

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended December 31, 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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Filing date for quarterly report: February 12, 2019

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, 2018		December 31, 2017	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	81,850	9.9%	74,487	7.8%
Operating income	7,650	36.0%	5,623	8.1%
Ordinary income	8,255	34.4%	6,143	16.6%
Net income attributable to owners of parent	5,618	40.9%	3,987	15.0%
Comprehensive income	3,141	-52.2%	6,574	47.2%

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

Net income per share (Yen)	246.35	187.61
Diluted net income per share (Yen)	210.07	150.07

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 common shares consolidation was executed at the beginning of the previous fiscal year.

(2) Financial Condition

	December 31, 2018		March 31, 2018	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	110,860	—	115,020	—
Net assets	63,332	—	60,953	—
Equity *	63,332	—	60,953	—
Equity ratio	—	57.1%	—	53.0%

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

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 yen*	5.50 yen
End of third quarter		—	—
End of fourth quarter	30.0 yen	—	30.00 yen
Full year	60.0 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. The amount of full year dividend for the fiscal year ended March 31, 2018 is displayed as “—” because a proper computation is deemed to be impossible. Considering common shares consolidation, the amount of full year dividend for the fiscal year ended March 31, 2018 should be ¥57.50 and the forecasted amount of annual dividend for the fiscal year ending March 31, 2019 will be \$60.00, that is, an increased dividend by ¥2.50.

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

	Full-year	
	Millions of yen	Change*
Net sales	107,000	5.7%
Operating income	8,500	16.1%
Ordinary income	9,200	22.9%
Net income attributable to owners of parent	6,100	27.7%

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

Earnings per share (Yen)	266.86
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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, 2018: 26,040,808 shares

As of March 31, 2018: 25,052,432 shares

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

As of December 31, 2018: 3,001,338 shares

As of March 31, 2018: 2,465,710 shares

3) Average number of shares outstanding in each period

Nine months ended December 31, 2018: 22,806,918 shares

Nine months ended December 31, 2017: 21,253,052 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 common shares consolidation was executed at the beginning of the previous fiscal year.

* Quarterly Review Procedures

This quarterly financial results are not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. The quarterly review procedures of consolidated financial statements has not been completed at the time of disclosure.

*Financial Forecasts and Other 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. This translation is subject to change without notice. Osaka Soda Co., Ltd. and/or its group companies shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.

4. QUALITATIVE INFORMATION

(1) Results of Operations

During the nine months ended December 31, 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 concerns about the effects on corporate earnings caused by China's sluggish economy and trade tensions between the United States and China.

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 segment revised the sales price in response to fluctuating cost of raw materials and fuels, and reduced cost through installation of the improved electrolyzer which is developed in-house. Functional Chemical Products segment focused on "Creating new growth engines", continuing to expand market share of major products, such as Synthetic Rubber, Synthetic Resin, and Allyl Ethers, expanding column instrument business, entering into the field of Highly Potent Active Pharmaceutical Ingredient, and launching "Radper" which is non phthalate type allyl resin following Acrylic Rubber launched last year. Osaka Soda Group began new efforts to improve productivity as a part of business structure reforms, collaborating R&D department with production engineering department to take advantage of our fundamental technology and IoT & AI.

As a result, net sales were ¥81,850 million, an increase of 9.9% compared to the same period of fiscal 2017. Operating income was ¥7,650 million, an increase of 36.0% compared to the same period of fiscal 2017. Ordinary income was ¥8,255 million, an increase of 34.4% compared to the same period of fiscal 2017. Net income attributable to owners of parent was ¥5,618 million, an increase of 40.9% compared to the same period of fiscal 2017. Net sales and all three levels of profit posted record high.

Basic Chemical Products

In Chlor-Alkali, net sales increased due to continued steady domestic demand as well as a price increase in Caustic Soda. In Epichlorohydrin, net sales increased due to continued steady sales to domestic market.

As a result, Basic Chemical Products reported net sales of ¥36,893 million, up 12.3% compared to the same period of fiscal 2017.

Functional Chemical Products

In Allyl Ether, net sales increased due to volume growth in domestic market, Europe, and the United States, driven by an increase in demand for Silane Coupling Agents. In Diallyl Phthalates Resins, net sales increased due to continued steady increase in domestic and China market for UV curable inks. In Epichlorohydrin Rubber and its related business, net sales increased due to continued steady increase in Asia market led by improved product adoption for automobile. In Acrylic Rubber, net sales increased due to volume growth driven by improved new product adoption.

Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography) remained favorable, driven by the sales to China for use in biopharmaceutical purification and the sales to China and Korea in column/analytical instrument business.

Active Pharmaceutical Ingredients (API) and their Intermediates business remained robust, led by new contract manufacturing from pharmaceutical companies, contract manufacturing of veterinary drugs, and imported sales in generic API. In addition, the business started to develop generic API utilizing the equipment for Highly Potent Active Pharmaceutical Ingredient.

As a result, Functional Chemical Products reported net sales of ¥32,278 million, up 10.0% compared to the same period of fiscal 2017.

Housing Facilities and Others

Net sales were ¥12,678 million, an increase of 3.3% compared to the same period of fiscal 2017.

(2) Financial Condition

Assets

Current assets were ¥66,340 million, an increase of 0.4% since March 31, 2018.

Noncurrent assets were ¥44,519 million, a decrease of 9.1% since March 31, 2018. The decrease was due primarily to a decrease of ¥3,026 million in *investment securities*.

As a result, **Total assets** were ¥110,860 million as of December 31, 2018, a decrease of 3.6% since March 31, 2018.

Liabilities

Current liabilities were ¥31,583 million, a decrease of 4.9% 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* respectively.

Noncurrent liabilities were ¥15,944 million, a decrease of 23.6% since March 31, 2018. The decrease was due primarily to an increase of ¥3,824 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥47,528 million as of December 31, 2018, a decrease of 12.1% since March 31, 2018.

Net assets

Net assets were ¥63,332 million as of December 31, 2018, an increase of 3.9% since March 31, 2018.

(3) Earnings Forecast

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the quarterly period ended September 30, 2018, unaudited" on November 11, 2018.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2018	December 31, 2018
Assets		
<i>Current assets</i>		
Cash and deposits	13,493	8,260
Notes and accounts receivable-trade	27,710	29,951
Electrically recorded monetary claims	3,845	4,838
Short term investment securities	10,499	11,499
Merchandise and finished goods	6,155	7,359
Work in process	1,608	2,007
Raw materials and supplies	1,938	1,800
Other current assets	811	626
Less: Allowance for doubtful accounts	(2)	(2)
Total current assets	<u>66,060</u>	<u>66,340</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	10,716	10,690
Other - Net	12,878	11,692
Total property, plant and equipment	<u>23,595</u>	<u>22,383</u>
Intangible assets		
Goodwill	975	847
Other	623	513
Total intangible assets	<u>1,599</u>	<u>1,361</u>
Investments and other assets		
Investment securities	22,684	19,658
Deferred tax assets	305	392
Other	781	730
Less: Allowance for doubtful accounts	(6)	(5)
Total investment and other assets	<u>23,764</u>	<u>20,775</u>
Total noncurrent assets	<u>48,959</u>	<u>44,519</u>
Total assets	<u>115,020</u>	<u>110,860</u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2018	December 31, 2018
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	15,522	16,173
Short term loans payable	8,880	7,767
Current portion of long term loans payable	800	—
Income taxes payable	1,444	1,579
Provision for bonuses	792	428
Current portion of bonds with subscription rights to shares	—	1,577
Other current liabilities	5,767	4,058
Total current liabilities	33,206	31,583
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	13,824	10,000
Deferred tax liabilities	2,192	1,186
Provision for directors retirement benefits	611	632
Net defined benefit liability	3,004	2,948
Other noncurrent liabilities	1,226	1,117
Total noncurrent liabilities	20,859	15,944
Total liabilities	54,066	47,528
Net assets		
<i>Shareholders' equity</i>		
Capital stock	13,970	15,093
Capital surplus	12,487	13,610
Retained earnings	31,517	35,767
Treasury stock	(5,037)	(6,678)
Total shareholders' equity	52,938	57,793
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	8,332	5,802
Deferred gains or losses on hedges	(40)	(0)
Foreign currency translation adjustment	41	30
Re-measurements of defined benefit plans	(317)	(293)
Total accumulated other comprehensive income	8,015	5,538
Total net assets	60,953	63,332
Total net assets and liabilities	115,020	110,860

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2017	December 31, 2018
Net sales	74,487	81,850
Cost of sales	59,958	64,145
Gross profit	14,528	17,704
Selling, general, and administrative expenses	8,905	10,053
Operating income	5,623	7,650
<i>Non-operating income</i>		
Interest income	8	19
Dividend income	354	389
Share of profit of entities accounted for using equity method	-	29
Foreign exchange income	277	234
Other	46	87
Total non-operating income	687	760
<i>Non-operating expenses</i>		
Interest expenses	98	79
Bond issuance cost	32	-
Other	35	76
Total non-operating expenses	167	155
Ordinary income	6,143	8,255
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	106	139
Total extraordinary income	106	139
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	448	288
Total extraordinary loss	448	288
Income before income taxes	5,801	8,106
Income taxes - current	1,411	2,492
Income taxes - deferred	402	(4)
Total income taxes	1,813	2,487
Net income	3,987	5,618
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of parent	3,987	5,618

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Nine Months Ended</u>	
	December 31, 2017	December 31, 2018
Net income	3,987	5,618
Other comprehensive income		
Unrealized gain on available-for-sale securities	2,528	(2,528)
Deferred gains or losses on hedges	19	39
Foreign currency translation adjustments	6	(11)
Re-measurements of defined benefit plans	33	24
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Total	2,587	(2,476)
Comprehensive income	6,574	3,141
Comprehensive income attributable to:		
Owners of parent	6,574	3,141
Non-controlling interests	—	—

6. Notes to the Consolidated Financial Statements

(1) Going concern assumption: None

(2) Significant changes in the amount of shareholders' equity: None

(3) 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.

(4) Segment Information

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.

Nine months ended December 31, 2018

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	36,893	17	36,911	4,257
Functional Chemical Products	32,278	50	32,329	4,065
Housing Facilities and Others	12,678	413	13,091	239
Subtotal	81,850	481	82,331	8,561
Adjustments *1	—	(481)	(481)	(911)
Total	81,850	—	81,850	7,650

Notes 1: Adjustments of segment income of ¥(911) 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.