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February 9, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: OSAKA SODA Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4046
 URL: <http://www.osaka-soda.co.jp>
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 Scheduled date to file quarterly securities report: February 13, 2024
 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, 2023 (from April 1, 2023 to December 31, 2023)

(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, 2023	70,215	(9.6)	7,599	(45.5)	8,594	(42.5)	5,295	(48.8)
December 31, 2022	77,705	19.0	13,951	41.8	14,956	40.7	10,334	36.9

Note: Comprehensive income For the Nine months ended December 31, 2023: ¥7,829 million [(32.7)%]
 For the Nine months ended December 31, 2022: ¥11,633 million [89.3 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	208.16	—
December 31, 2022	422.93	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2023	144,646	105,094	72.7
March 31, 2023	138,029	99,543	72.1

Reference: Equity
 As of December 31, 2023: ¥105,086 million
 As of March 31, 2023: ¥99,535 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, 2023	—	45.00	—	45.00	90.00
Fiscal year ending March 31, 2024	—	45.00			
Fiscal year ending March 31, 2024 (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, 2024 (from April 1, 2023 to March 31, 2024)

(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	105,000	0.8	10,000	(35.7)	11,100	(35.3)	7,500	(29.1)	294.81

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, 2023	26,732,017 shares
As of March 31, 2023	26,732,017 shares

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

As of December 31, 2023	1,290,228 shares
As of March 31, 2023	1,291,509 shares

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

Nine months ended December 31, 2023	25,441,266 shares
Nine months ended December 31, 2022	24,436,157 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, 2023 (3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts" on page 4 of the attached documents.

(Attached Documents)

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1. Qualitative Information Concerning Results for the Nine months ended December 31, 2023

(1) Analysis of Operating Results

For the first nine months of the consolidated fiscal year, the Japanese economy continued to show signs of recovery, including an increase in inbound demand and an improvement in the state of employment, as social and economic activities moved toward normalization in line with the easing of restrictions on activities imposed as a result of COVID-19. Circumstances remained difficult, however, owing to the impact of factors such as rising raw material and fuel prices, the prolonging of the situation in Ukraine, increasing tensions in the Middle East, concerns regarding the future of the Chinese economy, and the risk that a downturn of overseas economies amidst continued global monetary tightening could put downward pressure on the domestic economy.

In light of these circumstances, our group has been steadily implementing specific measures in line with the basic policies set forth in our new medium-term management plan, Shape the Future-2025 (FY2023 to FY2025), which was announced in November of last year. The three basic policies are continuous strengthening of our base in existing businesses, strengthening of new product creation capabilities, and promotion of sustainability management.

In terms of the “continuous strengthening of our base in existing businesses,” we will work to enhance our business base by generating stable cash flows and actively investing in growth areas. In the Basic chemicals business, production of Allyl Chloride was partially suspended due to a recurrence of problems with the Allyl Chloride main manufacturing equipment. However, as of November 21, production has recovered to about 70%, and operation is currently stable. In the Functional chemicals business, despite declining demand for major products, we were able to steadily increase the sales volume of Acrylic Rubber by developing new markets. In the Healthcare business, following the decision to construct new manufacturing facilities at the Matsuyama Plant, it was also decided to construct new manufacturing facilities at the Amagasaki Plant as a second phase of expansion in order to meet the growing demand for pharmaceutical purification materials for diabetes treatments and the rapidly expanding obesity treatments. Investment plans for pharmaceutical purification materials are progressing smoothly, with construction at the Matsuyama Plant beginning in November of last year and completion scheduled for September 2024, and construction at the Amagasaki Plant beginning in January 2024 with completion scheduled for fiscal 2026. The growth strategy of the Healthcare business was highly evaluated, and our price-to-book (P/B) ratio was significantly higher than the average for TSE Prime companies (exceeding a P/B ratio of 2.0 as of the end of December 2023).

In terms of the “strengthening of new product creation capabilities,” the development of materials for next generation storage batteries, such as ultra-high ionic conductive polymers for all-solid batteries, which were selected as a NEDO Green Innovation Fund project, is progressing as originally planned. We have already begun construction of a battery research building as a new research facility, and will steadily develop our products to become the next global niche-top products.

In terms of the “promotion of sustainability management,” as an appropriate response to Japan’s Corporate Governance Code, in addition to taking steps to comply with TCFD recommendations and calculating GHG emissions, we have created a new integrated report. Additionally, we are continuing revision of the personnel system for managers which started last fiscal year and also revised the personnel system for general employees in April of last year, all in an effort to “grow together with our employees as a company” as set forth in our Vision Statement. Under the new personnel systems, we will work to further spread business reform activities, improve employee engagement, and nurture the next generation of human resources.

Due in part to the manufacturing equipment problems at the Mizushima Plant (net sales: ¥4,600 million, operating income: ¥4,600 million), net sales for the first nine months of the consolidated fiscal year were ¥70,215 million, a decrease of 9.6% year on year. In terms of profit, operating profit decreased 45.5% year on year to ¥7,599 million, ordinary profit decreased 42.5% year on year to ¥8,594 million, and profit attributable to owners of parent decreased 48.8% year on year to ¥5,295 million.

As the Healthcare business has been steadily growing as our third profitable business, starting from the first three months of the consolidated fiscal year we are changing our system to four reportable segments, namely, Basic Chemicals, Functional Chemicals, Healthcare, and Trading and Others. Accordingly, in the following year-on-year comparisons, figures for the same period of the previous fiscal year have been reclassified to the post-change segment classifications.

<Basic Chemicals>

Despite a decrease in the sales volume due to the manufacturing equipment problems at the Mizushima Plant and a decline in demand, net sales of Chlor-Alkali products increased due in part to a rise in product prices as a result of increases in raw material and fuel prices. Net sales of Epichlorohydrin decreased due to a decline in demand for epoxy resins and softer overseas market conditions, as well as sales adjustments resulting from the manufacturing equipment problems.

As a result of the above, net sales in the Basic chemicals business decreased 15.9% year on year to ¥27,229 million.

<Functional Chemicals>

In the synthetic rubbers business, net sales of Epichlorohydrin Rubber increased due to a recovery in automobile production. Net sales of Acrylic Rubber increased as it was adopted for new applications in Japan and overseas. Sales volume of DAP resin increased due to new demand in China for UV ink applications, but net sales decreased due to sluggish demand for insulating varnish applications. Sales of Allyl Ethers decreased due to a decline in demand for Silane coupling agents mainly for paint applications in Europe, the Americas, and China, as well as softening market conditions.

As a result of the above, net sales in the Functional chemicals business decreased 6.3% year on year to ¥21,397 million.

<Healthcare>

Net sales of pharmaceutical purification materials increased as demand steadily increased for applications in diabetes treatments in Europe, the Americas, and Asia. Net sales of active pharmaceutical ingredients (APIs) and their intermediates increased due to expanded sales of nucleic acid drug substances, anti-ulcer drug intermediates, and insomnia treatment drug intermediates.

As a result of the above, net sales in the Healthcare business increased 7.9% year on year to ¥8,220 million.

<Trading and Others>

While net sales for consumer products increased thanks to strong sales, net sales decreased due to sluggish sales of electronic materials and automotive products, mainly glass fiber.

As a result of the above, net sales in the Trading and others business decreased 10.0% year on year to ¥13,367 million.

(2) Analysis of Financial Position

(Assets)

Current assets were ¥92,262 million, an increase of 2.9% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥1,107 million in cash and deposits and of ¥1,913 million in electronically recorded monetary claims.

Noncurrent assets were ¥52,384 million, an increase of 8.3% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥677 million in property, plant and equipment, and an increase of ¥3,204 million in investment securities.

As a result, total assets at the end of the first nine months of the consolidated accounting period were ¥144,646 million, an increase of 4.8% compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities were ¥32,385 million, an increase of 0.2% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥3,014 million in notes and accounts payable, and a decrease of ¥3,103 million in income taxes payable.

Noncurrent liabilities were ¥7,166 million, an increase of 16.1% compared to the end of the previous fiscal year. This was mainly due to an increase of ¥1,175 million in deferred tax liabilities.

As a result, liabilities at the end of the first nine months of the consolidated accounting period were ¥39,552 million, an increase of 2.8% compared to the end of the previous fiscal year.

(Net assets)

Total assets at the end of the first nine months of the consolidated accounting period were ¥105,094 million, an increase of 5.6% compared to the end of the previous fiscal year. This was mainly due to increases of ¥3,006 million in retained earnings and ¥2,240 million in unrealized gains on other securities.

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

There is no change to the earnings forecast for the fiscal year ending March 31, 2024, which was announced on May 11, 2023. If there are any changes in the future, we will disclose them appropriately.

2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	12,844	13,951
Notes and accounts receivable - trade, and contract assets	29,290	29,526
Electronically recorded monetary claims - operating	3,826	5,739
Securities	23,998	23,998
Merchandise and finished goods	9,516	9,219
Work in process	2,602	2,568
Raw materials and supplies	3,965	5,695
Other	3,599	1,565
Allowance for doubtful accounts	(3)	(3)
Total current assets	89,640	92,262
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,721	7,284
Machinery, equipment and vehicles, net	11,239	12,111
Land	2,304	2,301
Leased assets, net	644	638
Construction in progress	3,730	3,047
Other, net	462	397
Total property, plant and equipment	25,103	25,780
Intangible assets		
Goodwill	217	175
Software	102	110
Other	320	639
Total intangible assets	639	925
Investments and other assets		
Investment securities	21,302	24,506
Deferred tax assets	677	470
Long-term loans receivable	14	12
Other	657	711
Allowance for doubtful accounts	(5)	(22)
Total investments and other assets	22,645	25,678
Total non-current assets	48,389	52,384
Total assets	138,029	144,646

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,397	17,411
Short-term borrowings	7,172	7,172
Income taxes payable	3,585	481
Provision for bonuses	928	477
Current portion of long-term borrowings	58	68
Other	6,168	6,774
Total current liabilities	32,310	32,385
Non-current liabilities		
Long-term borrowings	434	433
Lease liabilities	838	821
Deferred tax liabilities	1,709	2,884
Retirement benefit liability	2,826	2,697
Asset retirement obligations	152	150
Other	214	179
Total non-current liabilities	6,175	7,166
Total liabilities	38,485	39,552
Net assets		
Shareholders' equity		
Share capital	15,871	15,871
Capital surplus	17,009	17,014
Retained earnings	62,741	65,747
Treasury shares	(3,811)	(3,810)
Total shareholders' equity	91,812	94,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,339	9,580
Deferred gains or losses on hedges	(101)	(84)
Foreign currency translation adjustment	676	934
Remeasurements of defined benefit plans	(190)	(166)
Total accumulated other comprehensive income	7,723	10,262
Non-controlling interests	8	8
Total net assets	99,543	105,094
Total liabilities and net assets	138,029	144,646

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

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	77,705	70,215
Cost of sales	53,350	52,078
Gross profit	24,355	18,137
Selling, general and administrative expenses	10,404	10,537
Operating profit	13,951	7,599
Non-operating income		
Interest income	10	18
Dividend income	557	637
Share of profit of entities accounted for using equity method	2	15
Foreign exchange gains	450	227
Insurance claim income	12	0
Subsidy income	50	318
Other	106	111
Total non-operating income	1,189	1,327
Non-operating expenses		
Interest expenses	67	72
Loss on abandonment of inventories	93	—
Loss on tax purpose reduction entry of non-current assets	—	233
Other	23	26
Total non-operating expenses	184	332
Ordinary profit	14,956	8,594
Extraordinary income		
Gain on sale of investment securities	—	180
Gain on sale of non-current assets	—	0
Total extraordinary income	—	181
Extraordinary losses		
Impairment losses	—	430
Loss on retirement of non-current assets	141	228
Total extraordinary losses	141	659
Profit before income taxes	14,814	8,116
Income taxes - current	4,188	2,468
Income taxes - deferred	291	361
Total income taxes	4,479	2,830
Profit	10,334	5,286
Loss attributable to non-controlling interests	(0)	(9)
Profit attributable to owners of parent	10,334	5,295

Consolidated statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	10,334	5,286
Other comprehensive income		
Valuation difference on available-for-sale securities	617	2,240
Deferred gains or losses on hedges	(206)	17
Foreign currency translation adjustment	838	235
Remeasurements of defined benefit plans, net of tax	25	23
Share of other comprehensive income of entities accounted for using equity method	23	25
Total other comprehensive income	1,299	2,542
Comprehensive income	11,633	7,829
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,627	7,835
Comprehensive income attributable to non-controlling interests	5	(5)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes on Major Changes in Shareholders' Equity)

Not applicable

(Segment Information and Other Items)

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

(Millions of yen)

	Basic chemicals	Functional chemicals	Healthcare	Trading and Others	Total	Adjustments *1	Consolidated *2
Net sales							
Japan	26,193	7,299	2,740	12,048	48,282	—	48,282
China	7	6,749	1,099	1,962	9,818	—	9,818
Asia	4,368	4,052	1,272	761	10,453	—	10,453
Europe	571	2,924	1,581	45	5,123	—	5,123
Others	1,247	1,813	924	43	4,028	—	4,028
Revenue from Contracts with Customers	32,388	22,838	7,617	14,861	77,705	—	77,705
Other Revenue	—	—	—	—	—	—	—
External sales	32,388	22,838	7,617	14,861	77,705	—	77,705
Intersegment sales or reclassifications	0	528	—	3,031	3,561	(3,561)	—
Total	32,389	23,367	7,617	17,893	81,266	(3,561)	77,705
Segment income	4,790	5,823	3,622	648	14,884	(933)	13,951

Notes:

- (1) Adjustments of segment income of ¥ (933) 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.
- (2) Segment income is adjusted to operating income of consolidated statement of income.

The Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(Millions of yen)

	Basic chemicals	Functional chemicals	Healthcare	Trading and Others	Total	Adjustments *1	Consolidated *2
Net sales							
Japan	26,193	6,312	2,872	11,666	47,044	—	47,044
China	—	6,562	841	1,171	8,575	—	8,575
Asia	717	4,451	1,330	478	6,977	—	6,977
Europe	195	2,207	2,399	43	4,846	—	4,846
Others	122	1,864	776	7	2,771	—	2,771
Revenue from Contracts with Customers	27,229	21,397	8,220	13,367	70,215	—	70,215
Other Revenue	—	—	—	—	—	—	—
External sales	27,229	21,397	8,220	13,367	70,215	—	70,215
Intersegment sales or reclassifications	0	909	—	2,207	3,117	(3,117)	—
Total	27,230	22,307	8,220	15,575	73,333	(3,117)	70,215
Segment income	20	3,325	4,184	976	8,506	(906)	7,599

Notes:

- (1) Adjustments of segment income of ¥ (906) 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.
- (2) Segment income is adjusted to operating income of consolidated statement of income.

Changes in Reportable Segments

(Changes in Reportable Segment Classification)

Starting from the first three months of the accounting period, the Healthcare business, which was previously included in the Functional Chemicals segment, has been spun off as its own new segment in line with business expansion. In addition, in order to better understand the actual state of business performance, reportable segments have been changed from the three categories of Basic Chemicals, Functional Chemicals, and Housing Facilities and Others, to the four categories of Basic Chemicals, Functional Chemicals, Healthcare, and Trading and Others. Furthermore, in order to better evaluate and manage the performance of each reportable segment, we have revised the allocation method of common expenses and changed the calculation method of profit or loss for the reportable segments. The segment information for the Nine months of the pervious consolidated fiscal year is disclosed based on the post-change classification of the reportable segments.