

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the Third Quarter of the Fiscal Year ending March 31, 2021
(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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Commencement date of dividend 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, 2020		December 31, 2019	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	72,327	(9.6) %	79,998	(2.3) %
Operating income	6,284	(15.3) %	7,419	(3.0) %
Ordinary income	6,500	(17.5) %	7,879	(4.6) %
Net income attributable to owners of parent	4,355	(11.9) %	4,944	(12.0) %
Comprehensive income	7,320	34.3 %	5,451	73.5 %

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

Net income per share (Yen)	184.81	210.28
Diluted net income per share (Yen)	165.04	185.60

(2) Financial Condition

	December 31, 2020		March 31, 2020	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	116,037	—	110,851	—
Net assets	73,925	—	69,121	—
Equity attributable to owners of the parent*	73,922	—	69,121	—
Equity ratio	—	63.7%	—	62.4%

Note: Equity = "Total net assets" minus "Non-controlling interests"

2. Dividends

	Year ending Mar. 31, 2021 (Forecast)	Year ending Mar. 31, 2021	Year ended Mar. 31, 2020
End of first quarter		—	—
End of second quarter		32.50 yen*	32.50 yen
End of third quarter		—	—
End of fourth quarter	32.5 yen	—	32.50 yen
Full year	65.0 yen	—	65.00 yen

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

3. Earnings Forecast for the fiscal year ending March 31, 2021

	Full-year	
	Millions of yen	Change*
Net sales	96,000	(9.0) %
Operating income	8,000	(17.5) %
Ordinary income	8,400	(18.6) %
Net income attributable to owners of parent	5,700	(12.4) %

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

Earnings per share (Yen)	240.22
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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, 2020:	26,731,415	shares
As of March 31, 2020:	26,731,415	shares
 - 2) Number of treasury shares at the end of the period

As of December 31, 2020:	3,404,432	shares
As of March 31, 2020:	3,002,772	shares
 - 3) Average number of shares outstanding in each period

Nine months ended December 31, 2020:	23,565,292	shares
Nine months ended December 31, 2019:	23,513,924	shares

* Quarterly Review Procedures

The quarterly financial results are exempt from the quarterly review procedures by certified public accountants or audit firm.

*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.

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4. QUALITATIVE INFORMATION

(1) Results of Operations

During the third quarter of fiscal 2020 (April 1 through December 31, 2020), Japan's economy has remained in a severe situation due to the restriction on economic activity along with the novel coronavirus (COVID-19) pandemic. Although the pick-up trend has been seen in part along with a resumption of economic activity, downward pressure stemming from the impact of a resurgence of COVID-19 at home and abroad is likely to remain strong for the time being. The economic outlook remains uncertain.

Under the circumstances, the "BRIGHT-2020" medium-term management plan has entered the final year. Based on the three basic policies of "creating new growth engines", "establishing a profitable global business", and "completing business structure reform", Osaka Soda Group has further advanced these measures.

As a result, net sales were ¥72,327 million, a decrease of 9.6% compared to the same period of fiscal 2019. Operating income was ¥6,284 million, a decrease of 15.3% compared to the same period of fiscal 2019. Ordinary income was ¥6,500 million, a decrease of 17.5% compared to the same period of fiscal 2019. Net income attributable to owners of the parent was ¥4,355 million, a decrease of 11.9% compared to the same period of fiscal 2019.

Basic Chemical Products

In *Chlor-Alkali*, net sales decreased due to fall in overall domestic demand along with the impact of COVID-19 pandemic. In *Epichlorohydrin*, net sales decreased due to downturn in demand at home and abroad despite continued steady growth in electronics materials.

As a result, Basic Chemical Products reported net sales of ¥31,064 million, down 14.1% compared to the same period of fiscal 2019.

Functional Chemical Products

Due to the COVID-19 pandemic, global car production dropped temporarily by almost half compared to the same fiscal 2019. Afterwards, China's car production showed a recovery trend. The demand in *Epichlorohydrin Rubber* was declined in this situation. In *Acrylic rubber*, product adoption by customers increased mainly in China and Asia since second half of fiscal 2020.

The sales volume in *Diallyl Phthalates Resins* showed a recovery trend while third quarter in fiscal 2020, though the demand declined in commercial ink particularly in Japan, Europe, and the United States.

In *Allyl Ether*, net sales increased due to demand recovery trend in China and the United States.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased due to the expansion of demand for its diabetes therapeutics drug exported to Europe, the United States and India.

In *Active Pharmaceutical Ingredients (API) and their Intermediates*, net sales expanded due to increased sales of intermediates for anti-tuberculosis drug, intermediates for anti-ulcer drug, and intermediates for insomnia therapeutics

As a result, Functional Chemical Products reported net sales of ¥30,446 million, down 2.6% compared to the same period of fiscal 2019.

Housing Facilities and Others

Net sales were ¥10,816 million, down 14.0% compared to the same period of fiscal 2019. Sale of life materials and construction materials continued to be sluggish.

(2) Financial Condition

Assets

Current assets were ¥71,920 million, an increase of 2.9% since March 31, 2020. The increase was due primarily to an increase of ¥2,081 million in *notes and accounts receivable-trade*, an increase of ¥1,499 million in *short term investment securities*, an increase of ¥623 in *electronically recorded monetary claims* respectively, and a decrease of ¥1,842 million in *cash and deposits*.

Noncurrent assets were ¥44,117 million, an increase of 7.7% since March 31, 2020. The increase was due primarily to an increase of ¥4,482 million in *investment securities*, and a decrease of ¥1,051 million in *property, plant and equipment*, a decrease of ¥178 million in *intangible assets* respectively.

As a result, **Total assets** were ¥116,037 million as of December 31, 2020, an increase of 4.7% since March 31, 2020.

Liabilities

Current liabilities were ¥26,830 million, an increase of 0.6% since March 31, 2020. The decrease was due primarily to a decrease of ¥965 million in *notes and accounts payable-trade* and a decrease of ¥760 million in *income taxes payable*.

Noncurrent liabilities were ¥15,281 million, an increase of 1.4% since March 31, 2020. The increase was due primarily to an increase of ¥1,561 million in *deferred tax liabilities* and a decrease of ¥1,263 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥42,111 million as of December 31, 2020, an increase of 0.9% since March 31, 2020.

Net assets

Net assets were ¥73,925 million as of December 31, 2020, an increase of 7.0% since March 31, 2020.

(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 March 31, 2021, unaudited" on May 11, 2020.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2020	December 31, 2020
Assets		
<i>Current assets</i>		
Cash and deposits	15,099	13,256
Notes and accounts receivable-trade	25,641	27,723
Electrically recorded monetary claims	3,096	3,720
Short term investment securities	14,299	15,799
Merchandise and finished goods	6,901	6,559
Work in process	1,368	1,676
Raw materials and supplies	2,268	2,373
Other current assets	1,296	912
Less: Allowance for doubtful accounts	(100)	(100)
Total current assets	<u>69,871</u>	<u>71,920</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	10,110	9,317
Other - Net	11,743	11,484
Total property, plant and equipment	<u>21,853</u>	<u>20,802</u>
Intangible assets		
Goodwill	681	544
Other	346	305
Total intangible assets	<u>1,027</u>	<u>849</u>
Investments and other assets		
Investment securities	16,803	21,285
Deferred tax assets	368	277
Other	933	908
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>18,099</u>	<u>22,465</u>
Total noncurrent assets	<u>40,980</u>	<u>44,117</u>
Total assets	<u><u>110,851</u></u>	<u><u>116,037</u></u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2020	December 31, 2020
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,159	14,124
Short term loans payable	7,767	7,172
Income taxes payable	1,278	518
Provision for bonuses	911	434
Other current liabilities	3,543	4,580
Total current liabilities	26,660	26,830
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	8,737
Deferred tax liabilities	436	1,997
Provision for directors retirement benefits	281	16
Net defined benefit liability	3,265	3,242
Other noncurrent liabilities	1,085	1,286
Total noncurrent liabilities	15,069	15,281
Total liabilities	41,730	42,111
Net assets		
<i>Shareholders' equity</i>		
Share capital	15,870	15,870
Legal capital surplus	14,387	14,388
Retained earnings	41,870	44,691
Treasury stock	(6,682)	(7,669)
Total shareholders' equity	65,446	67,282
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	4,177	7,161
Deferred gains or losses on hedges	8	(11)
Foreign currency translation adjustment	7	(20)
Re-measurements of defined benefit plans	(518)	(488)
Total accumulated other comprehensive income	3,674	6,640
Non-controlling interests	-	2
Total net assets	69,121	73,925
Total net assets and liabilities	110,851	116,037

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	<u>Nine Months Ended</u>	
	December 31, 2019	December 31, 2020
Net sales	79,998	72,327
Cost of sales	62,916	56,785
Gross profit	<u>17,082</u>	<u>15,542</u>
Selling, general, and administrative expenses	9,662	9,257
Operating income	<u>7,419</u>	<u>6,284</u>
<i>Non-operating income</i>		
Interest income	9	12
Dividend income	418	437
Share of profit of entities accounted for using equity method	28	-
Other	145	82
Total non-operating income	<u>601</u>	<u>532</u>
<i>Non-operating expenses</i>		
Interest expenses	71	68
Share of loss of entities accounted for using equity method	-	111
Foreign exchange losses	48	126
Other	22	10
Total non-operating expenses	<u>142</u>	<u>316</u>
Ordinary income	<u>7,879</u>	<u>6,500</u>
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	0	-
Other	178	-
Total extraordinary income	<u>179</u>	<u>-</u>
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	216	112
Loss on valuation of investment securities	354	-
Loss on valuation of shares of subsidiaries and associates	252	-
Other	3	-
Total extraordinary loss	<u>827</u>	<u>112</u>
Income before income taxes	<u>7,231</u>	<u>6,388</u>
Income taxes - current	1,946	1,701
Income taxes - deferred	340	331
Total income taxes	<u>2,286</u>	<u>2,033</u>
Net income	<u>4,944</u>	<u>4,354</u>
Net loss attributable to non-controlling interests	-	(0)
Net income attributable to owners of parent	<u>4,944</u>	<u>4,355</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2019	December 31, 2020
Net income	4,944	4,354
Other comprehensive income		
Valuation difference on available-for-sale securities	500	2,983
Deferred gains or losses on hedges	7	(19)
Foreign currency translation adjustments	(27)	(28)
Re-measurements of defined benefit plans	26	29
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total	507	2,965
Comprehensive income	5,451	7,320
Comprehensive income attributable to:		
Owners of the parent	5,451	7,320
Non-controlling interests	—	(0)

6. 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, 2019

(Millions of yen)

	Net sales			Segment income *2
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	36,173	14	36,187	3,709
Functional Chemical Products	31,245	67	31,313	4,233
Housing Facilities and Others	12,579	606	13,186	358
Subtotal	79,998	689	80,687	8,301
Adjustments *1	—	(689)	(689)	(881)
Total	79,998	—	79,998	7,419

Notes 1: Adjustments of segment income of ¥(881) 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, 2020

(Millions of yen)

	Net sales			Segment income ^{*2}
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	31,064	17	31,081	2,709
Functional Chemical Products	30,446	102	30,548	4,241
Housing Facilities and Others	10,816	210	11,027	269
Subtotal	72,327	330	72,658	7,181
Adjustments ^{*1}	—	(330)	(330)	(936)
Total	72,327	—	72,327	6,284

Notes 1: Adjustments of segment income of ¥(936) 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.