities	12,499	12,499
Merchandise and finished goods	7,050	7,284
Work in process	1,643	1,746
Raw materials and supplies	1,827	1,902
Other current assets	685	842
Less: Allowance for doubtful accounts	(140)	(141)
Total current assets	<u>68,219</u>	<u>67,138</u>
<b>Noncurrent assets</b>		
Property, plant, and equipment		
Property, plant, and equipment - Net	10,442	10,185
Other - Net	11,520	11,755
Total property, plant and equipment	<u>21,962</u>	<u>21,940</u>
Intangible assets		
Goodwill	864	818
Other	474	444
Total intangible assets	<u>1,338</u>	<u>1,262</u>
Investments and other assets		
Investment securities	19,642	18,874
Deferred tax assets	442	299
Other, net	1,062	1,019
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>21,141</u>	<u>20,187</u>
Total noncurrent assets	<u>44,442</u>	<u>43,390</u>
<b>Total assets</b>	<u>112,661</u>	<u>110,529</u>

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

(Millions of yen)

	March 31, 2019	June 30, 2019
<b>Liabilities</b>		
<b><i>Current liabilities</i></b>		
Notes and accounts payable- trade	15,586	15,318
Short term loans payable	7,767	7,767
Income taxes payable	2,280	386
Provision for bonuses	889	451
Current portion of bonds with subscription rights to shares	1,464	1,053
Other current liabilities	4,211	4,398
<b>Total current liabilities</b>	<b>32,197</b>	<b>29,374</b>
<b><i>Noncurrent liabilities</i></b>		
Bonds with subscription rights to shares	10,000	10,000
Deferred tax liabilities	1,094	1,217
Provision for directors retirement benefits	651	225
Net defined benefit liability	3,009	3,003
Other noncurrent liabilities	1,160	1,143
<b>Total noncurrent liabilities</b>	<b>15,915</b>	<b>15,590</b>
<b>Total liabilities</b>	<b>48,113</b>	<b>44,964</b>
<b>Net assets</b>		
<b><i>Shareholders' equity</i></b>		
Capital stock	15,150	15,355
Capital surplus	13,667	13,872
Retained earnings	36,942	37,828
Treasury stock	(6,679)	(6,680)
<b>Total shareholders' equity</b>	<b>59,080</b>	<b>60,375</b>
<b><i>Accumulated other comprehensive income</i></b>		
Valuation difference on available-for-sale securities	5,781	5,497
Deferred gains or losses on hedges	1	(5)
Foreign currency translation adjustments	11	15
Re-measurements of defined benefit plans	(327)	(318)
<b>Total accumulated other comprehensive income</b>	<b>5,467</b>	<b>5,189</b>
<b>Total net assets</b>	<b>64,548</b>	<b>65,565</b>
<b>Total net assets and liabilities</b>	<b>112,661</b>	<b>110,529</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2018	June 30, 2019
<b>Net sales</b>	26,160	26,736
<b>Cost of sales</b>	20,458	20,939
<b>Gross profit</b>	5,701	5,797
<b>Selling, general, and administrative expenses</b>	3,239	3,147
<b>Operating income</b>	2,461	2,649
<b><i>Non-operating income</i></b>		
Interest income	3	3
Dividend income	227	239
Share of profit of entities accounted for using equity method	10	11
Foreign exchange gain	183	-
Other	43	14
Total non-operating income	468	268
<b><i>Non-operating expenses</i></b>		
Interest expenses	27	24
Foreign exchange loss	-	64
Other	14	8
Total non-operating expenses	42	96
<b>Ordinary income</b>	2,887	2,821
<b><i>Extraordinary income</i></b>		
Gain on sales of investment securities	137	-
Total extraordinary income	137	-
<b><i>Extraordinary loss</i></b>		
Loss on retirement of noncurrent assets	95	25
	-	363
	-	2
Total extraordinary loss	95	391
<b>Income before income taxes</b>	2,930	2,430
Income taxes - current	756	345
Income taxes - deferred	108	391
Total income taxes	864	737
<b>Net income</b>	2,065	1,693
<b>Net income attributable to non-controlling interests</b>	-	-
<b>Net income attributable to owners of parent</b>	2,065	1,693



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2018	June 30, 2019
<b>Net income</b>	2,065	1,693
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(460)	(283)
Deferred gains or losses on hedges	57	(6)
Foreign currency translation adjustments	(24)	3
Re-measurements of defined benefit plans	8	8
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(420)	(277)
<b>Comprehensive income</b>	<b>1,644</b>	<b>1,415</b>
Comprehensive income attributable to:		
Owners of parent	1,644	1,415
Non-controlling interests	—	—

## 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, 2018

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	12,142	10,297	3,720	26,160	—	26,160
Intersegment sales or reclassifications	4	22	143	171	(171)	—
Total	12,146	10,320	3,863	26,331	(171)	26,160
Segment income	1,444	1,235	42	2,721	(259)	2,461

Note 1: Adjustments of segment income of ¥(259) 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, 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.