

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended June 30, 2016
(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
 For inquiry: Kazuya Kawabata, Executive Officer, General Manager, Administration Division
 (Telephone: +81-6-6110-1560)

Scheduled date of filing of quarterly securities report: Aug 8, 2016
 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, 2016		June 30, 2015	
			Change *		Change *
Net sales	Millions of yen	22,686	(8.7)%	24,853	3.4%
Operating income	Millions of yen	1,606	25.4%	1,281	6.3%
Ordinary income	Millions of yen	945	(40.8)%	1,596	25.7%
Net income	Millions of yen	513	(49.6)%	1,018	33.7%
Comprehensive income	Millions of yen	(193)	- %	1,385	(0.1)%
Net income per share	Yen	4.87	-	9.67	-
Diluted net income per share	Yen	4.04	-	8.03	-

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

(2) Financial Condition

		June 30, 2016	March 31, 2016
Total assets	Millions of yen	93,559	97,027
Net assets	Millions of yen	47,575	48,296
Equity *	Millions of yen	47,575	48,296
Equity ratio	%	50.9	49.8

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

2. Dividends

	Year ending Mar. 31, 2017 (Forecast)	Year ending Mar. 31, 2017	Year ended Mar. 31, 2016
End of first quarter		—	—
End of second quarter	5.00		5.00
End of third quarter	—		—
End of fourth quarter	5.00		5.00
Full year	10.00		10.00

3. Earnings Forecast for the fiscal year ending March 31, 2017

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	50,400	0.1%	103,000	0.9%
Operating income	Millions of yen	3,100	0.6%	6,500	0.9%
Ordinary income	Millions of yen	3,260	0.1%	6,800	5.6%
Net income	Millions of yen	2,050	3.7%	4,300	19.2%
Earnings per share	Yen	19.46	-	40.82	-

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

* 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, 2016:	111,771,671	shares
As of March 31, 2016:	111,771,671	shares
 - 2) Number of treasury shares at the end of period

As of June 30, 2016:	6,420,299	shares
As of March 31, 2016:	6,419,632	shares
 - 3) Average number of shares outstanding in each period

Three months ended June 30, 2016	105,351,694	shares
Three months ended June 30, 2015	105,359,383	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 three months ended June 30, 2016, Japan's economy has continued its moderate recovery trend against the background of steady improvements in the employment and income situation. However, the outlook remains uncertain due mainly to the United Kingdom's vote to leave the European Union and slowing down of emerging economies as well as concern about the decline in corporate profits reflecting in sharp appreciation of the yen.

Under the circumstances, net sales were ¥22,686 million, a decrease of 8.7% compared to the same period of fiscal 2015. Operating income was ¥1,606 million due mainly to business growth in Functional Chemical Products, an increase of 25.4% compared to the same period of fiscal 2015. Ordinary income was ¥945 million due mainly to the effect of foreign exchange loss, a decrease of 40.8% compared to the same period of fiscal 2015. Net income attributable to owners of parent was ¥513 million, a decrease of 49.6% compared to the same period of fiscal 2015.

Osaka Soda Group strengthened our earnings structure that can hardly be affected by environmental changes, which is implemented by expansion of high value added business centering on healthcare related business and synthetic resins and rubber business, and enhancement of competitiveness through cost down on Chlor-Alkali business and Allyl Chloride and Epichlorohydrin business. As a result, compared to the previous fiscal period, operating income increased through strengthening our earnings base despite a decrease in net sales.

Basic Chemical Products

In **Chlor-Alkali**, net sales decreased due to the impact of weak market conditions.

In **Epichlorohydrin**, net sales decreased due mainly to negative effects in sales prices affected by downfall in raw material and fuel prices.

As a result, net sales in Basic Chemical Products were ¥9,845 million, a decrease of 9.8% compared to the same period of fiscal 2015.

Functional Chemical Products

In **Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)**, net sales increased due to continued steady sales to Europe as well as new customer development focused on peptide drugs purification in Asian market, particularly China and India.

In **Active Pharmaceutical Ingredients and their Intermediates**, net sales increased due to continued steady sales in Antiulcer Drug, Antiviral Drug Intermediate, and enzymes in foods production.

In **Diallyl Phthalate Resin**, net sales increased due to continued steady sales to domestic market in UV printings as well as an increase in export sales to Europe.

In **Allyl Ethers**, net sales increased due to continued steady export sales to Europe and China.

In **Epichlorohydrin Rubber**, net sales decreased due to the effect of yen appreciation despite volume growth in export sales to China.

As a result, net sales in Functional Chemical Products were ¥8,728 million, a decrease of 4.5% compared to the same period of fiscal 2015.

Housing Facilities and Others

Net sales were ¥4,112 million, a decrease of 14.4% compared to the same period of fiscal 2015, due to sluggish sales in **DAP Decorative Laminate** and **Household materials and Components**.

(2) Financial Condition

Assets

Current assets were ¥54,719 million, a decrease of 4.2% since March 31, 2016. The decrease was due primarily to a decrease of ¥2,699 million in *short term investment securities*.

Noncurrent assets were ¥38,840 million, a decrease of 2.6% since March 31, 2016. The decrease was due primarily to a decrease of ¥913 million in *investment securities*.

As a result, **Total assets** were ¥93,559 million, a decrease of 3.6% since March 31, 2016.

Liabilities

Current liabilities were ¥28,850 million, a decrease of 5.9% since March 31, 2016. The decrease was due primarily to a decrease of ¥648 million in *notes and accounts payable-trade* and a decrease of ¥1,235 million in *income taxes payable*.

Noncurrent liabilities were ¥17,133 million, a decrease of 5.1% since March 31, 2016. The decrease was due primarily to a decrease of ¥600 million in *long term loans payable*.

As a result, **Total liabilities** were ¥45,983 million, a decrease of 5.6% since March 31, 2016.

Net assets

Net assets were ¥47,575 million, a decrease of 1.5% since March 31, 2016.

(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, 2016” dated on May 10, 2016.

5. OTHER INFORMATION

Additional information

Effective from the three months ended June 30, 2016, Osaka Soda Group adopted the “Revised Implementation Guidance on Recovery of Deferred Tax Assets” (Accounting Standards Board of Japan Implementation Guidance No.26, issued on March 28, 2016).

6. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2016	June 30, 2016
Assets		
<i>Current assets</i>		
Cash and deposits	12,037	13,307
Notes and accounts receivable-trade	27,730	27,423
Short term investment securities	6,999	4,299
Merchandise and finished goods	6,163	5,789
Work in process	1,107	1,299
Raw materials and supplies	1,847	1,683
Other current assets	1,252	919
Less: Allowance for doubtful accounts	(1)	(3)
Total current assets	<u>57,137</u>	<u>54,719</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Property, plant, and equipment - Net	11,098	11,281
Other - Net	9,259	8,960
Total property, plant and equipment	<u>20,357</u>	<u>20,242</u>
Intangible assets		
Goodwill	923	885
Other	269	284
Total intangible assets	<u>1,192</u>	<u>1,169</u>
Investments and other assets		
Investment securities	17,154	16,240
Other, net	1,764	1,763
Less: Allowance for doubtful accounts	(578)	(575)
Total investment and other assets	<u>18,339</u>	<u>17,427</u>
Total noncurrent assets	<u>39,890</u>	<u>38,840</u>
Total assets	<u><u>97,027</u></u>	<u><u>93,559</u></u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2016	June 30, 2016
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	12,993	12,344
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,440	2,430
Income taxes payable	1,338	103
Provision for bonuses	709	364
Other current liabilities	4,307	4,727
Total current liabilities	30,669	28,850
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	10,000
Long term loans payable	2,960	2,360
Provision for directors retirement benefits	533	510
Net defined benefit liability	3,063	3,060
Other noncurrent liabilities	1,505	1,202
Total noncurrent liabilities	18,062	17,133
Total liabilities	48,731	45,983
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,882
Capital surplus	9,399	9,399
Retained earnings	24,697	24,683
Treasury stock	(1,666)	(1,667)
Total shareholders' equity	43,312	43,298
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	5,500	4,796
Deferred gains or losses on hedges	(82)	(80)
Foreign currency translation adjustments	45	26
Re-measurements of defined benefit plans	(479)	(464)
Total accumulated other comprehensive income	4,983	4,277
Total net assets	48,296	47,575
Total net assets and liabilities	97,027	93,559

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2015	June 30, 2016
Net sales	24,853	22,686
Cost of sales	20,798	18,191
Gross profit	4,054	4,495
Selling, general, and administrative expenses	2,773	2,888
Operating income	1,281	1,606
<i>Non-operating income</i>		
Interest income	8	7
Dividend income	168	178
Foreign exchange gain	151	—
Other	11	32
Total non-operating income	340	219
<i>Non-operating expenses</i>		
Interest expenses	25	18
Foreign exchange loss	—	848
Other	0	13
Total non-operating expenses	26	880
Ordinary income	1,596	945
<i>Extraordinary income</i>		
Gain on sales of investment securities	18	—
Total extraordinary income	18	—
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	94	161
Total extraordinary loss	94	161
Income before income taxes	1,520	784
Income taxes - current	259	91
Income taxes - deferred	242	179
Total income taxes	501	271
Net income	1,018	513
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of parent	1,018	513

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2015	June 30, 2016
Net income	1,018	513
Other comprehensive income		
Valuation difference on available-for-sale securities	369	(704)
Deferred gains or losses on hedges	(5)	2
Foreign currency translation adjustments	(2)	(19)
Re-measurements of defined benefit plans	5	14
Total other comprehensive income	366	(706)
Comprehensive income	1,385	(193)
Comprehensive income attributable to:		
Owners of parent	1,385	(193)
Non-controlling interests	—	—

7. 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, 2015

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	10,912	9,137	4,803	24,853	—	24,853
Intersegment sales or reclassifications	3	0	109	113	(113)	—
Total	10,915	9,137	4,913	24,966	(113)	24,853
Segment income	177	1,328	10	1,516	(234)	1,281

Notes 1: Adjustments of segment income of ¥(234) 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 has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

Three months ended June 30, 2016

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	9,845	8,728	4,112	22,686	—	22,686
Intersegment sales or reclassifications	3	0	576	579	(579)	—
Total	9,849	8,728	4,688	23,265	(579)	22,686
Segment income	265	1,562	22	1,849	(242)	1,606

Notes 1: Adjustments of segment income of ¥(242) 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 has been adjusted for the operating income appearing in the quarterly consolidated statements of income.