

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the Third Quarter of the Fiscal Year ending March 31, 2020
(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 10, 2020
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, 2019		December 31, 2018	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	79,998	(2.3)%	81,850	9.9%
Operating income	7,419	(3.0)%	7,650	36.0%
Ordinary income	7,879	(4.6)%	8,255	34.4%
Net income attributable to owners of parent	4,944	(12.0)%	5,618	40.9%
Comprehensive income	5,451	73.5%	3,141	(52.2)%

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

Net income per share (Yen)	210.28	246.35
Diluted net income per share (Yen)	185.60	210.07

(2) Financial Condition

	December 31, 2019		March 31, 2019	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	114,572	—	112,661	—
Net assets	69,858	—	64,548	—
Equity *	69,858	—	64,548	—
Equity ratio	—	61.0%	—	57.3%

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

2. Dividends

	Year ending Mar. 31, 2020 (Forecast)	Year ending Mar. 31, 2020	Year ended Mar. 31, 2019
End of first quarter		—	—
End of second quarter		32.50 yen*	30.00 yen
End of third quarter		—	—
End of fourth quarter	32.5 yen	—	35.00 yen
Full year	65.0 yen	—	65.00 yen

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

3. Earnings Forecast for the fiscal year ending March 31, 2019

	Full-year	
	Millions of yen	Change*
Net sales	105,000	(2.7)%
Operating income	9,600	1.2%
Ordinary income	10,200	1.5%
Net income attributable to owners of parent	6,800	0.1%

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

Earnings per share (Yen)	294.51
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* 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 revisions

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 December 31, 2019: 26,731,415 shares

As of March 31, 2019: 26,090,580 shares

2) Number of treasury shares at the end of the period

As of December 31, 2019: 3,002,640 shares

As of March 31, 2019: 3,001,554 shares

3) Average number of shares outstanding in each period

Nine months ended December 31, 2019: 23,513,924 shares

Nine months ended December 31, 2018: 22,806,918 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.

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4. QUALITATIVE INFORMATION

(1) Results of Operations

During the third quarter of fiscal 2019 (April 1 through December 31, 2019), Japan's economy has continued to recover moderately against the background of improved employment and income conditions. However, the economic outlook remains uncertain due to the prolonged U.S.-China trade friction and the slowdown of the Chinese economy.

Under the circumstances, the "BRIGHT-2020" medium-term management plan has entered its second year. Based on the three basic policies of "creating new growth engines", "establishing a profitable global business", and "completing business structure reform", Osaka Soda Group has further advanced these measures.

As a result, net sales were ¥79,998 million, a decrease of 2.3% compared to the same period of fiscal 2018. Operating income was ¥7,419 million, a decrease of 3.0% compared to the same period of fiscal 2018. Ordinary income was ¥7,879 million, a decrease of 4.6% compared to the same period of fiscal 2018. Net income attributable to owners of parent was ¥4,944 million, a decrease of 12.0% compared to the same period of fiscal 2018, due to the loss on valuation of investment securities.

Basic Chemical Products

In *Chlor-Alkali*, net sales decreased due to a decline in demand in the field of semiconductor, electronic materials, and pulp & paper. In *Epichlorohydrin*, net sales increased due to continued steady sales to domestic market and volume growth in overseas sales as a result of the stricter environmental and safety regulations in China.

As a result, Basic Chemical Products reported net sales of ¥36,173 million, down 2.0% compared to the same period of fiscal 2018.

Functional Chemical Products

In *Allyl Ether*, net sales increased due to volume growth particularly in China, driven by an increase in demand for Silane Coupling Agents. In *Diallyl Phthalates Resins*, net sales were unchanged from the previous fiscal year due to the impact of foreign exchange rates, though sales volume increased mainly for UV curable inks. In the synthetic rubber field, although *Epichlorohydrin Rubber* was affected by the worldwide decline in automobile production, *Acrylic* rubber expanded its use in the market by focusing on cultivating new customers and developing new applications in Japan and overseas.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, the demand for use in hyperlipidemia drugs expanded in Japan and South Korea. In *Column and Equipment for Liquid Chromatography*, column sales to South Korea and China were favorable.

Active Pharmaceutical Ingredients (API) and their Intermediates, net sales expanded due to increased domestic sales of intermediates for anti-infective drugs, intermediates for anti-tuberculosis drugs, raw materials for biopharmaceuticals, and increased overseas sales of intermediates for vasodilators. In addition, the import sales of generic drug substances increased.

In Liquid Crystal Display (LCD) related products such as color resist, net sales declined due to volume decrease in LCD panels. In glass fiber, net sales declined due to volume decrease in domestic market for electronic materials.

As a result, Functional Chemical Products reported net sales of ¥31,245 million, down 3.2% compared to the same period of fiscal 2018.

Housing Facilities and Others

Net sales were ¥12,579 million, down 0.8% compared to the same period of fiscal 2018. Sales of life materials grew steadily, but sales of construction materials declined.

(2) Financial Condition

Assets

Current assets were ¥70,233 million, an increase of 3.0% since March 31, 2019. The increase was due primarily to an increase of ¥1,800 million in *short term investment securities*, an increase of ¥1,487 in *electronically recorded monetary claims*, an increase of ¥1,238 million in *inventories*, a decrease of ¥1,477 million in *notes and accounts receivable-trade*, and a decrease of ¥1,258 in *cash and deposits*.

Noncurrent assets were ¥44,338 million, a decrease of 0.2% since March 31, 2019. The decrease was due primarily to a decrease of ¥205 million in *intangible assets*, a decrease of ¥96 million in *deferred tax assets*, a decrease of ¥84 million in *property, plant and equipment*, and an increase of ¥327 million in *investment securities*.

As a result, **Total assets** were ¥114,572 million as of December 31, 2019, an increase of 1.7% since March 31, 2019.

Liabilities

Current liabilities were ¥28,790 million, a decrease of 10.6% since March 31, 2019. The decrease was due primarily to a decrease of ¥1,847 million in *income taxes payable* and a decrease of ¥1,464 million in *current portion of bonds with share acquisition rights* respectively.

Noncurrent liabilities were ¥15,924 million, a decrease of 0.1% since March 31, 2019. The decrease was due primarily to a decrease of ¥483 million in *deferred tax liabilities* and a decrease of ¥391 million in *provision for retirement benefits for directors*.

As a result, **Total liabilities** were ¥44,714 million as of December 31, 2019, a decrease of 7.1% since March 31, 2019.

Net assets

Net assets were ¥69,858 million as of December 31, 2019, an increase of 8.2% since March 31, 2019.

(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 ended March 31, 2020, unaudited" on May 10, 2019.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2019	December 31, 2019
Assets		
Current assets		
Cash and deposits	11,876	10,618
Notes and accounts receivable-trade	29,268	27,791
Electrically recorded monetary claims	3,508	4,995
Short term investment securities	12,499	14,299
Merchandise and finished goods	7,050	7,339
Work in process	1,643	2,026
Raw materials and supplies	1,827	2,393
Other current assets	685	910
Less: Allowance for doubtful accounts	(140)	(141)
Total current assets	<u>68,219</u>	<u>70,233</u>
Noncurrent assets		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	10,442	9,153
Other - Net	11,520	12,724
Total property, plant and equipment	<u>21,962</u>	<u>21,878</u>
Intangible assets		
Goodwill	864	726
Other	474	406
Total intangible assets	<u>1,338</u>	<u>1,133</u>
Investments and other assets		
Investment securities	19,642	19,969
Deferred tax assets	442	346
Other	1,062	1,017
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>21,141</u>	<u>21,326</u>
Total noncurrent assets	<u>44,442</u>	<u>44,338</u>
Total assets	<u>112,661</u>	<u>114,572</u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2019	December 31, 2019
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	15,586	15,219
Short term loans payable	7,767	7,767
Income taxes payable	2,280	433
Provision for bonuses	889	455
Current portion of bonds with subscription rights to shares	1,464	-
Other current liabilities	4,211	4,914
Total current liabilities	32,197	28,790
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	10,000
Deferred tax liabilities	1,094	1,577
Provision for directors retirement benefits	651	260
Net defined benefit liability	3,009	2,982
Other noncurrent liabilities	1,160	1,103
Total noncurrent liabilities	15,915	15,924
Total liabilities	48,113	44,714
Net assets		
<i>Shareholders' equity</i>		
Capital stock	15,150	15,870
Capital surplus	13,667	14,387
Retained earnings	36,942	40,307
Treasury stock	(6,679)	(6,682)
Total shareholders' equity	59,080	63,884
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	5,781	6,281
Deferred gains or losses on hedges	1	9
Foreign currency translation adjustment	11	(15)
Re-measurements of defined benefit plans	(327)	(301)
Total accumulated other comprehensive income	5,467	5,974
Total net assets	64,548	69,858
Total net assets and liabilities	112,661	114,572

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2018	December 31, 2019
Net sales	81,850	79,998
Cost of sales	64,145	62,916
Gross profit	17,704	17,082
Selling, general, and administrative expenses	10,053	9,662
Operating income	7,650	7,419
Non-operating income		
Interest income	19	9
Dividend income	389	418
Share of profit of entities accounted for using equity method	29	28
Foreign exchange income	234	-
Other	87	145
Total non-operating income	760	601
Non-operating expenses		
Interest expenses	79	71
Foreign exchange losses	-	48
Other	76	22
Total non-operating expenses	155	142
Ordinary income	8,255	7,879
Extraordinary income		
Gain on sales of noncurrent assets	139	0
Other	-	178
Total extraordinary income	139	179
Extraordinary loss		
Loss on retirement of noncurrent assets	288	216
Loss on valuation of investment securities	-	354
Loss on valuation of shares of subsidiaries and associates	-	252
Other	-	3
Total extraordinary loss	288	827
Income before income taxes	8,106	7,231
Income taxes - current	2,492	1,946
Income taxes - deferred	(4)	340
Total income taxes	2,487	2,286
Net income	5,618	4,944
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of parent	5,618	4,944

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2018	December 31, 2019
Net income	5,618	4,944
Other comprehensive income		
Unrealized gain on available-for-sale securities	(2,528)	500
Deferred gains or losses on hedges	39	7
Foreign currency translation adjustments	(11)	(27)
Re-measurements of defined benefit plans	24	26
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total	(2,476)	507
Comprehensive income	3,141	5,451
Comprehensive income attributable to:		
Owners of parent	3,141	5,451
Non-controlling interests	—	—

6. Notes to the Consolidated Financial Statements

(1) Going concern assumption: None

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

(3) Segment Information

Nine months ended December 31, 2018

(Millions of yen)

	Net sales			Segment income ^{*2}
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	36,893	17	36,911	4,257
Functional Chemical Products	32,278	50	32,329	4,065
Housing Facilities and Others	12,678	413	13,091	239
Subtotal	81,850	481	82,331	8,561
Adjustments ^{*1}	—	(481)	(481)	(911)
Total	81,850	—	81,850	7,650

Notes 1: Adjustments of segment income of ¥(911) 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, 2019

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	36,173	14	36,187	3,709
Functional Chemical Products	31,245	67	31,313	4,233
Housing Facilities and Others	12,579	606	13,186	358
Subtotal	79,998	689	80,687	8,301
Adjustments *1	—	(689)	(689)	(881)
Total	79,998	—	79,998	7,419

Notes 1: Adjustments of segment income of ¥(881) 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.