

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

February 10, 2023

Consolidated Financial Results for the Nine Months Ended December 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
 Inquiries: Toru Imamura, General Manager, Administration Division
 Telephone: +81-6-6110-1560
 Scheduled date to file quarterly securities report: February 13, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(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	%
Nine months ended								
December 31, 2022	77,705	19.0	13,951	41.8	14,956	40.7	10,334	36.9
December 31, 2021	65,320	—	9,840	56.6	10,627	63.5	7,550	73.4

Note: Comprehensive income For the Nine months ended December 31, 2022: ¥11,633 million [89.3%]
 For the Nine months ended December 31, 2021: ¥6,144 million [(16.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2022	422.93	—
December 31, 2021	323.65	290.71

Note1: The Company has applied ASBJ Statement No. 29 “Accounting Standard for Revenue Recognition”, etc. from the beginning of the previous fiscal year. Therefore, the figures for the Nine months ended December 31, 2021 represent amounts after the application of the said accounting standard, etc. and year over year increases/decreases (%) are not provided.

Note2: The amount of diluted earnings per share for the nine months ended December 31, 2022, is not provided because there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2022	139,002	100,760	72.5
March 31, 2022	129,159	83,896	64.9

Reference: Equity
 As of December 31, 2022: ¥100,730 million
 As of March 31, 2022: ¥83,872 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	35.00	—	45.00	80.00
Fiscal year ending March 31, 2023	—	45.00	—		
Fiscal year ending March 31, 2023 (Forecast)			—	45.00	90.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial results 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
Full year	98,000	11.3	15,700	26.6	16,900	25.8	11,700	23.9	501.97

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2022	26,732,017 shares
As of March 31, 2022	26,732,017 shares

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

As of December 31, 2022	1,047,280 shares
As of March 31, 2022	3,399,626 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	24,436,157 shares
Nine months ended December 31, 2021	23,329,382 shares

* Quarterly financial results reports are exempt from quarterly review 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. Qualitative Information Concerning Results for the Nine months ended December 31, 2022 (3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts" on page 3 of the attached documents.

(Attached Documents)

INDEX

1. Qualitative Information Concerning Results for the Nine months ended December 31, 2022	2
(1) Analysis of Operating Results	2
(2) Analysis of Financial Position	3
(3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts	3
2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Premise of Going Concern)	8
(Notes on Major Changes in Shareholders' Equity)	8
(Segment Information and Other Items)	9

1. Qualitative Information Concerning Results for the Nine months ended December 31, 2022

(1) Analysis of Operating Results

During the nine months ended December 31, 2022, the Japanese economy continued to show signs of recovery as restrictions on activities continued to be eased amid the transition to living with COVID-19. Although it is expected that the economy will continue to recover going forward, the outlook is uncertain owing to the impact of factors such as supply constraints and rising raw material and fuel prices, as well as the prolonging of the situation in Ukraine, the stagnation in economic activities caused by the spread of COVID-19 in China, rapid fluctuations in foreign exchange rates, and the global progression of inflation.

Under these circumstances, the Osaka Soda Group entered the final fiscal year of its seventh medium-term management plan, "EMPOWER THE NEXT-22," and worked together as a company to implement 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 nine months ended December 31, 2022, in the Basic chemicals business, we continued focusing on implementing more price revisions in response to rising raw material and fuel prices, while also engaging in replacement investment aimed at enhancing production efficiency, and cost reductions. In the Functional chemicals business, we further promoted the expansion of sales of Allyl Ethers, for which we strengthened our production systems in the previous fiscal year. In the Healthcare business, we are making capital investments in facilities related to active pharmaceutical ingredients (APIs) and their intermediates, as well as pharmaceutical purification materials, and we aim to complete these investments during the current fiscal year.

In relation to the "promotion of market-in-type development," we are making progress on the development of ultra-high ionic conductive polymers for all-solid batteries, which was selected as a Green Innovation Fund Project by NEDO.

In terms of our "efforts to achieve the SDGs," the Sustainability Committee began its activities, and we are promoting efforts to achieve the KPIs we have set.

As a result of the above, net sales for the nine months ended December 31, 2022, increased 19.0% year on year to ¥77,705 million. In terms of income, operating income increased 41.8% year-on-year to ¥13,951 million, ordinary income increased 40.7% to ¥14,956 million, and net income attributable to owners of the parent increased 36.9% to ¥10,334 million, meaning that the Company recorded its highest ever results at each level of profit for the first nine months of the consolidated fiscal year, by a significant margin, and also exceeded its highest ever profit for the year.

An overview of conditions in each segment is as follows.

< Basic chemicals >

In Chlor-Alkali, despite the impact of rising raw material and fuel prices, particularly in relation to Caustic Soda, net sales increased thanks partly to price revisions.

In Epichlorohydrin, although demand fell going into the third quarter, net sales increased thanks partly to price revisions associated with rising raw material and fuel prices and the impact of foreign exchange.

As a result of the above, net sales in the Basic chemicals business increased 22.1% year on year to ¥33,593 million.

< Functional chemicals >

In the synthetic rubber business, net sales of Epichlorohydrin Rubber increased, particularly to customers in Asia, partly because the number of automobiles being produced globally began to increase. Net sales of Acrylic Rubber increased, particularly to customers in Asia, as it was adopted for new applications in Japan and overseas.

Net sales of DAP resin increased thanks to higher sales, particularly for insulating varnish applications in Europe and China. Net sales of Allyl Ethers increased thanks to progress on expanding sales of Silane coupling agents, particularly for paint and electronic materials applications in Europe and the US, as well the impact of foreign exchange.

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 intermediates for treatments for diabetes complications, intermediates for insomnia treatments, and APIs for osteoporosis.

As a result of the above, net sales in the Functional chemicals business increased 16.4% year on year to ¥39,030 million.

< Housing facilities and others >

Net sales in the Housing facilities and others business increased 19.1% year on year to ¥5,081 million as a result of robust sales of Housing Facilities.

(2) Analysis of Financial Position

(Assets)

Current assets were ¥89,617 million, an increase of 9.1% since March 31, 2022. The increase was due primarily to increases of ¥3,409 million in notes and accounts receivable-trade, and contract assets, ¥2,410 million in electronically recorded monetary claims, and ¥1,529 million in merchandise and finished goods.

Noncurrent assets were ¥49,385 million, an increase of 5.0% since March 31, 2022. The increase was due primarily to an increase of ¥2,347 million in investment securities, while property, plant and equipment decreased ¥5 million.

As a result, total assets as of December 31, 2022, were ¥139,002 million, an increase of 7.6% since March 31, 2022.

(Liabilities)

Current liabilities were ¥32,363 million, a decrease of 18.8% since March 31, 2022. The decrease was due primarily a decrease of ¥8,733 million in current portion of bonds with subscription rights to shares, while notes and accounts payable-trade increased ¥2,649 million.

Noncurrent liabilities were ¥5,878 million, an increase of 8.6% since March 31, 2022. The increase was due primarily to an increase of ¥627 million yen in deferred tax liabilities.

As a result, liabilities as of December 31, 2022, were ¥38,242 million, a decrease of 15.5% since March 31, 2022.

(Net assets)

Net assets as of December 31, 2022, were ¥100,760 million, an increase of 20.1% since March 31, 2022. The increase was due primarily to increase of ¥8,117 million in retained earnings and ¥2,618 million in capital surplus, while treasury stock decreased ¥4,828 million.

(3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts

There are no changes to the earnings forecasts for the fiscal year ending March 31, 2023 announced on August 5, 2022. If there are any changes in the future, the Company will appropriately disclose information to that effect.

2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements
(1) Consolidated Balance Sheets

	(Millions of yen)	
	<u>As of</u>	
	March 31, 2022	December 31, 2022
Assets		
<i>Current assets</i>		
Cash and deposits	16,517	13,623
Notes and accounts receivable-trade, and contract assets	26,920	30,329
Electronically recorded monetary claims	3,434	5,844
Short term investment securities	20,499	21,998
Merchandise and finished goods	7,703	9,233
Work in process	2,191	2,817
Raw materials and supplies	2,628	3,746
Other current assets	2,326	2,027
Less: Allowance for doubtful accounts	(79)	(3)
Total current assets	<u>82,142</u>	<u>89,617</u>
<i>Noncurrent assets</i>		
Property, plant and equipment		
Buildings and structures – Net	6,669	6,630
Machinery, equipment, and vehicles – Net	11,605	11,269
Land	2,305	2,305
Lease assets, net-PPE	674	642
Construction in progress	1,861	2,304
Other – Net	478	437
Total property, plant and equipment	<u>23,594</u>	<u>23,588</u>
Intangible assets		
Goodwill	315	231
Software	155	104
Other	79	149
Total intangible assets	<u>550</u>	<u>485</u>
Investments and other assets		
Investment securities	21,677	24,025
Deferred tax assets	450	606
Long-term loans receivable	18	15
Other, net	732	767
Less: Allowance for doubtful accounts	(7)	(104)
Total investment and other assets	<u>22,871</u>	<u>25,310</u>
Total noncurrent assets	<u>47,016</u>	<u>49,385</u>
Total assets	<u>129,159</u>	<u>139,002</u>

(Millions of yen)

	As of	
	March 31, 2022	December 31, 2022
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	14,229	16,878
Short term loans payable	7,172	7,172
Income taxes payable	2,990	2,240
Provision for bonuses	968	450
Current portion of bonds with subscription rights to shares	8,733	—
Other current liabilities	5,756	5,622
Total current liabilities	39,850	32,363
<i>Noncurrent liabilities</i>		
Lease liabilities	908	873
Deferred tax liabilities	1,349	1,976
Net defined benefit liability	2,733	2,647
Asset retirement obligations	166	166
Other noncurrent liabilities	254	214
Total noncurrent liabilities	5,412	5,878
Total liabilities	45,263	38,242
Net assets		
<i>Shareholders' equity</i>		
Capital stock	15,871	15,871
Capital surplus	14,391	17,009
Retained earnings	54,255	62,373
Treasury stock	(7,658)	(2,830)
Total shareholders' equity	76,859	92,424
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	6,833	7,452
Deferred gains or losses on hedges	64	(141)
Foreign currency translation adjustments	212	1,068
Re-measurements of defined benefit plans	(97)	(72)
Total accumulated other comprehensive income	7,012	8,305
<i>Non-controlling interests</i>	23	29
Total net assets	83,896	100,760
Total net assets and liabilities	129,159	139,002

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

Consolidated Statements of Income

(Millions of yen)

	<u>Nine Months ended</u>	
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Net sales	65,320	77,705
Cost of sales	45,467	53,350
Gross profit	19,852	24,355
Selling, general, and administrative expenses	10,012	10,404
Operating income	9,840	13,951
<i>Non-operating income</i>		
Interest income	7	10
Dividend income	459	557
Share of profit of entities accounted for using equity method	38	2
Foreign exchange gains	145	450
Insurance claim income	151	12
Other	78	156
Total non-operating income	881	1,189
<i>Non-operating expenses</i>		
Interest expenses	66	67
Loss on abandonment of inventories	—	93
Other	26	23
Total non-operating expenses	93	184
Ordinary income	10,627	14,956
<i>Extraordinary income</i>		
Gain on sales of investment securities	309	—
Total extraordinary income	309	—
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	92	141
Total extraordinary loss	92	141
Income before income taxes	10,844	14,814
Income taxes – current	3,343	4,188
Income taxes – deferred	(48)	291
Total income taxes	3,294	4,479
Net income	7,550	10,334
Profit attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of parents	7,550	10,334

Consolidated statements of Comprehensive Income

(Millions of yen)

	<u>Nine months ended</u>	
	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Net income	7,550	10,334
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,503)	617
Deferred gains or losses on hedges	(35)	(206)
Foreign currency translation adjustments	113	838
Re-measurements of defined benefit plans	6	25
Share of other comprehensive income of entities accounted for using equity method	14	23
Total other comprehensive income	<u>(1,405)</u>	<u>1,299</u>
Comprehensive income	<u>6,144</u>	<u>11,633</u>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,144	11,627
Comprehensive income attributable to non-controlling Interests	0	5

(3) Notes to Quarterly Consolidated Financial Statements
(Notes on Premise of Going Concern)

Not applicable

(Notes on Major Changes in Shareholders' Equity)

During the nine months ended December 31, 2022, the Company disposed of treasury stock in accordance with the exercise of subscription rights to shares attached to convertible bonds with subscription rights to shares. As a result, capital surplus increased by ¥2,614 million and treasury stock decreased by ¥6,077 million. In addition, the Company acquired 249,500 shares of treasury stock, pursuant to a resolution passed at a meeting of the Board of Directors held on November 7, 2022. As a result, during the nine months ended December 31, 2022, treasury stock increased ¥1,018 million.

(Segment Information and Other Items)

The Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(Millions of yen)

	Basic chemicals	Functional chemicals	Housing facilities and others	Total	Adjustments *1	Consolidated *2
Net sales						
Japan	22,455	16,072	4,211	42,769	—	42,769
Asia	3,668	12,146	25	15,840	—	15,840
Europe	560	4,196	—	4,757	—	4,757
Others	830	1,123	—	1,953	—	1,953
Revenue from Contracts with Customers	27,514	33,538	4,266	65,320	—	65,320
Other Revenue	—	—	—	—	—	—
External sales	27,514	33,538	4,266	65,320	—	65,320
Intersegment sales or reclassifications	71	500	1,870	2,443	(2,443)	—
Total	27,586	34,039	6,137	67,764	(2,443)	65,320
Segment income	3,791	6,574	354	10,720	(880)	9,840

Notes:

- (1) Adjustments of segment income of ¥ (880) million are corporate expenses not allocated to reportable segments. 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) Segment income is adjusted to operating income of consolidated statement of income.

The Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Millions of yen)

	Basic chemicals	Functional chemicals	Housing facilities and others	Total	Adjustments *1	Consolidated *2
Net sales						
Japan	27,273	15,794	5,071	48,140	—	48,140
Asia	4,500	15,914	10	20,425	—	20,425
Europe	571	4,551	—	5,123	—	5,123
Others	1,247	2,769	—	4,016	—	4,016
Revenue from Contracts with Customers	33,593	39,030	5,081	77,705	—	77,705
Other Revenue	—	—	—	—	—	—
External sales	33,593	39,030	5,081	77,705	—	77,705
Intersegment sales or reclassifications	110	540	882	1,533	(1,533)	—
Total	33,704	39,570	5,964	79,238	(1,533)	77,705
Segment income	4,726	9,884	327	14,938	(987)	13,951

Notes:

- (1) Adjustments of segment income of ¥ (987) 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) Segment income is adjusted to operating income of consolidated statement of income.