

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended December 31, 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>
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Filing date for quarterly report: February 13, 2017
Date for commencement of dividends 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, 2017		December 31, 2016	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	74,487	7.8%	69,090	(8.5)%
Operating income	5,623	8.1%	5,201	0.1%
Ordinary income	6,143	16.6%	5,267	(2.9)%
Net income attributable to owners of parent	3,987	15.0%	3,467	5.1%
Comprehensive income	6,574	47.2%	4,466	32.4%

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

Net income per share (Yen)	187.61	164.56
Diluted net income per share (Yen)	150.07	136.53

Note: OSAKA SODA CO., LTD. (the "Company") has 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

	December 31, 2017		March 31, 2017	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	116,787	—	101,503	—
Net assets	58,848	—	52,725	—
Equity *	58,848	—	52,725	—
Equity ratio	—	50.4%	—	51.9%

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

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 yen*	5.00 yen
End of third quarter		—	—
End of fourth quarter	27.5 yen		6.00 yen
Full year	—		11.0 yen

Note: 1. Revisions of dividend forecast from the latest announcement: None

2. The Company has 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 attributable to owners of parent	4,600	6.5%

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

Earnings per share (Yen)	218.32
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Note: The Company has 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 December 31, 2017: 23,400,193 shares

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

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

As of December 31, 2017: 1,846,291 shares

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

3) Average number of shares outstanding in each period

Nine months ended December 31, 2017: 21,253,052 shares

Nine months ended December 31, 2016: 21,069,954 shares

Note: The Company has completed common shares consolidation at the rate of 5 to 1, effective October 1, 2017.

As a result, the number of outstanding shares (common stock), the number of treasury shares at the end of period,

and the average number of shares outstanding are calculated assuming that the share consolidation was executed

at the beginning of the previous fiscal year.

* 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 nine months ended December 31, 2017, Japan's economy has continued to recover moderately as a trend against the background of improvement in the employment situation and corporate profits, although the overseas outlook remains uncertain due to the policy management of the Donald Trump administration and geopolitical risk.

Basic Chemical Products

Osaka Soda Group enhanced the cost competitiveness through efficient manufacturing and increased the sales price reflecting the price change of raw materials and fuels.

Functional Chemical Products

Osaka Soda Group actively performed overseas sales activities to expand market share of major products such as synthetic rubber and synthetic resins, and focused to the launching new products such as acrylic rubber at early stage.

Osaka Soda Group put the health-care-related business as a third pillar of profit in place. In *Active Pharmaceutical Ingredients and their Intermediates*, new business were created and new projects were brought contract manufacturing services utilizing special equipment to us. In *Separation Media for in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, new customer development has been implemented in Eastern Europe, China, and India. Furthermore, purchasing chromatography business from Shiseido Company Limited in December 2017 resulted in the integration of chromatography manufacturing and expansion of sales network.

Housing Facilities and Others

Osaka Soda Group strengthened profitability through continuous change of business portfolio.

Under the circumstance, net sales were ¥74,487 million, an increase of 7.8% compared to the same period of fiscal 2016. Operating income was ¥5,623 million, which is the 5th consecutive quarterly profits, an increase of 8.1% compared to the same period of fiscal 2016. Ordinary income was ¥6,143 million, an increase of 16.6% compared to the same period of fiscal 2016. Net income attributable to owners of parent was ¥3,987 million, an increase of 15.0% compared to the same period of fiscal 2016.

Basic Chemical Products

In *Chlor-Alkali*, net sales increased due to continued steady demand as well as a price increase in sales.

In *Epichlorhydrin*, net sales increased due to continued steady volume increase as well as an improvement of overseas market conditions affected by favorable market in Asia.

As a result, net sales in Basic Chemical Products were ¥32,865 million, an increase of 8.7% compared to the same period of fiscal 2016.

Functional Chemical Products

In *Epichlorhydrin Rubber*, net sales increased due to recovery of domestic demand and the expansion of vehicle application in Asia.

In *Acrylic Rubber*, net sales increased due to product adoption by customers.

In Diallyl Phthalate Resin, net sales increased due to continued steady growth in domestic sales as well as export sales to Europe in UV printing inks.

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

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased in domestic and foreign markets, due to the sales expansion of intermediates in antiviral drugs and drugs to treat insomnia in domestic

market and continued steady increase in new projects such as intermediates in diabetic in domestic market, and due to sale in cardiogenic intermediate import and sale in generic active pharmaceutical ingredients. In *Separation Media for in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, application for analysis and purification of active pharmaceutical ingredients continued to grow steadily as well as an increase of sales to China in biopharmaceutical drugs, even though inventory adjustments caused by European customers.

As a result, net sales in Functional Chemical Products were ¥29,349 million, a decrease of 9.4% compared to the same period of fiscal 2016.

Housing Facilities and Others

Net sales were ¥12,271 million, an increase of 2.1% compared to the same period of fiscal 2016, due to steady sales in household products.

(2) Financial Condition

Assets

Current assets were ¥67,979 million, an increase of 15.7% since March 31, 2017. The increase was due primarily to an increase of ¥2,474 million in *notes and accounts receivable-trade*, an increase of ¥2,374 million in *electrically recorded monetary claims*.

Noncurrent assets were ¥48,807 million, an increase of 14.1% since March 31, 2017. The increase was due primarily to an increase of ¥3,763 million in *investment securities*.

As a result, **Total assets** were ¥116,787 million as of December 31, 2016, an increase of 15.1% since March 31, 2017.

Liabilities

Current liabilities were ¥32,434 million, an increase of 3.3% since March 31, 2017. The increase was due primarily to an increase of ¥2,414 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥25,504 million, an increase of 46.7% since March 31, 2017. The increase was due primarily to an increase of ¥767 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥57,939 million as of December 31, 2017, an increase of 18.8% since March 31, 2017.

Net assets

Net assets were ¥58,848 million as of December 31, 2017, an increase of 11.6% since March 31, 2017.

(3) 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, unaudited" dated May 9, 2017.

6. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2017	December 31, 2017
Assets		
Current assets		
Cash and deposits	11,033	13,275
Notes and accounts receivable-trade	25,397	27,872
Electrically recorded monetary claims	2,497	4,872
Short term investment securities	9,499	10,499
Merchandise and finished goods	5,743	6,489
Work in process	1,411	1,747
Raw materials and supplies	1,667	1,797
Other current assets	1,491	1,428
Less: Allowance for doubtful accounts	(3)	(3)
Total current assets	<u>58,739</u>	<u>67,979</u>
Noncurrent assets		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	11,339	10,106
Other - Net	10,216	10,343
Total property, plant and equipment	<u>21,555</u>	<u>23,450</u>
Intangible assets		
Goodwill	769	1,206
Other	437	523
Total intangible assets	<u>1,207</u>	<u>1,729</u>
Investments and other assets		
Investment securities	18,927	22,690
Other	1,641	945
Less: Allowance for doubtful accounts	(568)	(8)
Total investment and other assets	<u>20,001</u>	<u>23,627</u>
Total noncurrent assets	<u>42,764</u>	<u>48,807</u>
Total assets	<u><u>101,503</u></u>	<u><u>116,787</u></u>

CONSOLIDATED BALANCE SHEETS (Continued)

(Millions of yen)

	March 31, 2017	December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable- trade	13,339	15,754
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,160	1,280
Income taxes payable	1,311	710
Provision for bonuses	712	372
Other current liabilities	4,987	5,437
Total current liabilities	31,390	32,434
Noncurrent liabilities		
Bonds with subscription rights to shares	9,999	17,606
Long term loans payable	800	-
Provision for directors retirement benefits	567	592
Net defined benefit liability	2,927	2,988
Other noncurrent liabilities	3,093	4,317
Total noncurrent liabilities	17,387	25,504
Total liabilities	48,778	57,939
Net assets		
Shareholders' equity		
Capital stock	10,882	12,079
Capital surplus	9,399	10,596
Retained earnings	27,964	30,726
Treasury stock	(1,670)	(3,290)
Total shareholders' equity	46,576	50,111
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	6,481	9,009
Deferred gains or losses on hedges	(13)	5
Foreign currency translation adjustments	24	30
Re-measurements of defined benefit plans	(342)	(309)
Total accumulated other comprehensive income	6,149	8,736
Total net assets	52,725	58,848
Total net assets and liabilities	101,503	116,787

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2016	December 31, 2017
Net sales	69,090	74,487
Cost of sales	55,179	59,958
Gross profit	13,910	14,528
Selling, general, and administrative expenses	8,709	8,905
Operating income	5,201	5,623
<i>Non-operating income</i>		
Interest income	21	8
Dividend income	318	354
Foreign exchange income	-	277
Other	52	46
Total non-operating income	393	687
<i>Non-operating expenses</i>		
Interest expenses	48	98
Bond issuance cost	-	32
Foreign exchange loss	259	-
Other	20	35
Total non-operating expenses	328	167
Ordinary income	5,267	6,143
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	-	106
Total extraordinary income	-	106
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	410	448
Total extraordinary loss	410	448
Income before income taxes	4,856	5,801
Income taxes - current	1,385	1,411
Income taxes - deferred	3	402
Total income taxes	1,389	1,813
Net income	3,467	3,987
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of parent	3,467	3,987

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2016	December 31, 2017
Net income	3,467	3,987
Other comprehensive income		
Unrealized gain on available-for-sale securities	917	2,528
Deferred gains or losses on hedges	89	19
Foreign currency translation adjustments	(52)	6
Re-measurements of defined benefit plans	44	33
Total	999	2,587
Comprehensive income	4,466	6,574
Comprehensive income attributable to:		
Owners of parent	4,466	6,574
Non-controlling interests	—	—

7. 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, 2016

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	30,242	12	30,254	1,063
Functional Chemical Products	26,828	15	26,844	4,686
Housing Facilities and Others	12,019	1,423	13,443	143
Subtotal	69,090	1,451	70,541	5,893
Adjustments *1	—	(1,451)	(1,451)	(691)
Total	69,090	—	69,090	5,201

Notes 1: Adjustments of segment income of ¥(691) 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, 2017

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	32,865	7	32,873	1,864
Functional Chemical Products	29,349	13	29,362	4,403
Housing Facilities and Others	12,271	849	13,120	77
Subtotal	74,487	869	75,356	6,344
Adjustments *1	—	(869)	(869)	(721)
Total	74,487	—	74,487	5,623

Notes 1: Adjustments of segment income of ¥(721) 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.