

**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<br>(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 |
|---------------------------------------|----------------|---------------|
| <b>Assets</b>                         |                |               |
| <b>Current assets</b>                 |                |               |
| 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> |
| <b>Noncurrent assets</b>              |                |               |
| 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> |
| <b>Total assets</b>                   | <u>97,027</u>  | <u>93,559</u> |

**CONSOLIDATED BALANCE SHEETS** *(Continued)*

(Millions of yen)

|   | March 31, 2016 | June 30, 2016 |
|---|----------------|---------------|
| <b>Liabilities</b>                                    |                |               |
| <b><i>Current liabilities</i></b>                     |                |               |
| 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        |
| <b><i>Noncurrent liabilities</i></b>                  |                |               |
| 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        |
| <b>Total liabilities</b>                              | 48,731         | 45,983        |
| <b>Net assets</b>                                     |                |               |
| <b><i>Shareholders' equity</i></b>                    |                |               |
| 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        |
| <b><i>Accumulated other comprehensive income</i></b>  |                |               |
| 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         |
| <b>Total net assets</b>                               | 48,296         | 47,575        |
| <b>Total net assets and liabilities</b>               | 97,027         | 93,559        |

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

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



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

|   | Three Months Ended |               |
|---|--------------------|---------------|
|   | June 30, 2015      | June 30, 2016 |
| <b>Net income</b>                                     | 1,018              | 513           |
| <b>Other comprehensive income</b>                     |                    |               |
| 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)         |
| <b>Comprehensive income</b>                           | 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<br>Chemical<br>Products | Functional<br>Chemical<br>Products | Housing<br>Facilities<br>and Others | Total  | Adjustments*1 | Consolidated<br>operating<br>income *2 |
|--|-------------------------------|------------------------------------|-------------------------------------|--------|---------------|--|
| Net sales                                  |                               |                                    |                                     |        |               |  |
| External sales                             | 10,912                        | 9,137                              | 4,803                               | 24,853 | —             | 24,853                                 |
| Intersegment sales<br>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<br>Chemical<br>Products | Functional<br>Chemical<br>Products | Housing<br>Facilities<br>and Others | Total  | Adjustments *1 | Consolidated<br>operating<br>income *2 |
|--|-------------------------------|------------------------------------|-------------------------------------|--------|----------------|--|
| Net sales                                  |                               |                                    |                                     |        |                |  |
| External sales                             | 9,845                         | 8,728                              | 4,112                               | 22,686 | —              | 22,686                                 |
| Intersegment sales<br>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.