

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended September 30, 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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Scheduled date of filing of quarterly report: November 8, 2017

Scheduled date of commencement of dividend payment: December 6, 2017

Supplementary materials prepared for the quarterly financial results: Yes

Quarterly financial results briefings: Yes (for institutional investors and investment analysts)

1. Consolidated Financial Results

(Amounts are rounded down to the nearest million yen)

(1) Results of Operations

	Six Months Ended			
	September 30, 2017		September 30, 2016	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	47,989	4.5%	45,917	(8.8)%
Operating income	3,451	6.2%	3,248	5.5%
Ordinary income	3,809	46.5%	2,600	(20.1)%
Net income	2,494	41.4%	1,764	(10.8)%
Comprehensive income	4,154	251.8%	1,178	10.7%

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

Net income per share (Yen)	118.00	83.73
Diluted net income per share (Yen)	95.42	69.48

Note: OSAKA SODA CO., LTD. (the "Company") will be 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

	September 30, 2017		March 31, 2017	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	116,281	—	101,503	—
Net assets	57,356	—	52,725	—
Equity	57,356	—	52,725	—
Equity ratio	—	49.3%	—	51.9%

2. Dividends

	Year ending Mar. 31, 2018 (Forecast)	Year ending Mar. 31, 2018	Year ended Mar. 31, 2017
End of first quarter		—	—
End of second quarter		5.50	5.00
End of third quarter	—		—
End of fourth quarter	—		6.00
Full year	27.50		11.00

Note: The Company will be 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	4,600	6.5%

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

Earnings per share (Yen)	218.32
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Note: The Company will be 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 September 30, 2017: 22,844,499 Shares

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

2) Number of treasury shares at the end of period

As of September 30, 2017: 1,286,580 Shares

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

3) Average number of shares outstanding in each period

Six months ended September 30, 2017: 21,139,395 Shares

Six months ended September 30, 2016: 21,070,157 Shares

* 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 six months ended September 30, 2017, Japan's economy has continued to recover moderately as a trend against the background of steady improvement in the corporate profit and employment situation, although the international situation has remained uncertain due to Trump administration's policy and geopolitical risks.

Basic Chemical Products

The cost competitiveness has been strengthened by building an efficient production system. And the sales price increases have been implemented, affecting the change of raw material and fuel cost.

Functional Chemical Products

The sales activities have been accelerated to expand market share in synthetic rubber and synthetic resins that are our core products, and we focused on the early launch of new products such as acrylic rubber.

We are cultivating the healthcare related business as a third pillar of profit. The contract manufacturing projects using special equipment have been acquired and the new business has been created in the field of active pharmaceutical ingredients and their intermediates. The new customers in Eastern Europe, China, and India have been developed in the purification of pharmaceutical products. As of August 2017, we have agreed to be transferred chromatography business from Shiseido Company, Limited. Accordingly, the integrated production system will be completed in the field of drugs purification in December 2017.

Housing Facilities and Others

The profitability has been strengthened by continuing to change the business portfolio.

As a result, net sales were ¥47,989 million, an increase of 4.5% compared to the same period of fiscal 2016. Operating income was ¥3,451 million, an increase of 6.2% compared to the same period of fiscal 2016. Ordinary income was ¥3,809 million, an increase of 46.5% compared to the same period of fiscal 2016. Net income attributable to owners of parent was ¥2,494 million, an increase of 41.4% compared to the same period of fiscal 2016.

Basic Chemical Products

In *Chlor-Alkali*, net sales increased due to continued steady shipments in caustic soda as well as implementation of sales price increase.

In *Epichlorhydrin*, net sales increased due to steady sales volume affecting overseas market conditions by improvement of supply-demand in Asia.

As a result, net sales in Basic Chemical Products were ¥21,391 million, an increase of 7.5% compared to the same period of fiscal 2016.

Functional Chemical Products

In *Epichlorhydrin Rubber*, net sales increased due to recovery in domestic demand and steady increase in shipment of automobile to Europe and China. And we enhanced sales activities in acrylic rubber.

In *Diallyl Phthalate Resin*, net sales increased due to continued favorable export sales, backed by sales expansion of high sensitivity UV inks to Europe and success in pioneering new application.

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

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued favorable domestic sales in "Anti-viral drugs", "Treatment of insomnia" and "Ingredients of cosmeceuticals" as well as overseas sales in "Active pharmaceutical Ingredients of cardiogenic drug" and imported sales in generic drug substance.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased

due to continued steady sales to China applied for biopharmaceutical purification and domestic market, despite inventory adjustments by European major customers, and continued steady sales applied for analytical and purification of active pharmaceutical ingredients.

As a result, net sales in Functional Chemical Products were ¥19,437 million, an increase of 6.1% compared to the same period of fiscal 2016.

Housing Facilities and Others

Net sales in housing facilities and others were ¥7,159 million, a decrease of 7.0% compared to the same period of fiscal 2016.

(2) Financial Condition

Assets

Current assets were ¥70,874 million, a decrease of 20.7% since March 31, 2017. The increase was due primarily to an increase of ¥9,999 million in *short term investment securities*, an increase of ¥196 million in *notes and accounts receivable-trade*, an increase of ¥438 million in *electrically recorded monetary claims*.

Noncurrent assets were ¥45,406 million, an increase of 6.2% since March 31, 2017. The increase was due primarily to an increase of ¥2,303 million in *investment securities*.

As a result, **Total assets** were ¥116,281 million as of September 30, 2017, an increase of 14.6% since March 31, 2017.

Liabilities

Current liabilities were ¥32,830 million, an increase of 4.6% since March 31, 2017. The increase was due primarily to an increase of ¥2,020 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥26,094million, an increase of 50.1% since March 31, 2017. The decrease was due primarily to an increase of ¥8,879 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥58,924 million as of September 30, 2017, an increase of 20.8% since March 31, 2017.

Net assets

Net assets were ¥57,356 million as of September 30, 2017, an increase of 8.8% since March 31, 2017.

(3) Cash Flows

As of September 30, 2017, cash and cash equivalents were ¥30,321 million, an increase of ¥9,778 million compared with those as of March 31, 2017.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥3,853 million, due primarily to ¥3,620 million in *income before income taxes* and ¥1,542 million in *depreciation*, a decrease of ¥1,162 million in *income tax paid*.

Cash flows from investing activities

Net cash used in investing activities totaled ¥2,306 million, due primarily to payments of ¥2,161 million for purchase of *property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥8,044 million, due primarily to proceeds of ¥9,967 million from *the issuance of convertible bond-type bonds with subscription rights*.

(4) 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" dated May 9, 2017.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2017	September 30, 2017
Assets		
<i>Current assets</i>		
Cash and deposits	11,033	10,882
Notes and accounts receivable-trade	25,397	27,357
Electrically recorded monetary claims	2,497	2,936
Short term investment securities	9,499	19,499
Merchandise and finished goods	5,743	6,059
Work in process	1,411	1,577
Raw materials and supplies	1,667	1,472
Other current assets	1,491	1,152
Less: Allowance for doubtful accounts	(3)	(3)
Total current assets	<u>58,739</u>	<u>70,874</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Property, plant, and equipment - Net	11,339	10,425
Other - Net	10,216	11,662
Total property, plant and equipment	<u>21,555</u>	<u>20,088</u>
Intangible assets		
Goodwill	769	716
Other	437	502
Total intangible assets	<u>1,207</u>	<u>1,218</u>
Investments and other assets		
Investment securities	18,927	21,260
Other	1,641	1,405
Less: Allowance for doubtful accounts	(568)	(566)
Total investment and other assets	<u>20,001</u>	<u>22,099</u>
Total noncurrent assets	<u>42,764</u>	<u>45,406</u>
Total assets	<u>101,503</u>	<u>116,281</u>

CONSOLIDATED BALANCE SHEETS (Continued)

(Millions of yen)

	March 31, 2017	September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable- trade	13,339	15,359
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,160	1,760
Income taxes payable	1,311	1,165
Provision for bonuses	712	757
Other current liabilities	4,987	4,907
Total current liabilities	<u>31,390</u>	<u>32,830</u>
Noncurrent liabilities		
Bonds with subscription rights to shares	9,999	18,878
Long term loans payable	800	—
Provision for directors retirement benefits	567	572
Net defined benefit liability	2,927	2,916
Other noncurrent liabilities	3,093	3,726
Total noncurrent liabilities	<u>17,387</u>	<u>26,094</u>
Total liabilities	<u>48,778</u>	<u>58,924</u>
Net assets		
Shareholders' equity		
Capital stock	10,882	11,443
Capital surplus	9,399	9,960
Retained earnings	27,964	29,826
Treasury stock	(1,670)	(1,673)
Total shareholders' equity	<u>46,576</u>	<u>49,556</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	6,481	8,092
Deferred gains or losses on hedges	(13)	6
Foreign currency translation adjustments	24	21
Re-measurements of defined benefit plans	(342)	(320)
Total accumulated other comprehensive income	<u>6,149</u>	<u>7,799</u>
Total net assets	<u>52,725</u>	<u>57,356</u>
Total net assets and liabilities	<u>101,503</u>	<u>116,281</u>

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2016	September 30, 2017
Net sales	45,917	47,989
Cost of sales	36,837	38,682
Gross profit	9,079	9,306
Selling, general, and administrative expenses	5,831	5,855
Operating income	3,248	3,451
<i>Non-operating income</i>		
Interest income	15	7
Dividend income	193	212
Foreign exchange gain	—	220
Other	41	45
Total non-operating income	250	485
<i>Non-operating expenses</i>		
Interest expenses	34	68
Bond issuance cost	—	32
Foreign exchange loss	845	—
Other	18	25
Total non-operating expenses	898	127
Ordinary income	2,600	3,809
<i>Extraordinary income</i>		
Gain on sales of investment securities	—	106
Total extraordinary income	—	106
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	262	295
Total extraordinary loss	262	295
Income before income taxes	2,338	3,620
Income taxes - current	673	1,027
Income taxes - deferred	(100)	98
Total income taxes	573	1,125
Net income	1,764	2,494
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of parent	1,764	2,494

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2016	September 30, 2017
Net income	<u>1,764</u>	<u>2,494</u>
Other comprehensive income		
Unrealized gain on available-for-sale securities	(605)	1,611
Deferred gains or losses on hedges	40	19
Foreign currency translation adjustments	(51)	(3)
Re-measurements of defined benefit plans	29	22
Total	<u>(586)</u>	<u>(1,650)</u>
Comprehensive income	<u><u>1,178</u></u>	<u><u>4,145</u></u>
Comprehensive income attributable to:		
Owners of parent	1,178	4,145
Minority interests	—	—

CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2016	September 30, 2017
Cash flows from operating activities		
Income (loss) before income taxes	2,338	3,620
Depreciation	1,440	1,542
Amortization of goodwill	77	77
Increase (decrease) in allowance for doubtful accounts	(13)	(1)
Increase (decrease) in provision for bonuses	15	44
Increase (decrease) in provision for directors' retirement benefits	(3)	5
Increase (decrease) in allowance for retirement benefits for employees	1	(10)
Interest and dividend income	(208)	(219)
Interest expenses	34	68
Foreign exchange losses (gains)	678	(193)
Loss on retirement of non-current assets	262	295
Loss (gain) on sales of non-current assets	—	(106)
Bond issuance cost	—	32
Decrease (increase) in notes and accounts receivable-trade	934	(2,390)
Decrease (increase) in inventories	552	(282)
Increase (decrease) in notes and accounts payable-trade	210	2,003
Other, net	(98)	373
Subtotal	6,220	4,859
Interest and dividend income received	208	219
Interest expenses paid	(35)	(63)
Income taxes paid	(1,254)	(1,162)
Net cash provided by (used in) operating activities	5,138	3,853

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*
(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2016	September 30, 2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,175)	(2,161)
Proceeds from sales of property, plant and equipment	—	115
Purchase of intangible assets	(97)	(178)
Purchase of investment securities	(252)	(9)
Other, net	(244)	(72)
Net cash provided by (used in) investing activities	<u>(1,769)</u>	<u>(2,306)</u>
Cash flows from financing activities		
Repayments of long-term loans payable	(1,220)	(1,200)
Proceeds from issuance of bonds with subscription rights to shares	—	9,967
Cash dividends paid	(525)	(631)
Other, net	(1)	(90)
Net cash provided by (used in) financing activities	<u>(1,747)</u>	<u>8,044</u>
Effect of exchange rate change on cash and cash equivalents	(745)	196
Net increase (decrease) in cash and cash equivalents	<u>876</u>	<u>9,788</u>
Cash and cash equivalents	<u>19,036</u>	<u>20,532</u>
Cash and cash equivalents	<u>19,912</u>	<u>30,321</u>

6. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption

None

(2) Notes regarding significant changes in the amount of shareholders' equity

None

(3) Segment information

Six months ended September 30, 2016

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	19,902	9	19,912	498
Functional Chemical Products	18,313	0	18,314	3,163
Housing Facilities and Others	7,700	694	8,395	55
Total	45,917	704	46,622	3,717
Adjustments *1	—	(704)	(704)	(468)
Consolidated operating income *2	45,917	—	45,917	3,248

Notes 1: Adjustments of segment income of ¥(468) 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.

Six months ended September 30, 2017

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	21,391	4	21,396	986
Functional Chemical Products	19,437	10	19,448	2,900
Housing Facilities and Others	7,159	606	7,766	43
Total	47,989	621	48,611	3,929
Adjustments *1	—	(621)	(621)	(478)
Consolidated operating income *2	47,989	—	47,989	3,451

Notes 1: Adjustments of segment income of ¥(478) 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.