

**Osaka Soda Co., Ltd.**  
**CONSOLIDATED FINANCIAL RESULTS**  
**For the quarterly period ended December 31, 2017**  
**(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>  
Representative: Tamotsu Sato, Representative Director, Chief Executive Officer  
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Filing date for quarterly report: February 13, 2017

Date for commencement of dividends payment: —

Supplementary materials for the quarterly 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

|   | Nine Months Ended |          |                   |          |
|---|-------------------|----------|-------------------|----------|
|   | December 31, 2017 |          | December 31, 2016 |          |
|   | Millions of yen   | Change * | Millions of yen   | Change * |
| Net sales                                   | 74,487            | 7.8%     | 69,090            | (8.5)%   |
| Operating income                            | 5,623             | 8.1%     | 5,201             | 0.1%     |
| Ordinary income                             | 6,143             | 16.6%    | 5,267             | (2.9)%   |
| Net income attributable to owners of parent | 3,987             | 15.0%    | 3,467             | 5.1%     |
| Comprehensive income                        | 6,574             | 47.2%    | 4,466             | 32.4%    |

Note: Percent changes for nine months are year-on-year comparisons.

|                                    |        |        |
|------------------------------------|--------|--------|
| Net income per share (Yen)         | 187.61 | 164.56 |
| Diluted net income per share (Yen) | 150.07 | 136.53 |

Note: OSAKA SODA CO., LTD. (the "Company") has completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017. As a result, quarterly net income per share and quarterly diluted net income per share are calculated assuming that the share consolidation was executed at the beginning of the previous fiscal year.

(2) Financial Condition

|              | December 31, 2017 |       | March 31, 2017  |       |
|--------------|-------------------|-------|-----------------|-------|
|              | Millions of yen   | Ratio | Millions of yen | Ratio |
| Total assets | 116,787           | —     | 101,503         | —     |
| Net assets   | 58,848            | —     | 52,725          | —     |
| Equity *     | 58,848            | —     | 52,725          | —     |
| Equity ratio | —                 | 50.4% | —               | 51.9% |

Note: Equity = "Total net assets" minus "Subscription rights to shares"

## 2. Dividends

|                       | Year ending Mar. 31, 2018<br>(Forecast) | Year ending Mar. 31, 2018 | Year ended Mar. 31, 2017 |
|-----------------------|---|---------------------------|--------------------------|
| End of first quarter  |   | —                         | —                        |
| End of second quarter |   | 5.50 yen*                 | 5.00 yen                 |
| End of third quarter  |   | —                         | —                        |
| End of fourth quarter | 27.5 yen                                |                           | 6.00 yen                 |
| Full year             | —                                       |                           | 11.0 yen                 |

Note: 1. Revisions of dividend forecast from the latest announcement: None

2. The Company has completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017. As a result, the forecast of dividend per share for the fiscal year ending March 31, 2018 is effected by the share consolidation. Calculating annual dividend for the same fiscal year ending March 31, 2018 is not possible in accordance with the Ratio.

## 3. Earnings Forecast for the fiscal year ending March 31, 2018

|   | Full-year       |         |
|---|-----------------|---------|
|   | Millions of yen | Change* |
| Net sales                                   | 100,000         | 6.9%    |
| Operating income                            | 7,000           | 6.3%    |
| Ordinary income                             | 7,000           | 7.1%    |
| Net income attributable to owners of parent | 4,600           | 6.5%    |

Note: Percent changes are year-on-year comparisons.

|                          |        |
|--------------------------|--------|
| Earnings per share (Yen) | 218.32 |
|--------------------------|--------|

Note: The Company has completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017. As a result, the forecast of earnings per share for the fiscal year ending March 31, 2018 is effected by the share consolidation.

### \* Notes

- (1) Changes in significant subsidiaries during the 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
- 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 December 31, 2017: 23,400,193 shares

As of March 31, 2017: 22,354,767 shares

2) Number of treasury shares at the end of the period

As of December 31, 2017: 1,846,291 shares

As of March 31, 2017: 1,285,645 shares

3) Average number of shares outstanding in each period

Nine months ended December 31, 2017: 21,253,052 shares

Nine months ended December 31, 2016: 21,069,954 shares

Note: The Company has completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017.

As a result, the number of outstanding shares (common stock), the number of treasury shares at the end of period,

and the average number of shares outstanding are calculated assuming that the share consolidation was executed

at the beginning of the previous fiscal year.

\* Status of quarterly review procedure:

This quarterly financial results are not subject to the quarterly review procedure in accordance with the Financial Instruments and Exchange Act. The quarterly review procedure of consolidated financial statements has not been completed at the time of disclosure.

\*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.

DISCLAIMER:

This is an English translation of the original Japanese document and is prepared for reference. Should there be any inconsistency between the translation and the Japanese original, the latter shall prevail.

## 4. QUALITATIVE INFORMATION

### (1) Results of Operations

During the nine months ended December 31, 2017, Japan's economy has continued to recover moderately as a trend against the background of improvement in the employment situation and corporate profits, although the overseas outlook remains uncertain due to the policy management of the Donald Trump administration and geopolitical risk.

#### Basic Chemical Products

Osaka Soda Group enhanced the cost competitiveness through efficient manufacturing and increased the sales price reflecting the price change of raw materials and fuels.

#### Functional Chemical Products

Osaka Soda Group actively performed overseas sales activities to expand market share of major products such as synthetic rubber and synthetic resins, and focused to the launching new products such as acrylic rubber at early stage.

Osaka Soda Group put the health-care-related business as a third pillar of profit in place. In *Active Pharmaceutical Ingredients and their Intermediates*, new business were created and new projects were brought contract manufacturing services utilizing special equipment to us. In *Separation Media for in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, new customer development has been implemented in Eastern Europe, China, and India. Furthermore, purchasing chromatography business from Shiseido Company Limited in December 2017 resulted in the integration of chromatography manufacturing and expansion of sales network.

#### Housing Facilities and Others

Osaka Soda Group strengthened profitability through continuous change of business portfolio.

Under the circumstance, net sales were ¥74,487 million, an increase of 7.8% compared to the same period of fiscal 2016. Operating income was ¥5,623 million, which is the 5th consecutive quarterly profits, an increase of 8.1% compared to the same period of fiscal 2016. Ordinary income was ¥6,143 million, an increase of 16.6% compared to the same period of fiscal 2016. Net income attributable to owners of parent was ¥3,987 million, an increase of 15.0% compared to the same period of fiscal 2016.

#### **Basic Chemical Products**

In *Chlor-Alkali*, net sales increased due to continued steady demand as well as a price increase in sales.

In *Epichlorhydrin*, net sales increased due to continued steady volume increase as well as an improvement of overseas market conditions affected by favorable market in Asia.

As a result, net sales in Basic Chemical Products were ¥32,865 million, an increase of 8.7% compared to the same period of fiscal 2016.

#### **Functional Chemical Products**

In *Epichlorhydrin Rubber*, net sales increased due to recovery of domestic demand and the expansion of vehicle application in Asia.

In *Acrylic Rubber*, net sales increased due to product adoption by customers.

In Diallyl Phthalate Resin, net sales increased due to continued steady growth in domestic sales as well as export sales to Europe in UV printing inks.

In *Allyl Ethers*, net sales increased due to steady growth in export sales to USA and China, which were mainly applied for silane coupling agents.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased in domestic and foreign markets, due to the sales expansion of intermediates in antiviral drugs and drugs to treat insomnia in domestic

market and continued steady increase in new projects such as intermediates in diabetic in domestic market, and due to sale in cardiogenic intermediate import and sale in generic active pharmaceutical ingredients. In *Separation Media for in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, application for analysis and purification of active pharmaceutical ingredients continued to grow steadily as well as an increase of sales to China in biopharmaceutical drugs, even though inventory adjustments caused by European customers.

As a result, net sales in Functional Chemical Products were ¥29,349 million, a decrease of 9.4% compared to the same period of fiscal 2016.

### **Housing Facilities and Others**

Net sales were ¥12,271 million, an increase of 2.1% compared to the same period of fiscal 2016, due to steady sales in household products.

## **(2) Financial Condition**

### **Assets**

**Current assets** were ¥67,979 million, an increase of 15.7% since March 31, 2017. The increase was due primarily to an increase of ¥2,474 million in *notes and accounts receivable-trade*, an increase of ¥2,374 million in *electrically recorded monetary claims*.

**Noncurrent assets** were ¥48,807 million, an increase of 14.1% since March 31, 2017. The increase was due primarily to an increase of ¥3,763 million in *investment securities*.

As a result, **Total assets** were ¥116,787 million as of December 31, 2016, an increase of 15.1% since March 31, 2017.

### **Liabilities**

**Current liabilities** were ¥32,434 million, an increase of 3.3% since March 31, 2017. The increase was due primarily to an increase of ¥2,414 million in *notes and accounts payable-trade*.

**Noncurrent liabilities** were ¥25,504 million, an increase of 46.7% since March 31, 2017. The increase was due primarily to an increase of ¥767 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥57,939 million as of December 31, 2017, an increase of 18.8% since March 31, 2017.

### **Net assets**

**Net assets** were ¥58,848 million as of December 31, 2017, an increase of 11.6% since March 31, 2017.

## **(3) Earnings Forecast**

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the year ended March 31, 2018, unaudited" dated May 9, 2017.

## 6. CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEETS

(Millions of yen)

|  | March 31,<br>2017     | December 31,<br>2017  |
|--|-----------------------|-----------------------|
| <b>Assets</b>                            |                       |                       |
| <b><i>Current assets</i></b>             |                       |                       |
| Cash and deposits                        | 11,033                | 13,275                |
| Notes and accounts receivable-trade      | 25,397                | 27,872                |
| Electrically recorded monetary claims    | 2,497                 | 4,872                 |
| Short term investment securities         | 9,499                 | 10,499                |
| Merchandise and finished goods           | 5,743                 | 6,489                 |
| Work in process                          | 1,411                 | 1,747                 |
| Raw materials and supplies               | 1,667                 | 1,797                 |
| Other current assets                     | 1,491                 | 1,428                 |
| Less: Allowance for doubtful accounts    | (3)                   | (3)                   |
| Total current assets                     | <u>58,739</u>         | <u>67,979</u>         |
| <b><i>Noncurrent assets</i></b>          |                       |                       |
| Property, plant, and equipment           |                       |                       |
| Machinery, equipment, and vehicles - Net | 11,339                | 10,106                |
| Other - Net                              | 10,216                | 10,343                |
| Total property, plant and equipment      | <u>21,555</u>         | <u>23,450</u>         |
| Intangible assets                        |                       |                       |
| Goodwill                                 | 769                   | 1,206                 |
| Other                                    | 437                   | 523                   |
| Total intangible assets                  | <u>1,207</u>          | <u>1,729</u>          |
| Investments and other assets             |                       |                       |
| Investment securities                    | 18,927                | 22,690                |
| Other                                    | 1,641                 | 945                   |
| Less: Allowance for doubtful accounts    | (568)                 | (8)                   |
| Total investment and other assets        | <u>20,001</u>         | <u>23,627</u>         |
| Total noncurrent assets                  | <u>42,764</u>         | <u>48,807</u>         |
| <b>Total assets</b>                      | <u><u>101,503</u></u> | <u><u>116,787</u></u> |

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

(Millions of yen)

|  | March 31,<br>2017 | December 31,<br>2017 |
|--|-------------------|----------------------|
| <b>Liabilities</b>                                   |                   |                      |
| <b><i>Current liabilities</i></b>                    |                   |                      |
| Notes and accounts payable- trade                    | 13,339            | 15,754               |
| Short term loans payable                             | 8,880             | 8,880                |
| Current portion of long term loans payable           | 2,160             | 1,280                |
| Income taxes payable                                 | 1,311             | 710                  |
| Provision for bonuses                                | 712               | 372                  |
| Other current liabilities                            | 4,987             | 5,437                |
| Total current liabilities                            | 31,390            | 32,434               |
| <b><i>Noncurrent liabilities</i></b>                 |                   |                      |
| Bonds with subscription rights to shares             | 9,999             | 17,606               |
| Long term loans payable                              | 800               | -                    |
| Provision for directors retirement benefits          | 567               | 592                  |
| Net defined benefit liability                        | 2,927             | 2,988                |
| Other noncurrent liabilities                         | 3,093             | 4,317                |
| Total noncurrent liabilities                         | 17,387            | 25,504               |
| <b>Total liabilities</b>                             | 48,778            | 57,939               |
| <b>Net assets</b>                                    |                   |                      |
| <b><i>Shareholders' equity</i></b>                   |                   |                      |
| Capital stock  | 10,882            | 12,079               |
| Capital surplus                                      | 9,399             | 10,596               |
| Retained earnings                                    | 27,964            | 30,726               |
| Treasury stock                                       | (1,670)           | (3,290)              |
| Total shareholders' equity                           | 46,576            | 50,111               |
| <b><i>Accumulated other comprehensive income</i></b> |                   |                      |
| Unrealized gain on available-for-sale securities     | 6,481             | 9,009                |
| Deferred gains or losses on hedges                   | (13)              | 5                    |
| Foreign currency translation adjustments             | 24                | 30                   |
| Re-measurements of defined benefit plans             | (342)             | (309)                |
| Total accumulated other comprehensive income         | 6,149             | 8,736                |
| <b>Total net assets</b>                              | 52,725            | 58,848               |
| <b>Total net assets and liabilities</b>              | 101,503           | 116,787              |

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

|   | Nine Months Ended    |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2016 | December 31,<br>2017 |
| <b>Net sales</b>  | 69,090               | 74,487               |
| Cost of sales   | 55,179               | 59,958               |
| <b>Gross profit</b>   | 13,910               | 14,528               |
| Selling, general, and administrative expenses               | 8,709                | 8,905                |
| <b>Operating income</b>                                     | 5,201                | 5,623                |
| <b><i>Non-operating income</i></b>                          |                      |                      |
| Interest income   | 21                   | 8                    |
| Dividend income   | 318                  | 354                  |
| Foreign exchange income                                     | -                    | 277                  |
| Other   | 52                   | 46                   |
| Total non-operating income                                  | 393                  | 687                  |
| <b><i>Non-operating expenses</i></b>                        |                      |                      |
| Interest expenses   | 48                   | 98                   |
| Bond issuance cost  | -                    | 32                   |
| Foreign exchange loss                                       | 259                  | -                    |
| Other   | 20                   | 35                   |
| Total non-operating expenses                                | 328                  | 167                  |
| <b>Ordinary income</b>                                      | 5,267                | 6,143                |
| <b><i>Extraordinary income</i></b>                          |                      |                      |
| Gain on sales of noncurrent assets                          | -                    | 106                  |
| Total extraordinary income                                  | -                    | 106                  |
| <b><i>Extraordinary loss</i></b>                            |                      |                      |
| Loss on retirement of noncurrent assets                     | 410                  | 448                  |
| Total extraordinary loss                                    | 410                  | 448                  |
| <b>Income before income taxes</b>                           | 4,856                | 5,801                |
| Income taxes - current                                      | 1,385                | 1,411                |
| Income taxes - deferred                                     | 3                    | 402                  |
| Total income taxes  | 1,389                | 1,813                |
| <b>Net income</b>   | 3,467                | 3,987                |
| <b>Net income attributable to non-controlling interests</b> | -                    | -                    |
| <b>Net income attributable to owners of parent</b>          | 3,467                | 3,987                |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

|  | Nine Months Ended    |                      |
|--|----------------------|----------------------|
|  | December 31,<br>2016 | December 31,<br>2017 |
| Net income                                       | 3,467                | 3,987                |
| Other comprehensive income                       |                      |                      |
| Unrealized gain on available-for-sale securities | 917                  | 2,528                |
| Deferred gains or losses on hedges               | 89                   | 19                   |
| Foreign currency translation adjustments         | (52)                 | 6                    |
| Re-measurements of defined benefit plans         | 44                   | 33                   |
| Total  | 999                  | 2,587                |
| <b>Comprehensive income</b>                      | <b>4,466</b>         | <b>6,574</b>         |
| Comprehensive income attributable to:            |                      |                      |
| Owners of parent                                 | 4,466                | 6,574                |
| Non-controlling interests                        | —                    | —                    |

## 7. Notes to the Consolidated Financial Statements

(1) Going concern assumption: None

(2) Significant changes in the amount of shareholders' equity: None

(3) Segment information

**Nine months ended December 31, 2016**

(Millions of yen)

|                               | Net sales      |   |         | Segment income *2 |
|-------------------------------|----------------|---|---------|-------------------|
|                               | External sales | Intersegment sales or reclassifications | Total   |                   |
| Basic Chemical Products       | 30,242         | 12                                      | 30,254  | 1,063             |
| Functional Chemical Products  | 26,828         | 15                                      | 26,844  | 4,686             |
| Housing Facilities and Others | 12,019         | 1,423                                   | 13,443  | 143               |
| Subtotal                      | 69,090         | 1,451                                   | 70,541  | 5,893             |
| Adjustments *1                | —              | (1,451)                                 | (1,451) | (691)             |
| Total                         | 69,090         | —                                       | 69,090  | 5,201             |

Notes 1: Adjustments of segment income of ¥(691) 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.

Notes 2: Segment Income is reconciled with consolidated operating income.

**Nine months ended December 31, 2017**

(Millions of yen)

|                               | Net sales      |   |        | Segment income *2 |
|-------------------------------|----------------|---|--------|-------------------|
|                               | External sales | Intersegment sales or reclassifications | Total  |                   |
| Basic Chemical Products       | 32,865         | 7                                       | 32,873 | 1,864             |
| Functional Chemical Products  | 29,349         | 13                                      | 29,362 | 4,403             |
| Housing Facilities and Others | 12,271         | 849                                     | 13,120 | 77                |
| Subtotal                      | 74,487         | 869                                     | 75,356 | 6,344             |
| Adjustments *1                | —              | (869)                                   | (869)  | (721)             |
| Total                         | 74,487         | —                                       | 74,487 | 5,623             |

Notes 1: Adjustments of segment income of ¥(721) 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.

Notes 2: Segment Income is reconciled with consolidated operating income.