

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended June 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>
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Scheduled date of filing of quarterly securities report: Aug 7, 2017
 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, 2017		June 30, 2016	
			Change *		Change *
Net sales	Millions of yen	23,634	4.2%	22,686	(8.7)%
Operating income	Millions of yen	1,528	(4.9)%	1,606	25.4%
Ordinary income	Millions of yen	1,814	92.0%	945	(40.8)%
Net income	Millions of yen	1,226	139.0%	513	(49.6)%
Comprehensive income	Millions of yen	2,144	- %	(193)	- %
Net income per share	Yen	11.64	-	4.87	-
Diluted net income per share	Yen	9.65	-	4.04	-

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

(2) Financial Condition

		June 30, 2017	March 31, 2017
Total assets	Millions of yen	102,512	101,503
Net assets	Millions of yen	54,238	52,725
Equity *	Millions of yen	54,238	52,725
Equity ratio	%	52.9	51.9

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

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	27.50		6.00
Full year	—		11.00

* The share consolidation proposed by OSAKA SODA CO., LTD. (the “Company”) was approved by shareholders at the 162nd Ordinary Meeting of Shareholders held on June 29, 2017. The Company’s consolidation of its common shares will be completed effective October 1st, 2017 on the basis of one (1) new post-consolidation common share for every five (5) pre-consolidation common shares (the “Ratio”). As a result, the forecast of dividend per share for the year ending March 31, 2018 will be ¥27.50 per share on a post-consolidation basis from ¥5.50 per share on a pre-consolidation basis. Calculating annual dividend for the same fiscal year ending March 31, 2018 is not possible in accordance with the Ratio. The annual dividend for the same fiscal ending will be ¥11.0 per share on a pre-consolidation basis.

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

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	47,000	2.4%	100,000	6.9%
Operating income	Millions of yen	3,300	1.6%	7,000	6.3%
Ordinary income	Millions of yen	3,300	26.9%	7,000	7.1%
Net income	Millions of yen	2,200	24.7%	4,600	6.5%
Earnings per share	Yen	20.88	-	218.32	-

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

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* 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, 2017:	111,778,205	shares
As of March 31, 2017:	111,773,837	shares
2) Number of treasury shares at the end of period		
As of June 30, 2017:	6,430,577	shares
As of March 31, 2017:	6,428,225	shares
3) Average number of shares outstanding in each period		
Three months ended June 30, 2017	105,345,910	shares
Three months ended June 30, 2016	105,351,694	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, 2017, Japan's economy has continued its moderate recovery trend, with improvements in the employment situation and corporate profits, though the outlook remains dim on slowing down of emerging economies including China and the extent of political and economic uncertainty.

Under the circumstances, Osaka Soda Group has taken the following things.

Basic Chemical Products

Manufacturing systems have been developed with a focus on efficiency to enhance cost competitiveness and sales price adjustments have been implemented in response to the fluctuations of raw material and fuel price.

Functional Chemical Products

Increasing overseas sales activity has been performed to expand global sales of our main products such as *Epichlorohydrin*, *Diallyl Phthalate Resin*, and *Allyl Ethers*. The early stages of new product and business launches, such as Acrylic Rubber that entered into market in April, have taken place. With regard to Healthcare-related businesses, it is positioned as a third pillar of profit. In *Active Pharmaceutical Ingredients and their Intermediates*, the purchase order of contract manufacturing, especially in specialty instruments, has been achieved good progress. In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, the development of new customer has been implemented in India as well as East Europe and China.

Housing Facilities and Others

A process of setting and managing business portfolio priorities has been implemented for strengthening the profitability.

The following is a summary of reporting segments.

Basic Chemical Products

In *Chlor-Alkali*, the unit price of sales increased due to sales price adjustments of Caustic Soda.

In *Epichlorohydrin*, net sales increased due to continued steady domestic sales as well as export sales.

As a result, net sales in Basic Chemical Products were ¥10,018 million, an increase of 1.8% compared to the same period of fiscal 2016.

Functional Chemical Products

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales decreased due to inventory adjustments by major European customers, despite sales growth for bio drugs purification in China as well as continued steady sales applied for analysis and Active Pharmaceutical Ingredients in domestic market.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued steady sales in new Antiviral Drugs, Drugs to treat insomnia, and materials for Medicated Cosmetics.

In *Diallyl Phthalate Resin*, net sales increased due to continued steady export sales to Europe in energy saving UV Inks.

In *Allyl Ethers*, net sales increased due mainly to sales growth for silane coupling agent.

In *Epichlorohydrin Rubber*, net sales increased due to continued steady sales to Europe in addition to domestic recovery. The sale of acrylic rubber started in earnest as well.

As a result, net sales in Functional Chemical Products were ¥9,683 million, an increase of 10.9% compared to the same period of fiscal 2016.

Housing Facilities and Others

Net sales were ¥3,932 million, a decrease of 4.4% compared to the same period of fiscal 2016.

As a result, net sales were ¥23,634 million, an increase of 4.2% compared to the same period of fiscal 2016. Operating income was ¥1,528 million, a decrease of 4.9% compared to the same period of fiscal 2016. Ordinary income was ¥1,814 million, an increase of 92.0% compared to the same period of fiscal 2016. Net income attributable to owners of parent was ¥1,226 million, an increase of 139.0% compared to the same period of fiscal 2016.

(2) Financial Condition

Assets

Current assets were ¥58,030 million, a decrease of 1.2% since March 31, 2017. The decrease was due primarily to a decrease of ¥288 million in *cash and deposits*.

Noncurrent assets were ¥44,481 million, an increase of 4.0% since March 31, 2017. The increase was due primarily to an increase of ¥1,313 million in *investment securities*.

As a result, **Total assets** were ¥102,512 million, an increase of 1.0% since March 31, 2017.

Liabilities

Current liabilities were ¥30,970 million, a decrease of 1.3% since March 31, 2017. The decrease was due primarily to a decrease of ¥965 million in *income taxes payable*.

Noncurrent liabilities were ¥17,303 million, a decrease of 0.5% since March 31, 2017. The decrease was due primarily to a decrease of ¥400 million in *long term loans payable*.

As a result, **Total liabilities** were ¥48,273 million, a decrease of 1.0% since March 31, 2017.

Net assets

Net assets were ¥54,238 million, an increase of 2.9% since March 31, 2017.

(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 9, 2017.

5. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2017	June 30, 2017
Assets		
Current assets		
Cash and deposits	11,033	10,745
Notes and accounts receivable-trade	25,397	24,234
Electronically recorded monetary claims	2,497	3,756
Short term investment securities	9,499	9,499
Merchandise and finished goods	5,743	5,530
Work in process	1,411	1,604
Raw materials and supplies	1,667	1,721
Other current assets	1,491	940
Less: Allowance for doubtful accounts	(3)	(3)
Total current assets	<u>58,739</u>	<u>58,030</u>
Noncurrent assets		
Property, plant, and equipment		
Property, plant, and equipment - Net	11,339	10,940
Other - Net	10,216	11,005
Total property, plant and equipment	<u>21,555</u>	<u>21,945</u>
Intangible assets		
Goodwill	769	752
Other	437	500
Total intangible assets	<u>1,207</u>	<u>1,252</u>
Investments and other assets		
Investment securities	18,927	20,240
Other, net	1,641	1,608
Less: Allowance for doubtful accounts	(568)	(566)
Total investment and other assets	<u>20,001</u>	<u>21,283</u>
Total noncurrent assets	<u>42,764</u>	<u>44,481</u>
Total assets	<u><u>101,503</u></u>	<u><u>102,512</u></u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2017	June 30, 2017
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,339	13,815
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,160	1,960
Income taxes payable	1,311	346
Provision for bonuses	712	382
Other current liabilities	4,987	5,586
Total current liabilities	31,390	30,970
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	9,999	9,997
Long term loans payable	800	400
Provision for directors retirement benefits	567	557
Net defined benefit liability	2,927	2,911
Other noncurrent liabilities	3,093	3,437
Total noncurrent liabilities	17,387	17,303
Total liabilities	48,778	48,273
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,883
Capital surplus	9,399	9,400
Retained earnings	27,694	28,558
Treasury stock	(1,670)	(1,671)
Total shareholders' equity	46,576	47,171
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	6,481	7,388
Deferred gains or losses on hedges	(13)	(6)
Foreign currency translation adjustments	24	16
Re-measurements of defined benefit plans	(342)	(331)
Total accumulated other comprehensive income	6,149	7,067
Total net assets	52,725	54,238
Total net assets and liabilities	101,503	102,512

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2016	June 30, 2017
Net sales	22,686	23,634
Cost of sales	18,191	19,297
Gross profit	4,495	4,337
Selling, general, and administrative expenses	2,888	2,808
Operating income	1,606	1,528
<i>Non-operating income</i>		
Interest income	7	6
Dividend income	178	197
Foreign exchange gain	—	116
Other	32	11
Total non-operating income	219	331
<i>Non-operating expenses</i>		
Interest expenses	18	39
Foreign exchange loss	848	-
Other	13	6
Total non-operating expenses	880	45
Ordinary income	945	1,814
<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	161	163
Total extraordinary loss	161	163
Income before income taxes	784	1,757
Income taxes - current	91	266
Income taxes - deferred	179	264
Total income taxes	271	531
Net income	513	1,226
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of parent	513	1,226

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Three Months Ended</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Net income	513	1,226
Other comprehensive income		
Valuation difference on available-for-sale securities	(704)	907
Deferred gains or losses on hedges	2	7
Foreign currency translation adjustments	(19)	(7)
Re-measurements of defined benefit plans	14	11
Total other comprehensive income	<u>(706)</u>	<u>918</u>
Comprehensive income	<u>(193)</u>	<u>2,144</u>
Comprehensive income attributable to:		
Owners of parent	(193)	2,144
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, 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.

Three months ended June 30, 2017

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	10,018	9,683	3,932	23,634	—	23,634
Intersegment sales or reclassifications	1	1	202	205	(205)	—
Total	10,019	9,684	4,135	23,839	(205)	23,634
Segment income	372	1,383	3	1,759	(230)	1,528

Notes 1: Adjustments of segment income of ¥(230) 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.