

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended September 30, 2017
(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
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Scheduled date of filing of quarterly report: November 8, 2017

Scheduled date of commencement of dividend payment: December 6, 2017

Supplementary materials prepared for the quarterly 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, 2017 | | September 30, 2016 | |
| | Millions of yen | Change * | Millions of yen | Change * |
| Net sales | 47,989 | 4.5% | 45,917 | (8.8)% |
| Operating income | 3,451 | 6.2% | 3,248 | 5.5% |
| Ordinary income | 3,809 | 46.5% | 2,600 | (20.1)% |
| Net income | 2,494 | 41.4% | 1,764 | (10.8)% |
| Comprehensive income | 4,154 | 251.8% | 1,178 | 10.7% |

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

| | | |
|------------------------------------|--------|-------|
| Net income per share (Yen) | 118.00 | 83.73 |
| Diluted net income per share (Yen) | 95.42 | 69.48 |

Note: OSAKA SODA CO., LTD. (the "Company") will be completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017. As a result, quarterly net income per share and quarterly diluted net income per share are calculated assuming that the share consolidation was executed at the beginning of the previous fiscal year.

(2) Financial Condition

| | September 30, 2017 | | March 31, 2017 | |
|--------------|--------------------|-------|-----------------|-------|
| | Millions of yen | Ratio | Millions of yen | Ratio |
| Total assets | 116,281 | — | 101,503 | — |
| Net assets | 57,356 | — | 52,725 | — |
| Equity | 57,356 | — | 52,725 | — |
| Equity ratio | — | 49.3% | — | 51.9% |

2. Dividends

| | Year ending Mar. 31, 2018 (Forecast) | Year ending Mar. 31, 2018 | Year ended Mar. 31, 2017 |
|-----------------------|---|---------------------------|--------------------------|
| End of first quarter | | — | — |
| End of second quarter | | 5.50 | 5.00 |
| End of third quarter | — | | — |
| End of fourth quarter | — | | 6.00 |
| Full year | 27.50 | | 11.00 |

Note: The Company will be completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017. As a result, the forecast of dividend per share for the fiscal year ending March 31, 2018 is effected by the share consolidation. Calculating annual dividend for the same fiscal year ending March 31, 2018 is not possible in accordance with the Ratio.

3. Earnings Forecast for the fiscal year ending March 31, 2018

| | Full-year | |
|------------------|-----------------|---------|
| | Millions of yen | Change* |
| Net sales | 100,000 | 6.9% |
| Operating income | 7,000 | 6.3% |
| Ordinary income | 7,000 | 7.1% |
| Net income | 4,600 | 6.5% |

Note: Percent changes are year-on-year comparisons.

| | |
|--------------------------|--------|
| Earnings per share (Yen) | 218.32 |
|--------------------------|--------|

Note: The Company will be completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017. As a result, the forecast of earnings per share for the fiscal year ending March 31, 2018 is effected by the share consolidation.

* 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 September 30, 2017: 22,844,499 Shares

As of March 31, 2017: 22,354,767 Shares

2) Number of treasury shares at the end of period

As of September 30, 2017: 1,286,580 Shares

As of March 31, 2017: 1,285,645 Shares

3) Average number of shares outstanding in each period

Six months ended September 30, 2017: 21,139,395 Shares

Six months ended September 30, 2016: 21,070,157 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 six months ended September 30, 2017, Japan's economy has continued to recover moderately as a trend against the background of steady improvement in the corporate profit and employment situation, although the international situation has remained uncertain due to Trump administration's policy and geopolitical risks.

Basic Chemical Products

The cost competitiveness has been strengthened by building an efficient production system. And the sales price increases have been implemented, affecting the change of raw material and fuel cost.

Functional Chemical Products

The sales activities have been accelerated to expand market share in synthetic rubber and synthetic resins that are our core products, and we focused on the early launch of new products such as acrylic rubber.

We are cultivating the healthcare related business as a third pillar of profit. The contract manufacturing projects using special equipment have been acquired and the new business has been created in the field of active pharmaceutical ingredients and their intermediates. The new customers in Eastern Europe, China, and India have been developed in the purification of pharmaceutical products. As of August 2017, we have agreed to be transferred chromatography business from Shiseido Company, Limited. Accordingly, the integrated production system will be completed in the field of drugs purification in December 2017.

Housing Facilities and Others

The profitability has been strengthened by continuing to change the business portfolio.

As a result, net sales were ¥47,989 million, an increase of 4.5% compared to the same period of fiscal 2016. Operating income was ¥3,451 million, an increase of 6.2% compared to the same period of fiscal 2016. Ordinary income was ¥3,809 million, an increase of 46.5% compared to the same period of fiscal 2016. Net income attributable to owners of parent was ¥2,494 million, an increase of 41.4% compared to the same period of fiscal 2016.

Basic Chemical Products

In *Chlor-Alkali*, net sales increased due to continued steady shipments in caustic soda as well as implementation of sales price increase.

In *Epichlorhydrin*, net sales increased due to steady sales volume affecting overseas market conditions by improvement of supply-demand in Asia.

As a result, net sales in Basic Chemical Products were ¥21,391 million, an increase of 7.5% compared to the same period of fiscal 2016.

Functional Chemical Products

In *Epichlorhydrin Rubber*, net sales increased due to recovery in domestic demand and steady increase in shipment of automobile to Europe and China. And we enhanced sales activities in acrylic rubber.

In *Diallyl Phthalate Resin*, net sales increased due to continued favorable export sales, backed by sales expansion of high sensitivity UV inks to Europe and success in pioneering new application.

In *Allyl Ethers*, net sales increased due to continued steady export sales to USA and China mainly applied for silane coupling agents.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued favorable domestic sales in "Anti-viral drugs", "Treatment of insomnia" and "Ingredients of cosmeceuticals" as well as overseas sales in "Active pharmaceutical Ingredients of cardiogenic drug" and imported sales in generic drug substance.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased

due to continued steady sales to China applied for biopharmaceutical purification and domestic market, despite inventory adjustments by European major customers, and continued steady sales applied for analytical and purification of active pharmaceutical ingredients.

As a result, net sales in Functional Chemical Products were ¥19,437 million, an increase of 6.1% compared to the same period of fiscal 2016.

Housing Facilities and Others

Net sales in housing facilities and others were ¥7,159 million, a decrease of 7.0% compared to the same period of fiscal 2016.

(2) Financial Condition

Assets

Current assets were ¥70,874 million, a decrease of 20.7% since March 31, 2017. The increase was due primarily to an increase of ¥9,999 million in *short term investment securities*, an increase of ¥196 million in *notes and accounts receivable-trade*, an increase of ¥438 million in *electrically recorded monetary claims*.

Noncurrent assets were ¥45,406 million, an increase of 6.2% since March 31, 2017. The increase was due primarily to an increase of ¥2,303 million in *investment securities*.

As a result, **Total assets** were ¥116,281 million as of September 30, 2017, an increase of 14.6% since March 31, 2017.

Liabilities

Current liabilities were ¥32,830 million, an increase of 4.6% since March 31, 2017. The increase was due primarily to an increase of ¥2,020 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥26,094million, an increase of 50.1% since March 31, 2017. The decrease was due primarily to an increase of ¥8,879 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥58,924 million as of September 30, 2017, an increase of 20.8% since March 31, 2017.

Net assets

Net assets were ¥57,356 million as of September 30, 2017, an increase of 8.8% since March 31, 2017.

(3) Cash Flows

As of September 30, 2017, cash and cash equivalents were ¥30,321 million, an increase of ¥9,778 million compared with those as of March 31, 2017.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥3,853 million, due primarily to ¥3,620 million in *income before income taxes* and ¥1,542 million in *depreciation*, a decrease of ¥1,162 million in *income tax paid*.

Cash flows from investing activities

Net cash used in investing activities totaled ¥2,306 million, due primarily to payments of ¥2,161 million for purchase of *property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥8,044 million, due primarily to proceeds of ¥9,967 million from *the issuance of convertible bond-type bonds with subscription rights*.

(4) Earnings Forecast

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the year ended March 31, 2018" dated May 9, 2017.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

| | March 31, 2017 | September 30, 2017 |
|---------------------------------------|-------------------|-----------------------|
| Assets | | |
| <i>Current assets</i> | | |
| Cash and deposits | 11,033 | 10,882 |
| Notes and accounts receivable-trade | 25,397 | 27,357 |
| Electrically recorded monetary claims | 2,497 | 2,936 |
| Short term investment securities | 9,499 | 19,499 |
| Merchandise and finished goods | 5,743 | 6,059 |
| Work in process | 1,411 | 1,577 |
| Raw materials and supplies | 1,667 | 1,472 |
| Other current assets | 1,491 | 1,152 |
| Less: Allowance for doubtful accounts | (3) | (3) |
| Total current assets | <u>58,739</u> | <u>70,874</u> |
| <i>Noncurrent assets</i> | | |
| Property, plant, and equipment | | |
| Property, plant, and equipment - Net | 11,339 | 10,425 |
| Other - Net | 10,216 | 11,662 |
| Total property, plant and equipment | <u>21,555</u> | <u>20,088</u> |
| Intangible assets | | |
| Goodwill | 769 | 716 |
| Other | 437 | 502 |
| Total intangible assets | <u>1,207</u> | <u>1,218</u> |
| Investments and other assets | | |
| Investment securities | 18,927 | 21,260 |
| Other | 1,641 | 1,405 |
| Less: Allowance for doubtful accounts | (568) | (566) |
| Total investment and other assets | <u>20,001</u> | <u>22,099</u> |
| Total noncurrent assets | <u>42,764</u> | <u>45,406</u> |
| Total assets | <u>101,503</u> | <u>116,281</u> |

CONSOLIDATED BALANCE SHEETS (Continued)

(Millions of yen)

| | March 31, 2017 | September 30, 2017 |
|--|-------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable- trade | 13,339 | 15,359 |
| Short term loans payable | 8,880 | 8,880 |
| Current portion of long term loans payable | 2,160 | 1,760 |
| Income taxes payable | 1,311 | 1,165 |
| Provision for bonuses | 712 | 757 |
| Other current liabilities | 4,987 | 4,907 |
| Total current liabilities | 31,390 | 32,830 |
| Noncurrent liabilities | | |
| Bonds with subscription rights to shares | 9,999 | 18,878 |
| Long term loans payable | 800 | — |
| Provision for directors retirement benefits | 567 | 572 |
| Net defined benefit liability | 2,927 | 2,916 |
| Other noncurrent liabilities | 3,093 | 3,726 |
| Total noncurrent liabilities | 17,387 | 26,094 |
| Total liabilities | 48,778 | 58,924 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 10,882 | 11,443 |
| Capital surplus | 9,399 | 9,960 |
| Retained earnings | 27,964 | 29,826 |
| Treasury stock | (1,670) | (1,673) |
| Total shareholders' equity | 46,576 | 49,556 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 6,481 | 8,092 |
| Deferred gains or losses on hedges | (13) | 6 |
| Foreign currency translation adjustments | 24 | 21 |
| Re-measurements of defined benefit plans | (342) | (320) |
| Total accumulated other comprehensive income | 6,149 | 7,799 |
| Total net assets | 52,725 | 57,356 |
| Total net assets and liabilities | 101,503 | 116,281 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

| | Six Months Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2016 | September 30, 2017 |
| Net sales | 45,917 | 47,989 |
| Cost of sales | 36,837 | 38,682 |
| Gross profit | 9,079 | 9,306 |
| Selling, general, and administrative expenses | 5,831 | 5,855 |
| Operating income | 3,248 | 3,451 |
| <i>Non-operating income</i> | | |
| Interest income | 15 | 7 |
| Dividend income | 193 | 212 |
| Foreign exchange gain | — | 220 |
| Other | 41 | 45 |
| Total non-operating income | 250 | 485 |
| <i>Non-operating expenses</i> | | |
| Interest expenses | 34 | 68 |
| Bond issuance cost | — | 32 |
| Foreign exchange loss | 845 | — |
| Other | 18 | 25 |
| Total non-operating expenses | 898 | 127 |
| Ordinary income | 2,600 | 3,809 |
| <i>Extraordinary income</i> | | |
| Gain on sales of investment securities | — | 106 |
| Total extraordinary income | — | 106 |
| <i>Extraordinary loss</i> | | |
| Loss on retirement of noncurrent assets | 262 | 295 |
| Total extraordinary loss | 262 | 295 |
| Income before income taxes | 2,338 | 3,620 |
| Income taxes - current | 673 | 1,027 |
| Income taxes - deferred | (100) | 98 |
| Total income taxes | 573 | 1,125 |
| Net income | 1,764 | 2,494 |
| Net income attributable to non-controlling interests | — | — |
| Net income attributable to owners of parent | 1,764 | 2,494 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

| | <u>Six Months Ended</u> | |
|--|-------------------------|-----------------------|
| | September 30, 2016 | September 30, 2017 |
| Net income | <u>1,764</u> | <u>2,494</u> |
| Other comprehensive income | | |
| Unrealized gain on available-for-sale securities | (605) | 1,611 |
| Deferred gains or losses on hedges | 40 | 19 |
| Foreign currency translation adjustments | (51) | (3) |
| Re-measurements of defined benefit plans | 29 | 22 |
| Total | <u>(586)</u> | <u>(1,650)</u> |
| Comprehensive income | <u><u>1,178</u></u> | <u><u>4,145</u></u> |
| Comprehensive income attributable to: | | |
| Owners of parent | 1,178 | 4,145 |
| Minority interests | — | — |

CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

| | <u>Six Months Ended</u> | |
|--|-------------------------|-----------------------|
| | September 30, 2016 | September 30, 2017 |
| Cash flows from operating activities | | |
| Income (loss) before income taxes | 2,338 | 3,620 |
| Depreciation | 1,440 | 1,542 |
| Amortization of goodwill | 77 | 77 |
| Increase (decrease) in allowance for doubtful accounts | (13) | (1) |
| Increase (decrease) in provision for bonuses | 15 | 44 |
| Increase (decrease) in provision for directors' retirement benefits | (3) | 5 |
| Increase (decrease) in allowance for retirement benefits for employees | 1 | (10) |
| Interest and dividend income | (208) | (219) |
| Interest expenses | 34 | 68 |
| Foreign exchange losses (gains) | 678 | (193) |
| Loss on retirement of non-current assets | 262 | 295 |
| Loss (gain) on sales of non-current assets | — | (106) |
| Bond issuance cost | — | 32 |
| Decrease (increase) in notes and accounts receivable-trade | 934 | (2,390) |
| Decrease (increase) in inventories | 552 | (282) |
| Increase (decrease) in notes and accounts payable-trade | 210 | 2,003 |
| Other, net | (98) | 373 |
| Subtotal | 6,220 | 4,859 |
| Interest and dividend income received | 208 | 219 |
| Interest expenses paid | (35) | (63) |
| Income taxes paid | (1,254) | (1,162) |
| Net cash provided by (used in) operating activities | 5,138 | 3,853 |

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*
(Millions of yen)

| | <u>Six Months Ended</u> | |
|---|-------------------------|-----------------------|
| | September 30, 2016 | September 30, 2017 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,175) | (2,161) |
| Proceeds from sales of property, plant and equipment | — | 115 |
| Purchase of intangible assets | (97) | (178) |
| Purchase of investment securities | (252) | (9) |
| Other, net | (244) | (72) |
| Net cash provided by (used in) investing activities | (1,769) | (2,306) |
| Cash flows from financing activities | | |
| Repayments of long-term loans payable | (1,220) | (1,200) |
| Proceeds from issuance of bonds with subscription rights to shares | — | 9,967 |
| Cash dividends paid | (525) | (631) |
| Other, net | (1) | (90) |
| Net cash provided by (used in) financing activities | (1,747) | 8,044 |
| Effect of exchange rate change on cash and cash equivalents | (745) | 196 |
| Net increase (decrease) in cash and cash equivalents | 876 | 9,788 |
| Cash and cash equivalents | 19,036 | 20,532 |
| Cash and cash equivalents | 19,912 | 30,321 |

6. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption

None

(2) Notes regarding significant changes in the amount of shareholders' equity

None

(3) Segment information

Six months ended September 30, 2016

(Millions of yen)

| | Net sales | | | Segment income |
|----------------------------------|----------------|---|--------|----------------|
| | External sales | Intersegment sales or reclassifications | Total | |
| Basic Chemical Products | 19,902 | 9 | 19,912 | 498 |
| Functional Chemical Products | 18,313 | 0 | 18,314 | 3,163 |
| Housing Facilities and Others | 7,700 | 694 | 8,395 | 55 |
| Total | 45,917 | 704 | 46,622 | 3,717 |
| Adjustments *1 | — | (704) | (704) | (468) |
| Consolidated operating income *2 | 45,917 | — | 45,917 | 3,248 |

Notes 1: Adjustments of segment income of ¥(468) 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.

Six months ended September 30, 2017

(Millions of yen)

| | Net sales | | | Segment income |
|----------------------------------|----------------|---|--------|----------------|
| | External sales | Intersegment sales or reclassifications | Total | |
| Basic Chemical Products | 21,391 | 4 | 21,396 | 986 |
| Functional Chemical Products | 19,437 | 10 | 19,448 | 2,900 |
| Housing Facilities and Others | 7,159 | 606 | 7,766 | 43 |
| Total | 47,989 | 621 | 48,611 | 3,929 |
| Adjustments *1 | — | (621) | (621) | (478) |
| Consolidated operating income *2 | 47,989 | — | 47,989 | 3,451 |

Notes 1: Adjustments of segment income of ¥(478) 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.