

**Osaka Soda Co., Ltd.**  
**CONSOLIDATED FINANCIAL RESULTS**  
**For the quarterly period ended December 31, 2016**  
**(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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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, 2016		December 31, 2015	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	69,090	(8.5)%	75,505	1.8%
Operating income	5,201	0.1%	5,194	30.9%
Ordinary income	5,267	(2.9)%	5,424	17.6%
Net income attributable to owners of parent	3,467	5.1%	3,299	18.8%
Comprehensive income	4,466	32.4%	3,372	(29.4)%

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

Net income per share (Yen)	32.91	31.31
Diluted net income per share (Yen)	27.31	26.01

## (2) Financial Condition

	December 31, 2016		March 31, 2016	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	99,051	—	97,027	—
Net assets	51,706	—	48,296	—
Equity *	51,706	—	48,296	—
Equity ratio	—	52.2%	—	49.8%

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

## 2. Dividends

	Year ending Mar. 31, 2017 (Forecast)	Year ending Mar. 31, 2017	Year ended Mar. 31, 2016
End of first quarter		—	—
End of second quarter		5.00 yen*	5.00 yen
End of third quarter		—	—
End of fourth quarter	5.00 yen		5.00 yen
Full year	10.00 yen		10.00 yen

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

## 3. Earnings Forecast for the fiscal year ending March 31, 2017

	Full-year	
	Millions of yen	Change*
Net sales	103,000	0.9%
Operating income	6,500	0.9%
Ordinary income	6,800	5.6%
Net income attributable to owners of parent	4,300	19.2%

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

Earnings per share (Yen)	40.82
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### \* 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, 2016: 111,771,671 shares

As of March 31, 2016: 111,771,671 shares

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

As of December 31, 2016: 6,425,222 shares

As of March 31, 2016: 6,419,632 shares

3) Average number of shares outstanding in each period

Nine months ended December 31, 2016: 105,349,769 shares

Nine months ended December 31, 2015: 105,357,329 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 nine months ended December 31, 2016, Japan's economy has continued to recover moderately as a trend against the background of improvement in the employment and income situation, although the outlook remains uncertain due to the slowdown in Asia's emerging countries including China, sharp volatility in foreign currency exchange and concerns over protectionism on a global scale as a result of US presidential elections. Under the circumstance, net sales were ¥69,090 million, due to unit sales price down by negative currency effects despite continued steady shipment of products, in addition, Housing Facilities and Others, which has implemented structural reforms to improve profitability, a decrease of 8.5% compared to the same period of fiscal 2015. Operating income was ¥5,201 million, reflecting sales expansion of Functional Chemical Products, an increase of 0.1% compared to the same period of fiscal 2015. Ordinary income was ¥5,267 million, due to foreign currency translation loss, a decrease of 2.9% compared to the same period of fiscal 2015. Net income attributable to owners of parent was ¥3,467 million, an increase of 5.1% compared to the same period of fiscal 2015.

Osaka Soda Group has built the profitable structure that cannot be easily affected by environmental changes, strengthening competitiveness by cost down in Chlor-Alkali and Epichlorohydrin, expanding high value added business centering on Functional Chemical Products such as health-care related business and synthetic resin and rubber, and implementing structural reforms to enhance competitiveness. Accordingly, the net sales decreased but the operating income increased in comparison to the same period of fiscal 2015.

### Basic Chemical Products

In *Chlor-Alkali*, net sales decreased due to the impact of market conditions.

In *Epichlorohydrin*, net sales decreased due to negative currency effects despite continued steady increase in export sales.

As a result, net sales in Basic Chemical Products were ¥30,242 million, a decrease of 6.2% compared to the same period of fiscal 2015.

### Functional Chemical Products

In *Separation Media for in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased due to an increase of sales to Europe in biopharmaceutical drugs purification as well as continued steady sales in the domestic market.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued steady growth in contract manufacturing of pharmaceutical drugs such as Anti-viral Drug.

In *Diallyl Phthalate Resin*, net sales increased due to continued steady increase in domestic sales as well as export sales to Unites States in UV printing inks.

In *Allyl Ethers*, net sales decreased due to unit sales price down by negative currency effects despite volume growth in export sales to China, which were mainly used for silane coupling agents.

In *Epichlorohydrin Rubber*, net sales decreased due to unit sales price down by negative currency effects despite steady volume growth in export sales to China and Korea.

As a result, net sales in Functional Chemical Products were ¥26,828 million, a decrease of 3.3% compared to the same period of fiscal 2015.

### Housing Facilities and Others

Net sales were ¥12,019 million, a decrease of 22.6% compared to the same period of fiscal 2015.

## (2) Financial Condition

### Assets

**Current assets** were ¥56,934 million, a decrease of 0.4% since March 31, 2016. The decrease was due primarily to a decrease of ¥2,594 million in *cash and deposits*, a decrease of ¥327 million in *raw materials and supplies*, an increase of ¥1,983 million in *notes and accounts receivable-trade*, and an increase of ¥625 million in *work in process*.

**Noncurrent assets** were ¥42,116 million, an increase of 5.6% since March 31, 2016. The increase was due primarily to an increase of ¥158 million in *investment securities* and an increase of ¥727 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥99,051 million as of December 31, 2016, an increase of 2.1% since March 31, 2016.

### Liabilities

**Current liabilities** were ¥30,720 million, an increase of 0.2% since March 31, 2016. The decrease was due primarily to an increase of ¥861 million in *notes and accounts payable-trade* and a decrease of ¥514 million in *income taxes payable*.

**Noncurrent liabilities** were ¥16,623 million, a decrease of 8.0% since March 31, 2016. The decrease was due primarily to a decrease of ¥1,680 million in *long term loans payable*.

As a result, **Total liabilities** were ¥47,344 million as of December 31, 2016, a decrease of 2.8% since March 31, 2016.

### Net assets

**Net assets** were ¥51,706million as of December 31, 2016, an increase of 7.1% since March 31, 2016.

## (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, 2016, unaudited" dated May 10, 2016.

## 5. OTHER INFORMATION

### Additional information

Effective from the three months ended June 30, 2016, Osaka Soda Group adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Implementation Guidance No.26, issued on March 28, 2016).

## 6. CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2016	December 31, 2016
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash and deposits	12,037	9,442
Notes and accounts receivable-trade	27,730	29,714
Short term investment securities	6,999	7,499
Merchandise and finished goods	6,163	5,958
Work in process	1,107	1,733
Raw materials and supplies	1,847	1,520
Other current assets	1,252	1,068
Less: Allowance for doubtful accounts	(1)	(3)
Total current assets	<u>57,137</u>	<u>56,934</u>
<b><i>Noncurrent assets</i></b>		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	11,098	10,754
Other - Net	9,259	10,331
Total property, plant and equipment	<u>20,357</u>	<u>21,085</u>
Intangible assets		
Goodwill	923	808
Other	269	402
Total intangible assets	<u>1,192</u>	<u>1,210</u>
Investments and other assets		
Investment securities	17,154	18,735
Other	1,764	1,650
Less: Allowance for doubtful accounts	(578)	(565)
Total investment and other assets	<u>18,339</u>	<u>19,820</u>
Total noncurrent assets	<u>39,890</u>	<u>42,116</u>
<b>Total assets</b>	<u>97,027</u>	<u>99,051</u>

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

	March 31, 2016	December 31, 2016
<b>Liabilities</b>		
<b><i>Current liabilities</i></b>		
Notes and accounts payable- trade	12,993	13,854
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,440	2,290
Income taxes payable	1,338	824
Provision for bonuses	709	361
Other current liabilities	4,307	4,510
Total current liabilities	<u>30,669</u>	<u>30,720</u>
<b><i>Noncurrent liabilities</i></b>		
Bonds with subscription rights to shares	10,000	10,000
Long term loans payable	2,960	1,280
Provision for directors retirement benefits	533	548
Net defined benefit liability	3,063	3,059
Other noncurrent liabilities	1,505	1,735
Total noncurrent liabilities	<u>18,062</u>	<u>16,623</u>
<b>Total liabilities</b>	<u>48,731</u>	<u>47,344</u>
<b>Net assets</b>		
<b><i>Shareholders' equity</i></b>		
Capital stock	10,882	10,882
Capital surplus	9,399	9,399
Retained earnings	24,697	27,111
Treasury stock	(1,666)	(1,669)
Total shareholders' equity	<u>43,312</u>	<u>45,723</u>
<b><i>Accumulated other comprehensive income</i></b>		
Unrealized gain on available-for-sale securities	5,500	6,418
Deferred gains or losses on hedges	(82)	7
Foreign currency translation adjustments	45	(7)
Re-measurements of defined benefit plans	(479)	(434)
Total accumulated other comprehensive income	<u>4,983</u>	<u>5,983</u>
<b>Total net assets</b>	<u>48,296</u>	<u>51,706</u>
<b>Total net assets and liabilities</b>	<u>97,027</u>	<u>99,051</u>

## CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2015	December 31, 2016
<b>Net sales</b>	75,505	69,090
Cost of sales	62,041	55,179
<b>Gross profit</b>	13,463	13,910
Selling, general, and administrative expenses	8,269	8,709
<b>Operating income</b>	5,194	5,201
<b><i>Non-operating income</i></b>		
Interest income	20	21
Dividend income	300	318
Other	36	52
Total non-operating income	357	393
<b><i>Non-operating expenses</i></b>		
Interest expenses	71	48
Foreign exchange loss	42	259
Other	12	20
Total non-operating expenses	126	328
<b>Ordinary income</b>	5,424	5,267
<b><i>Extraordinary income</i></b>		
Gain on sales of investment securities	18	-
Total extraordinary income	18	-
<b><i>Extraordinary loss</i></b>		
Loss on retirement of noncurrent assets	266	410
Commemorative activities expense	216	-
Total extraordinary loss	483	410
<b>Income before income taxes</b>	4,960	4,856
Income taxes - current	1,392	1,385
Income taxes - deferred	268	3
Total income taxes	1,661	1,389
<b>Net income</b>	3,299	3,467
<b>Net income attributable to non-controlling interests</b>	-	-
<b>Net income attributable to owners of parent</b>	3,299	3,467



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2015	December 31, 2016
Net income	3,299	3,467
Other comprehensive income		
Unrealized gain on available-for-sale securities	85	917
Deferred gains or losses on hedges	(25)	89
Foreign currency translation adjustments	(3)	(52)
Re-measurements of defined benefit plans	16	44
Total	73	999
<b>Comprehensive income</b>	<b>3,372</b>	<b>4,466</b>
Comprehensive income attributable to:		
Owners of parent	3,372	4,466
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, 2015

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	32,241	17	32,259	1,417
Functional Chemical Products	27,734	2	27,736	4,380
Housing Facilities and Others	15,529	340	15,869	153
Subtotal	75,505	360	75,865	5,950
Adjustments *1	—	(360)	(360)	(756)
Total	75,505	—	75,505	5,194

Notes 1: Adjustments of segment income of ¥(756) 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, 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.