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May 12, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name: OSAKA SODA Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4046
 URL: <http://www.osaka-soda.co.jp>
 Representative: Kenshi Terada, Representative Director, President and Chief Executive Officer
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 Scheduled date of annual general meeting of shareholders: June 29, 2022
 Scheduled date to commence dividend payments: June 13, 2022
 Scheduled date to file annual securities report: June 30, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
Mar 31, 2022	88,084	—	12,401	48.7	13,435	52.0	9,442	56.1
Mar 31, 2021	97,266	(7.8)	8,341	(14.0)	8,838	(14.4)	6,050	(7.0)

Note: Comprehensive income For the fiscal year ended Mar 31, 2022: ¥8,208 million (22.7) %
 For the fiscal year ended Mar 31, 2021: ¥10,622 million 125.3%

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
Mar 31, 2022	404.73	363.53	11.7	10.8	14.1
Mar 31, 2021	257.37	230.23	8.3	7.7	8.6

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended Mar 31, 2022: ¥48 million
 For the fiscal year ended Mar 31, 2021: ¥(97)million

Notes: The Company has applied ASBJ Statement No. 29 “Accounting Standard for Revenue Recognition”, etc. from the beginning of the fiscal year. The figures for the fiscal year ended Mar 31, 2022 represent amounts after the application of the said accounting standard, etc. and year-over-year increases/decreases (%) are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Mar 31, 2022	129,159	83,896	64.9	3,594.69
Mar 31, 2021	119,373	77,232	64.7	3,310.56

Reference: Equity
 As of Mar 31, 2022: ¥83,872 million
 As of Mar 31, 2021: ¥77,224 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Mar 31,2022	13,378	(6,961)	(1,646)	37,016
Mar 31,2021	9,347	(1,850)	(4,464)	31,936

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended Mar 31,2022	Yen —	Yen 32.50	Yen —	Yen 32.50	Yen 65.00	Millions of yen 1,516	% 25.3	% 2.1
Fiscal year ended Mar 31,2021	—	35.00	—	45.00	80.00	1,866	19.8	2.3
Fiscal year ending Mar 31,2023 (Forecast)	—	41.00	—	41.00	82.00		20.1	

3. Consolidated Earnings Forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half year (cumulative)	47,000	11.5	6,500	14.2	6,900	12.0	4,800	8.6	205.72
Full year	94,000	6.7	13,000	4.8	13,700	2.0	9,500	0.6	407.16

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: OKAYAMA KASEI Co., Ltd.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of Mar 31,2022	26,732,017 shares
As of Mar 31,2021	26,731,415 shares

(ii) Number of treasury shares at the end of the period

As of Mar 31,2022	3,399,626 shares
As of Mar 31,2021	3,404,604 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended Mar 31,2022	23,329,992 shares
Fiscal year ended Mar 31,2021	23,510,263 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended Mar 31, 2022 (from Apr 1, 2021 to Mar 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar 31,2022	63,881	—	10,277	46.2	11,216	51.6	8,790	85.5
Mar 31,2021	65,039	(8.6)	7,029	(17.1)	7,401	(16.8)	4,739	(16.6)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Mar 31,2022	376.79	338.43
Mar 31,2021	201.59	180.34

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Mar 31,2022	110,864	70,454	63.5	3,019.59
Mar 31,2021	106,028	69,033	65.1	2,959.39

Reference: Equity

As of Mar 31,2022: ¥70,454 million

As of Mar 31,2021: ¥69,033 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

In this document, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Overview of Operating Results, etc. (4) Future Outlook" on page 6 of the attached materials for the assumptions used in business forecasts.

(Attached Documents)

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results

During the fiscal year ended March 31, 2022, although the Japanese economy continued to show signs of recovery toward normalization from the impact of COVID-19, the emergence of new highly transmissible variants meant that the situation remained difficult with no outlook for the recession of the pandemic. Although it is expected that the economy will continue to recover going forward, the outlook is extremely uncertain owing to factors such as supply constraints, rising raw material and fuel prices, and the impact of the situation in Ukraine.

Under these circumstances, the Osaka Soda Group launched its new medium-term management plan, "EMPOWER THE NEXT-22," and implemented specific measures based on the four basic policies of "building a resilient business foundation," "promotion of market-in-type development," "efforts to achieve the SDGs," and "reforming corporate culture and organizational culture."

In "building a resilient business foundation," we have positioned the Basic chemicals business, Functional chemicals business, and Healthcare business as our three core businesses and are pursuing strategies to make these businesses more resilient. During the fiscal year ended March 31, 2022, in the Basic chemicals business, operations began at the Company's Kitakyushu Plant, which was established by combining the electrolysis facilities of the Fukuoka Plant of Mitsubishi Chemical Corporation and the Kokura Plant of the Company. As such, the Company has been able to build a stable supply system, in line with initial plans. In the Functional chemicals business, we were able to respond to growing global demand for Allyl Ethers by enhancing our supply system and improving productivity. We also increased capacity at our manufacturing facilities in February of this year with the aim of capturing further demand. In the Healthcare Business, performance was good, thanks in part to an increase in the adoption of new grades of pharmaceutical purification materials, as well as the acquisition of new contracts related to active pharmaceutical ingredients (APIs) and their intermediates. Efforts to reduce costs, particularly at production sites, are also steadily generating results and contributing to profits. In "promotion of market-in-type development," we succeeded in developing a semi-solid state battery using our unique polyether, in collaboration with Yamagata University.

As a result of the above, net sales for the fiscal year ended March 31, 2022, decreased 9.4% year on year to ¥88,084 million. The decrease in net sales owing to the application of the Accounting Standard for Revenue Recognition was ¥23,741 million, meaning that in substantive terms, sales increased. In terms of income, operating income increased 48.7% year-on-year to ¥12,401 million, ordinary income increased 52.0% to ¥13,435 million, and net income attributable to owners of the parent increased 56.1% to ¥9,442 million, meaning that the Company recorded its highest ever results at each level of profit.

An overview of conditions in each segment is as follows.

< Basic chemicals >

In Chlor-Alkali, net sales increased, particularly in relation to Caustic Soda, as demand recovered from the economic downturn caused by the impact of the COVID-19 pandemic. In Epichlorohydrin, net sales increased thanks to strong demand, particularly in relation to electronic materials, as well as price revisions related to rising raw material and fuel prices. Net sales in the Basic chemicals business decreased 12.9% year on year to ¥36,942 million, partly owing to the impact of the application of the Accounting Standard for Revenue Recognition.

< Functional chemicals >

In the synthetic rubber business, net sales of Epichlorohydrin Rubber increased as a result of increased demand for automotive and OA applications. Net sales of Acrylic Rubber increased thanks to its adoption for new applications in Japan and overseas, as well as increased sales, particularly to Asia. Net sales of DAP resin increased thanks to an increase in demand for electronic material applications, as well as strong sales in Japan and overseas in line with a recovery in demand for UV ink applications. Net sales of Allyl Ethers increased as sales for Silane coupling agent applications grew both in Japan and overseas.

Net sales of pharmaceutical purification materials increased as demand increased for applications in diabetes treatments in Europe, the Americas, and Asia, etc. Net sales of APIs and their intermediates increased in line with greater sales of anti-tuberculosis drug intermediates, anti-cancer drug substances and intermediates, and bloodstream improvement intermediates.

As a result of the above, net sales in the Functional chemicals business increased 12.6% year on year to ¥45,879 million.

< Housing facilities and others >

Sales of Housing Facilities were robust, but net sales in the Housing facilities and others business decreased 62.7% year on year to ¥5,261 million, partly owing to the impact of the application of the Accounting Standard for Revenue Recognition.

(2) Overview of Financial Positions

Assets

Current assets were ¥82,142 million, an increase of 11.2% since March 31, 2021. The increase was due primarily to an increase of ¥5,999 million in short term investment securities.

Noncurrent assets were ¥47,016 million, an increase of 3.3% since March 31, 2021. The increase was due primarily to an increase of ¥3,057 million in property, plant and equipment.

As a result, **Total assets** were ¥129,159 million, an increase of 8.2% since March 31, 2021.

Liabilities

Current liabilities were ¥39,850 million, an increase of 48.6 % since March 31, 2021. The increase was due primarily to an increase of ¥8,733 million in bonds with subscription rights to shares, an increase of ¥1,498 in income taxes payable respectively.

Noncurrent liabilities were ¥5,412 million, a decrease of 64.7% since March 31, 2021. The decrease was due primarily to a decrease of ¥8,737 in bonds with subscription rights to shares.

As a result, **Total liabilities** were ¥45,263 million, an increase of 7.4% since March 31, 2021.

Net assets

Net assets were ¥83,896 million, an increase of 8.6% since March 31, 2021.

(3) Overview of Cash Flows

Cash and cash equivalents at the end of fiscal year were ¥37,016 million, an increase of ¥5,080 million compared to the previous fiscal period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥13,378 million, due primarily to ¥13,412 million in income before income taxes, ¥3,731 million in depreciation, and ¥2,592 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥6,961 million, due primarily to cash outflows of ¥5,685 million in purchase of property, plant, and equipment.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,646 million, due primarily to cash outflows of ¥1,574 million in dividends paid by parent company.

(4) Future Outlook

With regard to the future economic outlook, it is expected that the economy will continue to pick up, but difficult circumstances are forecast to continue amid concerns surrounding the impact of factors such as the prolonging of the pandemic as a result of new variants and further rises in raw material and fuel prices.

Under these circumstances, as the Osaka Soda Group enters the final fiscal year of our seventh medium-term management plan, "EMPOWER THE NEXT-22" (FY2021 to FY2022), we will steadily implement the specific measures set forth in the medium-term management plan in each division, based on the four basic policies of "building a resilient business foundation," "promotion of market-in-type development," "efforts to achieve the SDGs," and "reforming corporate culture and organizational culture."

In "building a resilient business foundation," in the Basic chemicals business, we will focus on price revisions in response to rising raw material and fuel prices, replacement investment aimed at enhancing production efficiency, and cost reductions. In this way, we will strengthen our business foundation into one able to generate stable earnings. In the Functional chemicals business, we will take advantage of our increased production capacity for Allyl Ethers to capture demand, particularly for electronic materials applications. At the same time, we will further promote the adoption of new Acrylic Rubber and Non-

phthalate allyl resin products by new customers. In addition, in the Healthcare business, which we are positioning as a future pillar of earnings, we will make capital investments and increase our production capacity in the areas of both pharmaceutical purification materials and APIs and their intermediates, in order to meet strong demand.

In "promotion of market-in-type development," we will ensure that business divisions take the lead in planning new products that accurately capture customer needs and take steps to quickly bring products to market through prompt development by our research and development departments. In the area of "Environment and Energy," we will establish product facilities for unique polyether aimed at the mass production of semi-solid state batteries. In addition, we will also promote the development of ultra-high ionic conductive polymers for all-solid batteries, which was selected as a Green Innovation Fund Project by NEDO. In the area of "Mobility," we will work to bring super heat resistant grades of Acrylic Rubber to market soon, while also focusing on the development of new materials to support the shift to electric and self-driving vehicles. In the area of "Information and Communications," we will develop silver nanoparticles and other materials that contribute to power semiconductors and work to improve customers' assessments of our products. In the area of "Health and Healthcare," we will strengthen our biopharmaceutical manufacturing and purification technologies in response to changing pharmaceutical modalities. We will also develop products that contribute to extending healthy life expectancy, such as NMN-producing lactic acid bacteria.

In our "initiatives targeting the SDGs," in addition to providing value to society through our businesses, we will discuss practical solutions to climate change and global environmental conservation and will also strengthen our efforts to address important issues such as greenhouse gas emissions reduction targets.

In "reforming corporate culture and organizational culture," we will reform our operational and personnel systems under our new Corporate Philosophy. We will also work to enhance our organizational and human resources capabilities through activities to reform our operations at all levels, as we aim to transform our corporate culture into a highly productive one.

In the fiscal year ending March 31, 2023, we forecast net sales of ¥94,000 million, operating income of ¥13,000 million, ordinary income of ¥13,700 million, and net income attributable to owners of the parent of ¥9,500 million.

In addition, the Osaka Soda Group will take all possible measures to protect the environment, safety, and product quality through Responsible Care activities and activities related to the ISO standards. At the same time, we will also strive to develop as a company that is in harmony with the global environment by strengthening our efforts to achieve the Sustainable Development Goals (SDGs), including resource and energy conservation activities. In addition, we will prioritize corporate social responsibility and proactively focus on legal compliance in our day-to-day business activities. We will also strengthen our internal control system and strive to further enhance the Osaka Soda Group's corporate governance, as we aim to become a group of companies that is trusted by society. We look forward to the continued support and encouragement of our shareholders.

2. Basic Approach to the Selection of Accounting Standards

Osaka Soda Group prepares the consolidated financial statements in accordance with Japanese generally accepted accounting principles, taking into accounts the comparability between periods and companies. In adopting International Financial Reporting Standards, Osaka Soda Group intends to take appropriate measures, examining internal and external situation.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal year ended	
	March 31, 2021	March 31, 2022
Assets		
<i>Current assets</i>		
Cash and deposits	17,436	16,517
Notes and accounts receivable-trade	26,655	-
Notes and accounts receivable-trade, and contract assets	-	26,920
Electronically recorded monetary claims	3,456	3,434
Short term investment securities	14,499	20,499
Merchandise and finished goods	6,581	7,703
Work in process	1,661	2,191
Raw materials and supplies	2,219	2,628
Other current assets	1,435	2,326
Less: Allowance for doubtful accounts	(69)	(79)
Total current assets	<u>73,876</u>	<u>82,142</u>
<i>Noncurrent assets</i>		
Property, plant and equipment		
Buildings and structures	17,401	17,761
Accumulated depreciation	(10,904)	(11,092)
Buildings and structures – Net	<u>6,496</u>	<u>6,669</u>
Machinery, equipment, and vehicles	61,838	64,308
Accumulated depreciation	(52,918)	(52,702)
Machinery, equipment, and vehicles – Net	<u>8,920</u>	<u>11,605</u>
Land	2,305	2,305
Lease assets-PPE	1,026	1,027
Accumulated depreciation	(284)	(353)
Lease assets, net-PPE	<u>741</u>	<u>674</u>
Construction in progress	1,707	1,861
Other	4,119	4,347
Accumulated depreciation	(3,753)	(3,868)
Other – Net	<u>366</u>	<u>478</u>
Total property, plant and equipment	<u>20,536</u>	<u>23,594</u>
Intangible assets		
Goodwill	498	315
Software	184	155
Other	99	79
Total intangible assets	<u>782</u>	<u>550</u>
Investments and other assets		
Investment securities	22,965	21,677
Long-term loans receivable	24	18
Deferred tax assets	325	450
Other, net	869	732
Less: Allowance for doubtful accounts	(6)	(7)
Total investment and other assets	<u>24,178</u>	<u>22,871</u>
Total noncurrent assets	<u>45,496</u>	<u>47,016</u>
Total assets	<u>119,373</u>	<u>129,159</u>

	(Millions of yen)	
	Fiscal year ended	
	March 31, 2021	March 31, 2022
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,046	14,229
Short term loans payable	7,172	7,172
Income taxes payable	1,492	2,990
Provision for bonuses	884	968
Current portion of bonds with subscription rights to shares	-	8,733
Other current liabilities	4,223	5,756
Total current liabilities	26,818	39,850
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	8,737	-
Lease liabilities	986	908
Deferred tax liabilities	2,463	1,349
Net defined benefit liability	2,705	2,733
Asset retirement obligations	171	166
Other noncurrent liabilities	257	254
Total noncurrent liabilities	15,322	5,412
Total liabilities	42,141	45,263
Net assets		
<i>Shareholders' equity</i>		
Capital stock	15,870	15,871
Capital surplus	14,388	14,391
Retained earnings	46,387	54,255
Treasury stock	(7,669)	(7,658)
Total shareholders' equity	68,977	76,859
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	8,292	6,833
Deferred gains or losses on hedges	48	64
Foreign currency translation adjustments	(13)	212
Re-measurements of defined benefit plans	(80)	(97)
Total accumulated other comprehensive income	8,247	7,012
<i>Non-controlling interests</i>	7	23
Total net assets	77,232	83,896
Total net assets and liabilities	119,373	129,159

(2) Consolidated Statements of Income and Statements of Comprehensive Income

1) Consolidated Statements of Income

(Millions of yen)

	<u>Fiscal year ended</u>	
	<u>March 31, 2021</u>	<u>March 31, 2022</u>
Net sales	97,266	88,084
Cost of sales	76,282	61,993
Gross profit	20,984	26,090
Selling, general, and administrative expenses	12,643	13,688
Operating income	8,341	12,401
<i>Non-operating income</i>		
Interest income	16	10
Dividend income	457	482
Insurance claim income	0	151
Share of profit of entities accounted for using equity method	-	48
Foreign exchange gains	93	304
Other	143	157
Total non-operating income	711	1,156
<i>Non-operating expenses</i>		
Interest expenses	89	88
Share of loss of entities accounted for using equity Method	97	-
Other	28	33
Total non-operating expenses	214	122
Ordinary income	8,838	13,435
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	0	-
Gain on sales of investment securities	-	309
Total extraordinary income	0	309
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	158	333
Total extraordinary loss	158	333
Income before income taxes	8,680	13,412
Income taxes – current	2,585	4,141
Income taxes – deferred	44	(171)
Total income taxes	2,630	3,970
Net income	6,050	9,441
Profit attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of parents	6,050	9,442

2) Consolidated statements of Comprehensive Income

	(Millions of yen)	
	<u>Fiscal year ended</u>	
	<u>March 31, 2021</u>	<u>March 31, 2022</u>
Net income	6,050	9,441
Other comprehensive income		
Valuation difference on available-for-sale securities	4,113	(1,459)
Deferred gains or losses on hedges	40	15
Foreign currency translation adjustments	(22)	205
Re-measurements of defined benefit plans	437	(17)
Re-measurements of defined benefit plans	2	22
Total other comprehensive income	<u>4,572</u>	<u>(1,233)</u>
Comprehensive income	<u>10,622</u>	<u>8,208</u>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	10,623	8,207
Comprehensive income attributable to non-controlling Interests	(0)	0

(3) Consolidated Statements of Changes in Net Assets

FY2021(Fiscal year ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	15,870	14,387	41,870	(6,682)	65,446
Changes of items during period					
Issuance of new shares					—
Dividends of surplus			(1,533)		(1,533)
Profit attributable to owners of parent			6,050		6,050
Purchase of treasury shares				(1,000)	(1,000)
Disposal of treasury shares		1		13	14
Net change of items other than shareholder's equity					
Total changes of items during period	—	1	4,517	(987)	3,531
Balance at end of current period	15,870	14,388	46,387	(7,669)	68,977

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedge	Foreign currency translation adjustments	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,177	8	7	(518)	3,674	—	69,121
Changes of items during period							
Issuance of new shares							—
Dividends of surplus							(1,533)
Profit attributable to owners of parent							6,050
Purchase of treasury shares							(1,000)
Disposal of treasury shares							14
Net change of items other than shareholder's equity	4,114	40	(20)	437	4,572	7	4,580
Total changes of items during period	4,114	40	(20)	437	4,572	7	8,111
Balance at end of current period	8,292	48	(13)	(80)	8,247	7	77,232

FY2022(Fiscal year ended March 31, 2022)

(Millions of yen)

	Stockholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	15,870	14,388	46,387	(7,669)	68,977
Changes of items during period					
Issuance of new shares	1	1			2
Dividends of surplus			(1,574)		(1,574)
Profit attributable to owners of parent			9,442		9,442
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		1		12	14
Net change of items other than shareholder's equity					
Total changes of items during period	1	2	7,867	11	7,882
Balance at end of current period	15,871	14,391	54,255	(7,658)	76,859

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedge	Foreign currency translation adjustments	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	8,292	48	(13)	(80)	8,247	7	77,232
Changes of items during period							
Issuance of new shares							2
Dividends of surplus							(1,574)
Profit attributable to owners of parent							9,442
Purchase of treasury shares							(1)
Disposal of treasury shares							14
Net change of items other than shareholder's equity	(1,458)	15	226	(17)	(1,234)	16	(1,218)
Total changes of items during period	(1,458)	15	226	(17)	(1,210)	16	6,663
Balance at end of current period	6,833	64	212	(97)	7,012	23	83,896

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	<u>Fiscal year ended</u>	
	<u>March 31, 2021</u>	<u>March 31, 2022</u>
Cash flows from operating activities		
Income before Income Taxes	8,680	13,412
Depreciation	3,894	3,731
Amortization of goodwill	182	182
Increase (decrease) in allowance for doubtful accounts	(31)	8
Increase (decrease) in provision for bonuses	(27)	83
Increase (decrease) in net defined benefit liability	(560)	28
Increase (decrease) in provision for directors' retirement benefits	(281)	-
Interest and dividend income	(474)	(493)
Interest expenses	89	88
Foreign exchange losses (gains)	(15)	(107)
Loss on retirement of non-current assets	158	333
Loss (gain) on sales of non-current assets	(0)	-
Loss (gain) on sales of short-term and long-term investment securities	-	(309)
Decrease (increase) in trade receivables	(1,374)	-
Decrease (increase) in inventories	71	(2,049)
Increase (decrease) in trade payables	(114)	1,013
Insurance claim income	(0)	(151)
Increase (decrease) in accrued consumption taxes	(65)	(43)
Share of loss (profit) of entities accounted for using equity method	97	(48)
Other, net	1,082	(179)
Sub total	<u>11,312</u>	<u>15,413</u>
Interest and dividend income received	484	493
Interest expenses paid	(89)	(88)
Proceeds from insurance income	0	151
Income taxes paid	(2,360)	(2,592)
Net cash provided by operating activities	<u>9,347</u>	<u>13,378</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,772)	(5,685)
Proceeds from sales of property, plant and equipment	0	-
Purchase of intangible assets	(58)	(66)
Proceeds from redemption of securities	500	-
Purchase of investment securities	(516)	(1,172)
Proceeds from sales of investment securities	177	348
Other, net	(181)	(386)
Net cash used in investing activities	<u>(1,850)</u>	<u>(6,961)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(595)	-
Redemption of bonds with subscription rights to shares	(1,263)	-
Purchase of treasury shares	(1,002)	(1)
Dividends paid	(1,533)	(1,574)
Other, net	(69)	(69)
Net cash provided by financing activities	<u>(4,464)</u>	<u>(1,646)</u>
Effect of exchange rate change on cash and cash equivalents	4	310
Net increase (decrease) in cash and cash equivalents	<u>3,036</u>	<u>5,080</u>
Cash and cash equivalents at beginning of period	<u>28,899</u>	<u>31,936</u>
Cash and cash equivalents at end of period	<u>31,936</u>	<u>37,016</u>

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

From the beginning of the fiscal year, the Company has applied ASBJ Statement No. 29 “Accounting Standard for Revenue Recognition” (March 31, 2020), etc. Accordingly, revenue is recognized when control of the promised goods or services is transferred to the customer, at the amount expected to be received in exchange for those goods or services.

As a result, for construction contracts, the percentage of completion method was previously applied to construction work for which the outcome of progress was deemed certain, and the completed contract method was applied to other construction work. However, the Company has changed to estimating the degree of progress in satisfying performance obligations and recognizing revenue over a certain period of time based on the degree of progress.

Revenues from agency transactions were previously recognized at the total amount of consideration received from customers, but for transactions where the Osaka Soda Group’s role in providing goods and services to customers is classified as that of an agent, revenue is recognized at the net amount after subtracting amounts paid to suppliers from amounts received from customers.

For export sales, previously, revenue was mainly recognized at the time of shipping, but the Company has now changed to the method of recognizing revenue when the burden of risk is transferred to customers, based on the trade terms set forth in the Incoterms.

Regarding the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the fiscal year has been added or subtracted from retained earnings at the beginning of the fiscal year, and the new accounting policy will be applied from the balance at the start of the fiscal year, but there is no effect on the balance at the beginning of the fiscal year.

As a result, net sales for the fiscal year ended March 31, 2022 decreased ¥23,741 million, cost of sales decreased ¥23,608 million, and operating income, ordinary income, and income before income taxes each decreased ¥133 million.

As a result of the application of the Accounting Standard for Revenue Recognition, “notes and accounts receivable-trade,” which were presented under “current assets” on the consolidated balance sheet in the previous fiscal year, have been included in “notes & accounts receivable-trade and contract assets” from the fiscal year.

Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, etc., the Company has not reclassified any items from the previous fiscal year as a result of new presentation methods.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) , etc. from the beginning of the fiscal year and, in accordance with the transitional treatment set forth 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, July 4, 2019), the Company will apply the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. prospectively. The application of this standard had no effect on consolidated financial statements.

(Segment Information)

FY2021(Fiscal year ended March 31, 2021)

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	42,416	40,744	14,106	97,266	—	97,266
Intersegment sales or reclassifications	28	153	654	836	(836)	—
Total	42,445	40,897	14,760	98,103	(836)	97,266
Segment income	3,555	5,780	254	9,590	(1,249)	8,341
Segment assets	39,739	37,498	6,955	84,193	35,180	119,373
Other items						
Depreciation	2,266	1,199	65	3,531	363	3,894
Amortization of goodwill	4	56	—	61	121	182
Investment to entities accounted for using equity method	—	1,118	—	1,118	—	1,118
Increase of current and noncurrent assets	1,504	526	95	2,126	261	2,388

Notes:

- (1) Adjustments of segment income of ¥(1,249) million are corporate expenses not allocated to reportable segments. Most of above-mentioned corporate expenses are not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.
- (2) Adjustments of segment assets of ¥35,180 million are corporate assets of ¥35,283 million, which are not allocated to reportable segments. Above-mentioned corporate assets are mainly parent company's assets, which are surplus operating funds (cash and short terms securities), long term investment capital (investment securities, etc.), and related to administrative, research and development departments.
- (3) Adjustments of Increase of current and noncurrent assets of ¥261 million are for administrative department and research and development department investment.
- (4) Segment income is adjusted to operating income of consolidated statement of income.

FY2022(Fiscal year ended March 31, 2022)

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
Japan	29,932	21,109	5,234	56,275	—	56,275
Asia	5,038	17,431	27	22,498	—	22,498
Europe	761	5,090	—	5,851	—	5,851
Others	1,210	2,248	—	3,458	—	3,458
Revenue from Contracts with Customers	36,942	45,879	5,261	88,084	—	88,084
Other Revenue	—	—	—	—	—	—
External sales	36,942	45,879	5,261	88,084	—	88,084
Intersegment sales or reclassifications	147	626	2,122	2,895	(2,895)	—
Total	37,089	46,505	7,384	90,980	(2,895)	88,084
Segment income	4,658	8,684	332	13,674	(1,272)	12,401
Segment assets	40,573	50,238	4,472	95,283	33,876	129,159
Other items						
Depreciation	2,080	1,229	52	3,362	368	3,731
Amortization of goodwill	4	56	—	61	121	182
Investment to entities accounted for using equity method	—	1,189	—	1,189	—	1,189
Increase of current and noncurrent assets	5,074	1,482	41	6,599	191	6,790

Notes:

- (1) Adjustments of segment income of ¥(1,272) million are corporate expenses not allocated to reportable segments. Most of above-mentioned corporate expenses are not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.
- (2) Adjustments of segment assets of ¥33,876 million are corporate assets of ¥33,814 million, which are not allocated to reportable segments. Above-mentioned corporate assets are mainly parent company's assets, which are surplus operating funds (cash and short term securities), long term investment capital (investment securities, etc.), and related to administrative, research and development departments.
- (3) Adjustments of Increase of current and noncurrent assets of ¥191 million are for administrative department and research and development department investment.
- (4) Segment income is adjusted to operating income of consolidated statement of income.

(Per Share Information)

	Fiscal year ended	
	March 31, 2021	March 31, 2022
Net assets per share (Yen)	3,310.56	3,594.69
Earnings per share (Yen)	257.37	404.73
Diluted earnings per share (Yen)	230.23	363.53

* Basis for calculation of earnings per share and diluted earnings per share is as follows.

	Fiscal year ended	
	March 31, 2021	March 31, 2022
Earnings per share		
Net income (Millions of yen)	6,050	9,442
Amount not attributable to owners of common stock (Millions of yen)	—	—
Net income related to owner of common stock (Millions of yen)	6,050	9,442
Weighted average number of common stock (Thousands of shares)	23,510	23,329
Diluted earnings per share		
Adjustment to net income (Millions of yen)	—	—
Increase of common stock (Thousands of shares)	2,771	2,664
(Bonds with subscription rights to shares) (Thousands of shares)	(2,771)	(2,664)
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect	—	—

4. Change of Officers

(1) Change of Chief Executive Officer

Not applicable

(2) Change of other Officers

① Retirement of director (Scheduled date of retirement: June 29, 2022).

Director Lead Executive Officer Yoshiro Furukawa
(Still remains the president of SANYO FINE Co., Ltd.)