

**Osaka Soda Co., Ltd.**  
**CONSOLIDATED FINANCIAL RESULTS**  
**For the Third Quarter of the Fiscal Year ending March 31, 2022**  
**(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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Filing date for quarterly report: February 9, 2022

Commencement date of dividend 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, 2021		December 31, 2020	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	65,320	-	72,327	(9.6) %
Operating income	9,840	56.6%	6,284	(15.3) %
Ordinary income	10,627	63.5%	6,500	(17.5) %
Net income attributable to owners of parent	7,550	73.4%	4,355	(11.9) %
Comprehensive income	6,144	(16.1) %	7,320	34.3 %

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

Net income per share (Yen)	323.65	184.81
Diluted net income per share (Yen)	290.71	165.04

Note: Osaka Soda Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) from the beginning of quarterly period ended June 30, 2021. The figures for the nine months ended December 31, 2021 reflect this change of accounting standard and year-on-year percent changes for nine months are not available.

(2) Financial Condition

	December 31, 2021		March 31, 2021	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	128,088	—	119,373	—
Net assets	81,830	—	77,232	—
Equity attributable to owners of the parent*	81,807	—	77,224	—
Equity ratio	—	63.9%	—	64.7%

Note: Equity = "Total net assets" minus "Non-controlling interests"

## 2. Dividends

	Year ending Mar. 31, 2022 (Forecast)	Year ending Mar. 31, 2022	Year ended Mar. 31, 2021
End of first quarter		—	—
End of second quarter		35.00 yen*	32.50 yen
End of third quarter		—	—
End of fourth quarter	35.0 yen	—	32.50 yen
Full year	70.0 yen	—	65.00 yen

Note: Changes from the most recently published forecast of dividends: None

## 3. Earnings Forecast for the fiscal year ending March 31, 2022

	Full-year	
	Millions of yen	Change*
Net sales	82,000	- %
Operating income	10,700	28.3%
Ordinary income	11,400	29.0%
Net income attributable to owners of parent	8,000	32.2%

Note: Revisions of earnings forecast from the latest announcement: None

Earnings per share (Yen)	342.95
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Note 1: Changes from the most recently published forecast of financial results: None

Note 2: Osaka Soda Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) from the beginning of fiscal year ending March 31, 2022. The earnings forecast for the fiscal year ending March 31, 2022 reflect this change of accounting standard and year-on-year percent changes are not available.

### \* 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 prior period financial statements
  - 1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
  - 2) Changes in accounting policies other than 1: None
  - 3) Changes in accounting estimates: None
  - 4) Restatement of prior period financial statements: 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, 2021:	26,732,017	shares
As of March 31, 2021:	26,731,415	shares

2) Number of treasury shares at the end of the period		
As of December 31, 2021:	3,400,107	shares
As of March 31, 2021:	3,404,604	shares
3) Average number of shares outstanding during the period		
Nine months ended December 31, 2021:	23,329,382	shares
Nine months ended December 31, 2020:	23,565,292	shares

\* Quarterly Review Procedures

The quarterly financial results are exempt from the quarterly review procedures by certified public accountants or audit firm.

\*Financial Forecasts and Other 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:**

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## 4. QUALITATIVE INFORMATION

### (1) Results of Operations

During the third quarter of fiscal 2021 (April 1 through December 31, 2021), the Japanese economy is showing signs of picking up although it has remained in a severe situation due to the novel coronavirus (COVID-19) pandemic. The economy is expected to continue its recovery trend. However, the economic outlook remains uncertain because of a new variant of the coronavirus and supply-side constraints, and the downside risks such as raw material price fluctuations.

Under the circumstances, Osaka Soda Group launched the Medium-Term Management Plan “Empower the Next - 22”, and implemented concrete measures based on four basic policies, “Building a resilient business foundation”, “Promotion of market-in-type development”, “Efforts to achieve the SDGs”, and “Reforming corporate culture and organizational culture”.

With regard to “Building a resilient business foundation”, the following business domains such as Chemicals business, Functional Materials business, and Healthcare business are positioned as core businesses and resilient strategy is pursued. In Chemicals business, we have established a stable supply system as originally planned, with the commencement of operations at our Kitakyushu Plant, which was formed as a result of the integration of electrolysis facilities at the Fukuoka Plant of Mitsubishi Chemical Corporation and our Kokura Plant. Functional Materials business responded to growing global demand in Allyl Ethers with expansion of the supply system and improvement of productivity. Health Care business continued to grow at a strong pace due to the increase of customer acceptance for new grades in Chromatography and to the increase of new orders for Pharmaceutical API and Intermediates. Pursuing cost reduction at production sites is connected to contribution to earnings constantly.

With regard to “Promotion of market-in-type development”, we succeeded in developing a semi-solid battery using our special polyether in collaboration with Yamagata University. In the future, we will build a supply system for special polyether to begin mass production of semi-solid batteries.

As a result, net sales were ¥65,320 million, a decrease of 9.7% compared to the same period of fiscal 2020. Net sales declined 18,708 million yen caused by the adoption of revenue recognition standard, but the reality is that net sales increased. Operating income was ¥9,840 million, an increase of 56.6% compared to the same period of fiscal 2020. Ordinary income was ¥10,627 million, an increase of 63.5% compared to the same period of fiscal 2020. Net income attributable to owners of the parent was ¥7,550 million, an increase of 73.4% compared to the same period of fiscal 2020. All incomes during the nine months ended December 31, 2021 reached record highs.

The following is a summary of reporting segments.

#### **Basic Chemical Products**

In ***Chlor-Alkali***, net sales increased, especially in caustic soda, due to the demand recovery out of coronavirus collapse.

In ***Epichlorohydrin***, net sales increased due to the demand recovery mainly in electrical materials. Overseas market conditions remained high against the background of tight supply-demand balance.

As a result, Basic Chemical Products reported net sales of ¥27,514 million, down 11.4% compared to the same period of fiscal 2020, due to the adoption of Accounting Standard for Revenue Recognition.

#### **Functional Chemical Products**

In ***Synthetic Rubber related products, Epichlorohydrin Rubber***, net sales increased due to the increase in global demand for automobiles and office automation. ***Acrylic Rubber***, net sales increased due to an

expansion of customer acceptance in domestic and overseas, especially in Asian market.

In **Diallyl Phthalate Resin**, net sales increased due to the growth of electric materials caused by domestic demand and the constant growth in exported sales to Asian countries including China and the United States.

In **Allyl Ethers**, net sales increased due to sales expansion of silane coupling agents in domestic and overseas.

In **Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)**, net sales increased due to demand expansion for diabetes drug use to Europe, the United States and Asian countries.

In **Active Pharmaceutical Ingredients (API) and their Intermediates**, net sales increased due to sales expansion of anti-tuberculosis drug intermediate, insomnia treatment intermediates, and anti-cancer drug substance and intermediate,

As a result, Functional Chemical Products reported net sales of ¥33,538 million, up 10.2% compared to the same period of fiscal 2020.

### **Housing Facilities and Others**

Net sales were ¥4,266 million, down 60.6% compared to the same period of fiscal 2020, due to the adoption of Accounting Standard for Revenue Recognition.

## **(2) Financial Condition**

### **Assets**

**Current assets** were ¥81,035 million, an increase of 9.7% since March 31, 2021. The increase was due primarily to an increase of ¥2,580 million in *cash and deposits* and an increase of ¥2,346 million in *notes and accounts receivable-trade* respectively.

**Noncurrent assets** were ¥47,052 million, an increase of 3.4% since March 31, 2021. The increase was due primarily to an increase of ¥3,271 million in *property, plant and equipment* and a decrease of ¥1,547 million in *investments and other assets*.

As a result, **Total assets** were ¥128,088 million as of December 31, 2021, an increase of 7.3% since March 31, 2021.

### **Liabilities**

**Current liabilities** were ¥40,472 million, an increase of 50.9% since March 31, 2021. The decrease was due primarily to an increase of ¥1,824 million in *notes and accounts payable-trade* and an increase of ¥8,735 million in *current portion of bonds with subscription rights to shares* respectively.

**Noncurrent liabilities** were ¥5,785 million, a decrease of 62.2% since March 31, 2021. The decrease was due primarily to a decrease of ¥8,737 million in *bonds with subscription rights to shares* and a decrease of ¥751 million in *deferred tax liabilities* respectively.

As a result, **Total liabilities** were ¥46,258 million as of December 31, 2021, an increase of 9.8% since March 31, 2021.

### **Net assets**

**Net assets** were ¥81,830 million as of December 31, 2021, an increase of 6.0% since March 31, 2021.

## **(3) Earnings Forecast**

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the quarterly period ending March 31, 2022, unaudited" on October 19, 2021. In the future, we will appropriately disclose any changes that may have been made.

## 5. CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2021	December 31, 2021
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash and deposits	17,436	20,017
Notes and accounts receivable-trade	26,655	-
Notes & accounts receivable-trade and contract assets	-	29,001
Electrically recorded monetary claims	3,456	4,370
Short term investment securities	14,499	14,499
Merchandise and finished goods	6,581	7,017
Work in process	1,661	2,267
Raw materials and supplies	2,219	2,422
Other current assets	1,435	1,508
Less: Allowance for doubtful accounts	(69)	(69)
Total current assets	<u>73,876</u>	<u>81,035</u>
<b><i>Noncurrent assets</i></b>		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	8,920	11,688
Other - Net	11,616	12,119
Total property, plant and equipment	<u>20,536</u>	<u>23,808</u>
Intangible assets		
Goodwill	498	361
Other	283	252
Total intangible assets	<u>782</u>	<u>613</u>
Investments and other assets		
Investment securities	22,965	21,537
Deferred tax assets	325	307
Other	893	792
Less: Allowance for doubtful accounts	(6)	(5)
Total investment and other assets	<u>24,178</u>	<u>22,631</u>
Total noncurrent assets	<u>45,496</u>	<u>47,052</u>
<b>Total assets</b>	<u>119,373</u>	<u>128,088</u>

**CONSOLIDATED BALANCE SHEETS** *(Continued)*  
(Millions of yen)

	March 31, 2021	December 31, 2021
<b>Liabilities</b>		
<b><i>Current liabilities</i></b>		
Notes and accounts payable- trade	13,046	14,870
Short term loans payable	7,172	7,172
Income taxes payable	1,492	2,108
Provision for bonuses	884	477
Current portion of bonds with subscription rights to shares	-	8,735
Other current liabilities	4,223	7,109
<b>Total current liabilities</b>	<b>26,818</b>	<b>40,472</b>
<b><i>Noncurrent liabilities</i></b>		
Bonds with subscription rights to shares	8,737	-
Deferred tax liabilities	2,463	1,712
Net defined benefit liability	2,705	2,712
Other noncurrent liabilities	1,415	1,360
<b>Total noncurrent liabilities</b>	<b>15,322</b>	<b>5,785</b>
<b>Total liabilities</b>	<b>42,141</b>	<b>46,258</b>
<b>Net assets</b>		
<b><i>Shareholders' equity</i></b>		
Share capital	15,870	15,871
Legal capital surplus	14,388	14,390
Retained earnings	46,387	52,363
Treasury stock	(7,669)	(7,659)
<b>Total shareholders' equity</b>	<b>68,977</b>	<b>74,966</b>
<b><i>Accumulated other comprehensive income</i></b>		
Valuation difference on available-for-sale securities	8,292	6,788
Deferred gains or losses on hedges	48	12
Foreign currency translation adjustment	(13)	113
Re-measurements of defined benefit plans	(80)	(73)
<b>Total accumulated other comprehensive income</b>	<b>8,247</b>	<b>6,841</b>
<b>Non-controlling interests</b>	<b>7</b>	<b>22</b>
<b>Total net assets</b>	<b>77,232</b>	<b>81,830</b>
<b>Total net assets and liabilities</b>	<b>119,373</b>	<b>128,088</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2020	December 31, 2021
<b>Net sales</b>	72,327	65,320
Cost of sales	56,785	45,467
<b>Gross profit</b>	15,542	19,852
Selling, general, and administrative expenses	9,257	10,012
<b>Operating income</b>	6,284	9,840
<b><i>Non-operating income</i></b>		
Interest income	12	7
Dividend income	437	459
Share of profit of entities accounted for using equity method	-	38
Foreign exchange gains	-	145
Insurance claim income	-	151
Other	82	78
Total non-operating income	532	881
<b><i>Non-operating expenses</i></b>		
Interest expenses	68	66
Share of loss of entities accounted for using equity method	111	-
Foreign exchange losses	126	-
Other	10	26
Total non-operating expenses	316	93
<b>Ordinary income</b>	6,500	10,627
<b><i>Extraordinary income</i></b>		
Gain on sales of noncurrent assets	-	309
Total extraordinary income	-	309
<b><i>Extraordinary loss</i></b>		
Loss on retirement of noncurrent assets	112	92
Total extraordinary loss	112	92
<b>Income before income taxes</b>	6,388	10,844
Income taxes - current	1,701	3,343
Income taxes - deferred	331	(48)
Total income taxes	2,033	3,294
<b>Net income</b>	4,354	7,550
<b>Net loss attributable to non-controlling interests</b>	(0)	(0)
<b>Net income attributable to owners of parent</b>	4,355	7,550



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2020	December 31, 2021
Net income	4,354	7,550
Other comprehensive income		
Valuation difference on available-for-sale securities	2,983	(1,503)
Deferred gains or losses on hedges	(19)	(35)
Foreign currency translation adjustments	(28)	113
Re-measurements of defined benefit plans	29	6
Share of other comprehensive income of entities accounted for using equity method	0	14
Total	2,965	(1,405)
<b>Comprehensive income</b>	<b>7,320</b>	<b>6,144</b>
Comprehensive income attributable to:		
Owners of the parent	7,320	6,144
Non-controlling interests	(0)	0

### 6. Notes to the Consolidated Financial Statements

(1) Going concern assumption: None

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

(3) Changes in accounting policies

#### **(Adoption of the Accounting Standard for Revenue Recognition)**

Osaka Soda Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, issued on March 31, 2020) and related implementation guidance (ASBJ guidance No.30, issued on March 26, 2021) from the beginning of the fiscal year ending March 31, 2022, and recognize revenue at the amount expected to be received in exchange for its goods or services when the dominance of the promised goods or services is transferred to customers. Among contracts applying the completed-contract method, those with performance requirements met over a period of time will change to a recognition method which estimates the degree of progression said performance fulfillment and determines revenue based on this progression, except for those for which this period of time is extremely short. In addition, estimating the degree of progress on fulfillment of performance requirements will use an input method based on the ratio of cost accrued to total estimated cost. Regarding the revenue in which we act as an agent in providing the products or services to customers, we have previously recognized the gross amount of consideration to be received from customers as revenue. We have now changed to a method to recognize revenue at the net amount after deducting the amount to be paid to suppliers from the amount to be received from customers.

Regarding to the adoption of the revenue recognition standards, in accordance with the transitional treatment stipulated in the provision to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022, has been added to or deducted from retained

earnings at the beginning of the fiscal year ending March 31, 2022 and the new accounting policy has been adopted from the beginning balance of the fiscal year ending March 31, 2022.

As a result, net sales and cost of sales decreased 12,266 million yen respectively for the quarterly period ended June 30, 2021. Nothing has changed in operating income, ordinary income, net income before income taxes.

Due to the application of these accounting standards, “Notes and accounts receivable-trade” in “Current Assets” in the consolidated balance sheets have been reclassified as “Notes and accounts receivable-trade, and contract assets” from the second quarter of the fiscal year ending March 31, 2022.

Based on the transitional treatment stipulated in Article 89-2 of the “Accounting Standard for Revenue Recognition” comparative information for the previous fiscal year has not been restated to reflect the new method of presentation. In accordance with the transitional treatment provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12, March 31, 2020), information on disaggregate revenue from contracts with customers for the nine months ended December 31, 2022 is not presented

### **(Application of Accounting Standard for Fair Value Measurement)**

Osaka Soda Group has adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, issued on July 4, 2019) and related implementation guidance from the beginning of the quarterly period ended June 30, 2021. Based on the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, issued on July 4, 2019), we have decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement into the future. These changes had no impact on the quarterly consolidated financial statements.

### (3) Segment Information

#### **Nine months ended December 31, 2020**

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	31,064	17	31,081	2,709
Functional Chemical Products	30,446	102	30,548	4,241
Housing Facilities and Others	10,816	210	11,027	269
Subtotal	72,327	330	72,658	7,220
Adjustments *1	-	(330)	(330)	(936)
Total	72,327	-	72,327	6,284

Notes 1: Adjustments of segment income of ¥(936) 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, 2021**

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
Japan	22,455	16,072	4,241	42,769	-	42,769
Asia	3,668	12,146	25	15,840	-	15,840
Europe	560	4,196	-	4,757	-	4,757
Others	830	1,123	-	1,953	-	1,953
Revenue from contracts with customers	27,514	33,538	4,266	65,320	-	65,320
Other revenue	-	-	-	-	-	-
External sales	27,514	33,538	4,266	65,320	-	65,320
Intersegment sales or reclassifications	71	500	1,870	2,443	(2,443)	-
Total	27,586	34,039	6,137	67,764	(2,443)	65,320
Segment income	3,791	6,574	354	10,720	(880)	9,840

Notes 1: Adjustments of segment income of ¥(880) 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.