

**OSAKA SODA CO., LTD.**  
**CONSOLIDATED FINANCIAL RESULTS**  
**For the quarterly period ended September 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>  
 Representative: Kenshi Terada, Representative Director, President & Chief Operating Officer  
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Scheduled date of filing of quarterly securities report: November 7, 2018  
 Scheduled date of commencement of dividend payment: December 5, 2018  
 Supplementary materials prepared for the 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, 2018		September 30, 2017	
			Change *		Change *
Net sales	Millions of yen	52,674	9.8%	47,989	4.5%
Operating income	Millions of yen	4,316	25.0%	3,451	6.2%
Ordinary income	Millions of yen	4,907	28.8%	3,809	46.5%
Net income	Millions of yen	3,355	34.5%	2,494	41.4%
Comprehensive income	Millions of yen	4,089	(1.3)%	4,145	251.8%
Net income per share	Yen	147.77	-	118.00	-
Diluted net income per share	Yen	125.19	-	95.42	-

Note:

1. Percent changes for six 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**

		September 30, 2018	March 31, 2018
Total assets	Millions of yen	114,920	115,020
Net assets	Millions of yen	64,958	60,953
Equity	Millions of yen	64,958	60,953
Equity ratio	%	56.5	53.0

## 2. Dividends

	Year ending Mar. 31, 2019 (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

		Full-year	
			Change*
Net sales	Millions of yen	107,000	5.7%
Operating income	Millions of yen	8,500	16.1%
Ordinary income	Millions of yen	9,200	22.9%
Net income	Millions of yen	6,100	27.7%
Earnings per share	Yen	266.86	-

Note: Percent changes for six 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 September 30, 2018:	26,035,085	shares
As of March 31, 2018:	25,052,432	shares
  - 2) Number of treasury shares at the end of period
 

As of September 30, 2018:	3,001,168	shares
As of March 31, 2018:	2,465,710	shares

3) Average number of shares outstanding in each period

Six months ended September 30, 2018	22,708,098	shares
Six months ended September 30, 2017	21,139,395	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 six months ended September 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 due to sluggish business activities affected by heavy rain and earthquake disaster, pressure on corporate profits caused by higher raw material & fuel prices and trade issues on global economy.

Under the circumstances, Osaka Soda Group has been shifting to profit oriented management, in line with the three 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 of 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. New Business Promotion Division has established to accelerate the launch of new products by integrating the function such as research of new themes, planning, management, scale-up, and market development in July 2018. Also, we have started to work on the improvement of productivity through introduction of Internet of Things and Artificial Intelligence as business structural reforms.

As a result, net sales were ¥52,674 million, an increase of 9.8% compared to the same period of fiscal 2017. Operating income was ¥4,316 million, an increase of 25.0% compared to the same period of fiscal 2017. Ordinary income was ¥4,907 million, an increase of 28.8% compared to the same period of fiscal 2017. Net income attributable to owners of parent was ¥3,355 million, an increase of 34.5% 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 price revision in caustic soda.

In ***Epichlorohydrin***, net sales increased due to tight supply-demand balance in domestic and overseas as well as the sales price revision in response to rising cost of raw materials and fuels.

As a result, Basic Chemical Products reported net sales of ¥24,314 million, up 13.7% compared to the same period of fiscal 2017.

### Functional Chemical Products

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

In ***Diallyl Phthalate Resin***, net sales increased due to growth in domestic sales of UV Inks, though slowdown in export sales.

In ***Epichlorohydrin Rubber***, domestic sales for automobile parts maintained solid growth. ***Acrylic Rubber*** was adopted for automotive parts in domestic and overseas market.

In ***Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)***, sales to India for biopharmaceutical purification continued favorable growth. ***Column Chromatography and Analytical Instruments***

maintained favorable export sales to China for Colum Chromatography and Korea for Analytical Instruments respectively.

In **Active Pharmaceutical Ingredients (API) and their Intermediates**, net sales were increased due to continued steady sales in veterinary API to domestic market, manufacturing contract ordered from pharmaceutical company, and imported sales in generic API. In addition, we started to manufacturing contract utilizing for equipment responding to high pharmacology activity.

In **Electrodes**, net sales were increased due to growing overseas demand in copper foil for electrodes applying for electrical parts and batteries.

As a result, Functional Chemical Products reported net sales of ¥21,092 million, up 8.5% compared to the same period of fiscal 2017.

#### **Housing Facilities and Others**

Net sales were ¥7,267 million, down 1.5% compared to the same period of fiscal 2017.

### **(2) Financial Condition**

#### **Assets**

**Current assets** were ¥65,991 million, a decrease of 0.1% since March 31, 2018.

**Noncurrent assets** were ¥48,928 million, a decrease of 0.1% since March 31, 2018.

As a result, **Total assets** were ¥114,920 million as of September 30, 2018, a decrease of 0.1% since March 31, 2018.

#### **Liabilities**

**Current liabilities** were ¥32,842 million, a decrease of 1.1% since March 31, 2018. The decrease was due primarily to a decrease of ¥1,113 million in *Short term loans payable* and a decrease of ¥800 million in *Current portion of long term loans payable*.

**Noncurrent liabilities** were ¥17,118million, a decrease of 17.9% since March 31, 2018. The decrease was due primarily to a decrease of ¥3,824 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥49,961 million as of September 30, 2018, a decrease of 7.6% since March 31, 2018.

#### **Net assets**

**Net assets** were ¥64,958 million as of September 30, 2018, an increase of 6.6% since March 31, 2018.

### **(3) Cash Flows**

As of September 30, 2018, cash and cash equivalents were ¥22,034 million, a decrease of ¥1,959 million compared with those as of March 31, 2018.

#### **Cash flows from operating activities**

Net cash provided by operating activities totaled ¥4,657 million, due primarily to ¥4,835 million in *income before income taxes* and ¥1,778 million in *depreciation*, an increase of ¥1,326 million in *income tax paid*.

#### **Cash flows from investing activities**

Net cash used in investing activities totaled ¥2,521 million, due primarily to purchase of ¥2,465 million for purchase of *property, plant, and equipment*.

#### **Cash flows from financing activities**

Net cash used in financing activities amounted to ¥4,280 million, due primarily to repayments of ¥1,113 million in *short term debt repayment*, *payments of ¥1,659 million in treasury shares*, and *repayments of ¥800 million in long term debt*.

#### (4) Annual Earnings Forecasts

The annual earnings forecast was revised from the previous forecast announced in the “Consolidated financial results for the year ended March 31, 2019” dated on May 8, 2018, due to continued favorable growth in Basic Chemical Products.

Annual earnings forecast revision for the fiscal ended March 31, 2019

		Previous Forecast (A)	Revised Forecast (B)	(B)-(A)	Change (%)	(Reference) Mar 31, 2018
Net sales	Millions of yen	105,000	107,000	2,000	1.9%	101,231
Operating income	Millions of yen	8,000	8,500	500	6.3%	7,318
Ordinary income	Millions of yen	8,200	9,200	1,000	12.2%	7,485
Net income	Millions of yen	5,400	6,100	700	13.0%	4,778
Earnings per share	Yen	239.07	266.86	-	-	223.24

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, net income per share is calculated assuming that the Share Consolidation was executed at the beginning of the previous fiscal year.

## 5. CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2018	September 30, 2018
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash and deposits	13,493	11,534
Notes and accounts receivable-trade	27,710	29,444
Electrically recorded monetary claims	3,845	3,023
Short term investment securities	10,499	10,499
Merchandise and finished goods	6,155	7,017
Work in process	1,608	1,943
Raw materials and supplies	1,938	1,653
Other current assets	811	876
Less: Allowance for doubtful accounts	(2)	(2)
Total current assets	<u>66,060</u>	<u>65,991</u>
<b><i>Noncurrent assets</i></b>		
Property, plant, and equipment		
Property, plant, and equipment – Net	10,716	11,087
Other – Net	12,878	11,673
Total property, plant and equipment	<u>23,595</u>	<u>22,761</u>
Intangible assets		
Goodwill	975	890
Other	623	552
Total intangible assets	<u>1,599</u>	<u>1,443</u>
Investments and other assets		
Investment securities	22,684	23,673
Deferred tax liability	305	306
Other	781	750
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>23,764</u>	<u>24,724</u>
Total noncurrent assets	<u>48,959</u>	<u>48,928</u>
<b>Total assets</b>	<u>115,020</u>	<u>114,920</u>

**CONSOLIDATED BALANCE SHEETS** *(Continued)*

(Millions of yen)

	March 31, 2018	September 30, 2018
<b>Liabilities</b>		
<b><i>Current liabilities</i></b>		
Notes and accounts payable- trade	15,522	16,642
Short term loans payable	8,880	7,767
Current portion of long term loans payable	800	—
Income taxes payable	1,444	1,797
Provision for bonuses	792	856
Current portion of bonds with subscription rights to shares	—	1,590
Other current liabilities	5,767	4,189
Total current liabilities	33,206	32,842
<b><i>Noncurrent liabilities</i></b>		
Bonds with subscription rights to shares	13,824	10,000
Deferred tax liability	2,192	2,346
Provision for directors retirement benefits	611	608
Net defined benefit liability	3,004	2,969
Other noncurrent liabilities	1,226	1,193
Total noncurrent liabilities	20,859	17,118
<b>Total liabilities</b>	54,066	49,961
<b>Net assets</b>		
<b><i>Shareholders' equity</i></b>		
Capital stock	13,970	15,087
Capital surplus	12,487	13,604
Retained earnings	31,517	34,195
Treasury stock	(5,037)	(6,678)
Total shareholders' equity	52,938	56,209
<b><i>Accumulated other comprehensive income</i></b>		
Unrealized gain on available-for-sale securities	8,332	9,005
Deferred gains or losses on hedges	(40)	28
Foreign currency translation adjustments	41	16
Re-measurements of defined benefit plans	(317)	(301)
Total accumulated other comprehensive income	8,015	8,749
<b>Total net assets</b>	60,953	64,958
<b>Total net assets and liabilities</b>	115,020	114,920



## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2017	September 30, 2018
<b>Net sales</b>	47,989	52,674
Cost of sales	38,682	41,644
<b>Gross profit</b>	9,306	11,029
Selling, general, and administrative expenses	5,855	6,713
<b>Operating income</b>	3,451	3,451
<b><i>Non-operating income</i></b>		
Interest income	7	7
Dividend income	212	244
Share of profit of entities accounted for using equity method	—	18
Foreign exchange gain	220	359
Other	45	52
Total non-operating income	485	683
<b><i>Non-operating expenses</i></b>		
Interest expenses	68	54
Bond issuance cost	32	—
Other	25	37
Total non-operating expenses	127	92
<b>Ordinary income</b>	3,809	4,907
<b><i>Extraordinary income</i></b>		
Gain on sales of investment securities	106	137
Total extraordinary income	106	137
<b><i>Extraordinary loss</i></b>		
Loss on retirement of noncurrent assets	295	209
Total extraordinary loss	295	209
<b>Income before income taxes</b>	3,620	4,835
Income taxes - current	1,027	1,670
Income taxes - deferred	98	(190)
Total income taxes	1,125	1,479
<b>Net income</b>	2,494	3,355
<b>Net income attributable to non-controlling interests</b>	—	—
<b>Net income attributable to owners of parent</b>	2,494	3,355

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2017	September 30, 2018
Net income	2,494	3,355
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,611	673
Deferred gains or losses on hedges	19	68
Foreign currency translation adjustments	(3)	(24)
Re-measurements of defined benefit plans	22	16
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Total	1,650	734
<b>Comprehensive income</b>	<b>4,145</b>	<b>4,089</b>
Comprehensive income attributable to:		
Owners of parent	4,145	4,089
Minority interests	—	—

## CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2017	September 30, 2018
Cash flows from operating activities		
Income (loss) before income taxes	3,620	4,835
Depreciation	1,542	1,778
Amortization of goodwill	77	85
Increase (decrease) in allowance for doubtful accounts	(1)	0
Increase (decrease) in provision for bonuses	44	63
Increase (decrease) in provision for directors' retirement benefits	5	(2)
Increase (decrease) in allowance for retirement benefits for employees	(10)	(35)
Interest and dividend income	(219)	(252)
Interest expenses	68	54
Foreign exchange losses (gains)	(193)	(217)
Loss on retirement of non-current assets	295	209
Loss (gain) on sales of non-current assets	(106)	(137)
Bond issuance cost	32	—
Decrease (increase) in notes and accounts receivable-trade	(2,390)	(971)
Decrease (increase) in inventories	(282)	(918)
Increase (decrease) in notes and accounts payable-trade	2,003	1,190
Share of loss (profit) of entities accounted for using equity method	—	(18)
Other, net	373	105
Subtotal	4,859	5,768
Interest and dividend income received	219	270
Interest expenses paid	(63)	(55)
Income taxes paid	(1,162)	(1,326)
Net cash provided by (used in) operating activities	3,853	4,657

**CONSOLIDATED STATEMENTS OF CASH FLOWS** *(Continued)*

(Millions of yen)

	<u>Six Months Ended</u>	
	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2018</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,161)	(2,465)
Proceeds from sales of property, plant and equipment	115	140
Purchase of intangible assets	(178)	(16)
Purchase of investment securities	(9)	(9)
Other, net	(72)	(169)
Net cash provided by (used in) investing activities	<u>(2,306)</u>	<u>(2,521)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(1,113)
Repayments of long-term loans payable	(1,200)	(800)
Proceeds from issuance of bonds with subscription rights to shares	9,967	—
Purchase of treasury shares	(2)	(1,659)
Cash dividends paid	(631)	(677)
Other, net	(88)	(30)
Net cash provided by (used in) financing activities	<u>8,044</u>	<u>(4,280)</u>
Effect of exchange rate change on cash and cash equivalents	196	185
Net increase (decrease) in cash and cash equivalents	<u>9,788</u>	<u>(1,959)</u>
Cash and cash equivalents	<u>20,532</u>	<u>23,993</u>
Cash and cash equivalents	<u>30,321</u>	<u>22,034</u>

## 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

### Six months ended September 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	21,391	19,437	7,159	47,989	—	47,989
Intersegment sales or reclassifications	4	10	606	621	(621)	—
Total	21,396	19,448	7,766	48,611	(621)	47,989
Segment income	986	2,900	43	3,929	(478)	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 has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

### Six months ended September 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	24,314	21,092	7,267	52,674	—	52,674
Intersegment sales or reclassifications	6	31	257	296	(296)	—
Total	24,321	21,123	7,525	52,971	(296)	52,674
Segment income	2,450	2,390	81	4,921	(605)	4,316

Notes 1: Adjustments of segment income of ¥(605) 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.

