

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended June 30, 2018
(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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Scheduled date of filing of quarterly securities report: Aug 7, 2018
 Scheduled date of commencement of dividend payment: —
 Supplementary materials prepared for the 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

		Three Months Ended			
		June 30, 2018		June 30, 2017	
			Change *		Change *
Net sales	Millions of yen	26,160	10.7%	23,634	4.2%
Operating income	Millions of yen	2,461	61.1%	1,528	(4.9)%
Ordinary income	Millions of yen	2,887	59.1%	1,814	92.0%
Net income	Millions of yen	2,065	68.4%	1,226	139.0%
Comprehensive income	Millions of yen	1,644	(23.3)%	2,144	- %
Net income per share	Yen	91.44	-	58.21	-
Diluted net income per share	Yen	76.71	-	48.26	-

Note:

1. Percent changes for three months are year-on-year comparisons.
2. The Company implemented the Share Consolidation on the basis that every five (5) issued Existing Shares be consolidated into one (1) Consolidated Shares on October 1, 2017. As a result, net income per share and 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

		June 30, 2018	March 31, 2018
Total assets	Millions of yen	113,030	115,020
Net assets	Millions of yen	62,279	60,953
Equity	Millions of yen	62,279	60,953
Equity ratio	%	55.1	53.0

2. Dividends

	Year ending Mar. 31, 2018 (Forecast)	Year ending Mar. 31, 2019	Year ended Mar. 31, 2018
End of first quarter		—	—
End of second quarter	30.00		5.50
End of third quarter	—		—
End of fourth quarter	30.00		30.00
Full year	60.00		—

Note:

The Company implemented the Share Consolidation on the basis that every five (5) issued Existing Shares be consolidated into one (1) Consolidated Shares on October 1, 2017. For reference, considering the Share Consolidation, the amount of annual dividend for fiscal year ended March 31, 2018 is to be ¥57.50. As a result, the amount of annual dividends for fiscal year ended March 31, 2019 will be ¥60.00, an increase of ¥2.50 substantially.

3. Earnings Forecast for the fiscal year ending March 31, 2019

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	50,000	4.2%	105,000	3.7%
Operating income	Millions of yen	3,800	10.1%	8,000	9.3%
Ordinary income	Millions of yen	3,900	2.4%	8,200	9.6%
Net income	Millions of yen	2,600	4.3%	5,400	13.0%
Earnings per share	Yen	115.11	-	239.07	-

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

* 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 June 30, 2018:	25,641,717	shares
As of March 31, 2018:	25,052,432	shares
 - 2) Number of treasury shares at the end of period

As of June 30, 2018:	2,789,587	shares
As of March 31, 2018:	2,465,710	shares

3) Average number of shares outstanding in each period

Three months ended June 30, 2018	22,583,312	shares
Three months ended June 30, 2017	21,069,182	shares

Note:

The Company implemented the Share Consolidation on the basis that every five (5) issued Existing Shares be consolidated into one (1) Consolidated Shares on October 1, 2017. As a result, 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 three months ended June 30, 2018, Japan's economy has continued its moderate recovery trend, with improvements in the employment situation and corporate profits, though the economic outlook remains uncertain on higher raw material & fuel prices and US-China trade friction's serious impact on export environment.

Under the circumstances, Osaka Soda Group has been shifting to profit oriented management, in line with the basic policies "Creating new growth engines", "Establishing a profitable global business", and "Completing business structural reforms" set forth in the mid-term management plan "BRIGHT - 2020".

Basic Chemical Products

The business achieved sales price revision in response to rising cost of raw materials and fuels. Cost down has been ongoing like that the improved electrolyzer, which is developed in-house, was introduced.

Functional Chemical Products

The market share for major products, such as *Synthetic Rubber*, *Synthetic Resin*, and *Allyl Ethers*, continued to expand for establishing a profitable global business. In addition, new growth engines were creating thanks to business expansion of Column Instruments, entry into the field of High Pharmacological Active Pharmaceutical, Acrylic Rubber launched in 2017, and "Radper" which is non phthalate type allyl resin, launched in April 2018. The improvement of productivity achieved through introduction of Internet of Things and Artificial Intelligence as business structural reforms. Also, the safe and stable operations were established and further enhancement in competitiveness was implemented.

As a result, net sales were ¥26,160 million, an increase of 10.7% compared to the same period of fiscal 2017. Operating income was ¥2,461 million, an increase of 61.1% compared to the same period of fiscal 2017. Ordinary income was ¥2,887 million, an increase of 59.1% compared to the same period of fiscal 2017. Net income attributable to owners of parent was ¥2,065 million, an increase of 68.4% compared to the same period of fiscal 2017. Net sales and all three levels of profit posted record high.

The following is a summary of reporting segments.

Basic Chemical Products

In *Chlor-Alkali*, net sales increased due to continued steady demand as well as the sale of new grade inorganic chemical.

In *Epichlorohydrin*, net sales increased as a result of ongoing tightness in Asia's supply/demand fundamentals as well as sales price revision in response to rising cost of raw materials and fuels.

As a result, Basic Chemical Products reported net sales of ¥12,142 million, up 21.2% compared to the same period of fiscal 2017.

Functional Chemical Products

In *Allyl Ethers*, net sales increased due to continued solid growth of domestic sales and export to Europe for silane coupling agent.

In *Diallyl Phthalate Resin*, net sales increased due to growth in domestic sales of UV Inks and expansion in demand of pipeline repair to U.S. market.

In *Epichlorohydrin Rubber*, domestic sales maintained solid growth due to boost adoption of automotive parts, *Acrylic Rubber* was adopted for automotive parts in domestic and overseas market.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, domestic sales maintained solid growth for analytical use. In Column Chromatography and Analytical Instruments, both of business maintained favorable export sales to China for Column Chromatography and Korea for Analytical

Instruments respectively.

In **Active Pharmaceutical Ingredients (API) and their Intermediates**, new pharmaceutical intermediates to overseas market, veterinary API to domestic market, and new development projects from domestic pharmaceutical companies maintained steady growth. In addition, we focused on expanding business domain such as domestic sales of imported generic drugs.

As a result, Functional Chemical Products reported net sales of ¥10,297 million, up 6.3% compared to the same period of fiscal 2017.

Housing Facilities and Others

Net sales were ¥3,720 million, down 5.4% compared to the same period of fiscal 2017.

(2) Financial Condition

Assets

Current assets were ¥65,143 million, a decrease of 1.4% since March 31, 2018. The decrease was due primarily to a decrease of ¥275 million in *cash and deposits*.

Noncurrent assets were ¥47,887 million, a decrease of 2.2% since March 31, 2018. The decrease was due primarily to an increase of ¥658 million in *investment securities*.

As a result, **Total assets** were ¥113,030 million, a decrease of 1.7% since March 31, 2018.

Liabilities

Current liabilities were ¥31,370 million, a decrease of 5.5% since March 31, 2018. The decrease was due primarily to a decrease of ¥ 600 million in *income taxes payable*.

Noncurrent liabilities were ¥19,380 million, a decrease of 7.1% since March 31, 2018. The decrease was due primarily to a decrease of ¥1,341 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥50,750 million, a decrease of 6.1% since March 31, 2018.

Net assets

Net assets were ¥62,279 million, an increase of 2.2% since March 31, 2018.

(3) 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, 2019” dated on May 8, 2018.

5. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2018	June 30, 2018
Assets		
<i>Current assets</i>		
Cash and deposits	13,493	10,788
Notes and accounts receivable-trade	27,710	27,984
Electronically recorded monetary claims	3,845	4,565
Short term investment securities	10,499	10,499
Merchandise and finished goods	6,155	7,088
Work in process	1,608	1,743
Raw materials and supplies	1,938	1,694
Other current assets	811	780
Less: Allowance for doubtful accounts	(2)	(2)
Total current assets	<u>66,060</u>	<u>65,143</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Property, plant, and equipment - Net	10,716	11,296
Other - Net	12,878	11,990
Total property, plant and equipment	<u>23,595</u>	<u>23,287</u>
Intangible assets		
Goodwill	975	933
Other	623	585
Total intangible assets	<u>1,599</u>	<u>1,518</u>
Investments and other assets		
Investment securities	22,684	22,030
Deferred tax assets	305	290
Other, net	781	766
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>23,764</u>	<u>23,081</u>
Total noncurrent assets	<u>48,959</u>	<u>47,887</u>
Total assets	<u>115,020</u>	<u>113,030</u>

CONSOLIDATED BALANCE SHEETS *(Continued)*
(Millions of yen)

	March 31, 2018	June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable- trade	15,522	16,262
Short term loans payable	8,880	8,880
Current portion of long term loans payable	800	400
Income taxes payable	1,444	843
Provision for bonuses	792	434
Other current liabilities	5,767	4,550
Total current liabilities	33,206	31,370
Noncurrent liabilities		
Bonds with subscription rights to shares	13,824	12,483
Deferred tax liabilities	2,192	2,112
Provision for directors retirement benefits	611	597
Net defined benefit liability	3,004	2,976
Other noncurrent liabilities	1,226	1,210
Total noncurrent liabilities	20,859	19,380
Total liabilities	54,066	50,750
Net assets		
Shareholders' equity		
Capital stock	13,970	14,640
Capital surplus	12,487	13,157
Retained earnings	31,517	32,905
Treasury stock	(5,037)	(6,018)
Total shareholders' equity	52,938	54,684
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,332	7,871
Deferred gains or losses on hedges	(40)	17
Foreign currency translation adjustments	41	16
Re-measurements of defined benefit plans	(317)	(309)
Total accumulated other comprehensive income	8,015	7,594
Total net assets	60,953	62,279
Total net assets and liabilities	115,020	113,030

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2017	June 30, 2018
Net sales	23,634	26,160
Cost of sales	19,297	20,458
Gross profit	4,337	5,701
Selling, general, and administrative expenses	2,808	3,239
Operating income	1,528	2,461
<i>Non-operating income</i>		
Interest income	6	3
Dividend income	197	227
Share of profit of entities accounted for using equity method	—	10
Foreign exchange gain	116	183
Other	11	43
Total non-operating income	331	468
<i>Non-operating expenses</i>		
Interest expenses	39	27
Other	6	14
Total non-operating expenses	45	42
Ordinary income	1,814	2,887
<i>Extraordinary income</i>		
Gain on sales of investment securities	106	137
Total extraordinary income	106	137
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	163	95
Total extraordinary loss	163	95
Income before income taxes	1,757	2,930
Income taxes - current	266	756
Income taxes - deferred	264	108
Total income taxes	531	864
Net income	1,226	2,065
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of parent	1,226	2,065

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Three Months Ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Net income	1,226	2,065
Other comprehensive income		
Valuation difference on available-for-sale securities	907	(460)
Deferred gains or losses on hedges	7	57
Foreign currency translation adjustments	(7)	(24)
Re-measurements of defined benefit plans	11	8
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Total other comprehensive income	<u>918</u>	<u>(420)</u>
Comprehensive income	<u><u>2,144</u></u>	<u><u>1,644</u></u>
Comprehensive income attributable to:		
Owners of parent	2,144	1,644
Non-controlling interests	—	—

6. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

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

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) is adopted from the first quarter of this fiscal year. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under noncurrent liabilities.

(3) Segment information

Three months ended June 30, 2017

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	10,018	9,683	3,932	23,634	—	23,634
Intersegment sales or reclassifications	1	1	202	205	(205)	—
Total	10,019	9,634	4,135	23,839	(205)	23,634
Segment income	265	1,383	3	1,759	(230)	1,528

Notes 1: Adjustments of segment income of ¥(230) 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.

Three months ended June 30, 2018

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	12,142	10,297	3,720	26,160	—	26,160
Intersegment sales or reclassifications	4	22	143	171	(171)	—
Total	12,146	10,320	3,863	26,331	(171)	26,160
Segment income	1,444	1,235	42	2,721	(259)	2,461

Notes 1: Adjustments of segment income of ¥(259) 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.