

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended September 30, 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>
 Representative: Kenshi Terada, Representative Director, President & Chief Executive Officer
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Scheduled date of filing of quarterly securities report: November 9, 2020
 Scheduled date of commencement of dividend payment: December 4, 2020
 Supplementary materials prepared for the financial results: Yes
 Quarterly financial results briefings: Yes (for institutional investors and investment analysts)

1. Consolidated Financial Results

(Amounts are rounded down to the nearest million yen)

(1) Results of Operations

		Six Months Ended			
		September 30, 2020		September 30, 2019	
			Change *		Change *
Net sales	Millions of yen	45,178	(14.8)%	53,026	0.7%
Operating income	Millions of yen	3,497	(29.4)%	4,952	14.7%
Ordinary income	Millions of yen	3,698	(28.7)%	5,190	5.8%
Net income	Millions of yen	2,474	(22.5)%	3,191	(4.9)%
Comprehensive income	Millions of yen	4,023	51.2%	2,660	(34.9)%
Net income per share	Yen	104.60	-	136.24	-
Diluted net income per share	Yen	93.09	-	119.83	-

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

(2) Financial Condition

		September 30, 2020	March 31, 2020
Total assets	Millions of yen	110,658	110,851
Net assets	Millions of yen	71,715	69,121
Equity	Millions of yen	71,712	69,121
Equity ratio	%	64.8	62.4

2. Dividends

	Year ending Mar. 31, 2021 (Forecast)	Year ending Mar. 31, 2021	Year ended Mar. 31, 2020
End of first quarter		—	—
End of second quarter		32.50	32.50
End of third quarter	—		—
End of fourth quarter	32.50		32.50
Full year	65.00		65.00

Note: Changes from the most recently published forecast of dividends: No

3. Earnings Forecast for the fiscal year ending March 31, 2021

		Full-year	
			Change*
Net sales	Millions of yen	96,000	(9.0)%
Operating income	Millions of yen	8,000	(17.5)%
Ordinary income	Millions of yen	8,400	(18.6)%
Net income	Millions of yen	5,700	(12.4)%
Earnings per share	Yen	240.22	-

Note: Changes from the most recently published forecast of financial results: No

* 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 September 30, 2020:	26,731,415	shares
As of March 31, 2020:	26,731,415	shares
 - 2) Number of treasury shares at the end of period

As of September 30, 2020:	3,277,764	shares
As of March 31, 2020:	3,002,722	shares
 - 3) Average number of shares outstanding in each period

Six months ended September 30, 2020	23,655,604	shares
Six months ended September 30, 2019	23,421,818	shares

* Review procedures

This financial results are not subject to the review procedures performed by certified public accountants or an audit firm.

* Earnings 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 six months ended September 30, 2020, severe economic situation continued in Japan, due to restrictions on economic activities by the Novel Coronavirus. The economic outlook remains uncertain, although the economy is expected to move toward picking up, supported by the resumption of economic activities.

Under the circumstances, in the last year of the Medium-Term Management Plan "BRIGHT - 2020", Osaka Soda Group continued to take specific measures based on three basic policies, "Creating new growth engines", "Establishing a profitable global business", and "Completing business structural reforms".

As a result, net sales were ¥45,178 million, a decrease of 14.8% compared to the same period of fiscal 2019. Operating income was ¥3,497 million, a decrease of 29.4% compared to the same period of fiscal 2019. Ordinary income was ¥3,698 million, a decrease of 28.7% compared to the same period of fiscal 2019. Net income attributable to owners of parent was ¥2,474 million, a decrease of 22.5% compared to the same period of fiscal 2019.

The following is a summary of reporting segments.

Basic Chemical Products

In **Chlor-Alkali**, net sales decreased due to downturn in domestic demand affected by Novel Coronavirus.

In **Epichlorohydrin**, net sales decreased due to downturn in demand as a whole, though steady growth in electronics materials.

As a result, Basic Chemical Products reported net sales of ¥19,925 million, down 19.1% compared to the same period of fiscal 2019.

Functional Chemical Products

In **Diallyl Phthalate Resin**, net sales decreased due to decline in demand for commercial ink particularly in Japan, Europe, and the United States.

In **Allyl Ethers**, net sales increased due to continued volume growth in overseas market despite a downturn in demand in some areas.

In **Synthetic Rubber related products, Epichlorohydrin Rubber** was affected by a sharp drop in production volume due to the temporary shutdown of automobile production facilities worldwide. **Acrylic Rubber** was adopted by customers particularly in China and Europe.

In **Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)**, demand for diabetes treatment drugs grew in Eastern Europe and India.

In **Active Pharmaceutical Ingredients (API) and their Intermediates**, net sales expanded due to sales in intermediate for anti-tuberculosis, insomnia treatment intermediate and dementia therapeutics intermediate.

As a result, Functional Chemical Products reported net sales of ¥18,634 million, down 9.6% compared to the same period of fiscal 2019.

Housing Facilities and Others

Net sales were ¥6,618 million, down 14.8% compared to the same period of fiscal 2019, due to continued sluggish sales in construction materials.

(2) Financial Condition

Assets

Current assets were ¥68,578 million, a decrease of 1.9% since March 31, 2020. The decrease was due primarily to a decrease of ¥4,073 million in notes and accounts receivable-trade, an increase of ¥2,117 million in *cash and deposits*.

Noncurrent assets were ¥42,079 million, an increase of 2.7% since March 31, 2020. The increase was due

primarily to an increase of ¥2,237 million in investment securities, a decrease of ¥930 million in property, plant, and equipment and a decrease of ¥103 million in goodwill respectively.

As a result, **Total assets** were ¥110,658 million as of September 30, 2020, a decrease of 0.2% since March 31, 2020.

Liabilities

Current liabilities were ¥24,454 million, a decrease of 8.3% since March 31, 2020. The decrease was due primarily to a decrease of ¥1,799 million in notes and accounts payable-trade and a decrease of ¥595 million in *short term loans payable* respectively.

Noncurrent liabilities were ¥14,488 million, a decrease of 3.9% since March 31, 2020. The decrease was due primarily to a decrease of ¥1,263 million in *bonds with subscription rights to shares*, an increase of ¥747 million in *deferred tax liabilities*.

As a result, **Total liabilities** were ¥38,942 million as of September 30, 2020, a decrease of 6.7% since March 31, 2020.

Net assets

Net assets were ¥71,715 million as of September 30, 2020, an increase of 3.8% since March 31, 2020.

(3) Cash Flows

As of September 30, 2020, cash and cash equivalents were ¥32,015 million, an increase of ¥3,116 million since March 31, 2020.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥6,638 million, due primarily to ¥3,606 million in *income before income taxes*, ¥1,849 million in *depreciation*, and a decrease of ¥1,122 million in *income tax paid*.

Cash flows from investing activities

Net cash used in investing activities totaled ¥136 million, due primarily to purchase of ¥491 million for purchase of *property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,341 million, due primarily to redemption of ¥1,263 in *bonds with subscription rights to shares*, payment of ¥771 million in *cash dividends*, purchase of ¥677 million in treasury shares, and repayment of ¥595 million in *short term loans payable*.

(4) Annual 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, 2021” dated on May 11, 2020.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2020	September 30, 2020
Assets		
<i>Current assets</i>		
Cash and deposits	15,099	17,216
Notes and accounts receivable-trade	25,641	21,567
Electrically recorded monetary claims	3,096	3,171
Short term investment securities	14,299	14,798
Merchandise and finished goods	6,901	7,409
Work in process	1,368	1,543
Raw materials and supplies	2,268	2,144
Other current assets	1,296	825
Less: Allowance for doubtful accounts	(100)	(100)
Total current assets	<u>69,871</u>	<u>68,578</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Property, plant, and equipment – Net	10,110	9,498
Other – Net	11,743	11,423
Total property, plant and equipment	<u>21,853</u>	<u>20,922</u>
Intangible assets		
Goodwill	681	589
Other	346	334
Total intangible assets	<u>1,027</u>	<u>924</u>
Investments and other assets		
Investment securities	16,803	19,040
Deferred tax assets	368	310
Other	933	888
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>18,099</u>	<u>20,233</u>
Total noncurrent assets	<u>40,980</u>	<u>42,079</u>
Total assets	<u>110,851</u>	<u>110,658</u>

CONSOLIDATED BALANCE SHEETS (Continued)

(Millions of yen)

	March 31, 2020	September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable- trade	13,159	11,359
Short term loans payable	7,767	7,172
Income taxes payable	1,278	1,162
Provision for bonuses	911	895
Current portion of bonds with subscription rights to shares	-	-
Other current liabilities	3,543	3,864
Total current liabilities	<u>26,660</u>	<u>24,454</u>
Noncurrent liabilities		
Bonds with subscription rights to shares	10,000	8,737
Deferred tax liability	436	1,183
Provision for directors retirement benefits	281	15
Net defined benefit liability	3,265	3,252
Other noncurrent liabilities	1,085	1,299
Total noncurrent liabilities	<u>15,069</u>	<u>14,488</u>
Total liabilities	<u>41,730</u>	<u>38,942</u>
Net assets		
Shareholders' equity		
Capital stock	15,870	15,870
Capital surplus	14,387	14,388
Retained earnings	41,870	43,573
Treasury stock	(6,682)	(7,345)
Total shareholders' equity	<u>65,446</u>	<u>66,487</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,177	5,741
Deferred gains or losses on hedges	8	0
Foreign currency translation adjustments	7	(18)
Re-measurements of defined benefit plans	(518)	(498)
Total accumulated other comprehensive income	<u>3,674</u>	<u>5,224</u>
Non-controlling interests	-	3
Total net assets	<u>69,121</u>	<u>71,715</u>
Total net assets and liabilities	<u>110,851</u>	<u>110,658</u>

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2019	September 30, 2020
Net sales	53,026	45,178
Cost of sales	41,583	35,483
Gross profit	11,443	9,695
Selling, general, and administrative expenses	6,490	6,197
Operating income	4,952	3,497
<i>Non-operating income</i>		
Interest income	2	7
Dividend income	258	275
Share of profit of entities accounted for using equity method	20	-
Other	120	49
Total non-operating income	402	333
<i>Non-operating expenses</i>		
Interest expenses	48	43
Share of loss of entities accounted for using equity method	-	15
Foreign exchange loss	95	63
Other	21	10
Total non-operating expenses	164	132
Ordinary income	5,190	3,698
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	0	-
Gain on sales of investment securities	178	-
Total extraordinary income	179	-
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	83	92
Loss on valuation of investment securities	375	-
Loss on valuation of shares of subsidiaries	251	-
Other	3	-
Total extraordinary loss	713	92
Income before income taxes	4,655	3,606
Income taxes - current	1,302	1,025
Income taxes - deferred	162	107
Total income taxes	1,464	1,132
Net income	3,191	2,474
Net income attributable to non-controlling interests	-	(0)
Net income attributable to owners of parent	3,191	2,474

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2019	September 30, 2020
Net income	3,191	2,474
Other comprehensive income		
Unrealized gain on available-for-sale securities	(551)	1,563
Deferred gains or losses on hedges	18	(8)
Foreign currency translation adjustments	(15)	(22)
Re-measurements of defined benefit plans	17	19
Share of other comprehensive income of entities accounted for using equity method	(0)	(3)
Total	(530)	1,549
Comprehensive income	2,660	4,023
Comprehensive income attributable to:		
Owners of parent	2,660	4,023
Minority interests	—	(0)

CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2019	September 30, 2020
Cash flows from operating activities		
Income (loss) before income taxes	4,655	3,606
Depreciation	1,761	1,849
Amortization of goodwill	91	91
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	10	(15)
Increase (decrease) in provision for directors' retirement benefits	(412)	(266)
Increase (decrease) in allowance for retirement benefits for employees	(28)	(13)
Interest and dividend income	(261)	(283)
Interest expenses	48	43
Foreign exchange losses (gains)	43	18
Loss on retirement of non-current assets	83	92
Loss (gain) on sales of non-current assets	2	-
Loss (gain) on sales of short-term and long-term investment securities	(178)	-
Loss on valuation of shares of subsidiaries and associates	251	-
Decrease (increase) in notes and accounts receivable-trade	3,328	3,969
Decrease (increase) in inventories	(595)	(562)
Increase (decrease) in notes and accounts payable-trade	(1,387)	(1,763)
Loss (gain) on valuation of short-term and long term investment securities	375	-
Share of loss (profit) of entities accounted for using equity method	(20)	15
Other, net	(382)	731
Subtotal	7,385	7,511
Interest and dividend income received	273	293
Interest expenses paid	(54)	(43)
Income taxes paid	(2,141)	(1,122)
Net cash provided by (used in) operating activities	5,463	6,638

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2019	September 30, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,821)	(491)
Proceeds from sales of property, plant and equipment	17	-
Purchase of intangible assets	(3)	(51)
Proceeds from redemption of securities	-	500
Purchase of investment securities	(10)	(8)
Proceeds from sales and redemption of investment securities	299	-
Other, net	(73)	(85)
Net cash provided by (used in) investing activities	(1,592)	(136)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	(595)
Redemption of bonds	(23)	(1,263)
Purchase of treasury shares	(2)	(677)
Cash dividends paid	(808)	(771)
Other, net	(38)	(34)
Net cash provided by (used in) financing activities	(871)	(3,341)
Effect of exchange rate change on cash and cash equivalents	(59)	(44)
Net increase (decrease) in cash and cash equivalents	2,940	3,116
Cash and cash equivalents at beginning of period	24,376	28,899
Cash and cash equivalents at end of period	27,316	32,015

6. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Notes on significant changes in shareholders' equity: None

(3) Segment information

Six months ended September 30, 2019

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	24,643	20,610	7,772	53,026	—	53,026
Intersegment sales or reclassifications	12	33	401	446	(446)	—
Total	24,656	20,643	8,173	53,473	(446)	53,026
Segment income	2,621	2,702	215	5,539	(586)	4,952

Notes 1: Adjustments of segment income of ¥(586) 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.

Six months ended September 30, 2020

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	19,925	18,634	6,618	45,178	—	45,178
Intersegment sales or reclassifications	14	72	155	242	(242)	—
Total	19,940	18,706	6,774	45,420	(242)	45,178
Segment income	1,683	2,317	110	4,111	(613)	3,497

Notes 1: Adjustments of segment income of ¥(613) 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.