

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended June 30, 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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Scheduled date of filing of quarterly securities report: Aug 10, 2021
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, 2021		June 30, 2020	
			Change *		Change *
Net sales	Millions of yen	21,435	- %	23,257	(13.0)%
Operating income	Millions of yen	3,057	57.0%	1,947	(26.5)%
Ordinary income	Millions of yen	3,465	60.0%	2,165	(23.3)%
Net income	Millions of yen	2,634	79.2%	1,470	(13.2)%
Comprehensive income	Millions of yen	1,633	(36.9)%	2,577	82.0%
Net income per share	Yen	112.93	-	61.96	-
Diluted net income per share	Yen	101.49	-	55.05	-

(Note) Osaka Soda Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of quarterly period ended June 30, 2021. The figures for the quarterly period ended June 30, 2021 reflect this change of accounting standard and year-on-year percent changes for three months are not available.

(2) Financial Condition

		June 30, 2021	March 31, 2021
Total assets	Millions of yen	121,253	119,373
Net assets	Millions of yen	78,107	77,232
Equity	Millions of yen	78,099	77,224
Equity ratio	%	64.4	64.7

2. Dividends

	Year ending Mar. 31, 2022 (Forecast)	Year ending Mar. 31, 2022	Year ended Mar. 31, 2021
End of first quarter		—	—
End of second quarter	32.50		32.50
End of third quarter	—		—
End of fourth quarter	32.50		32.50
Full year	65.00		65.00

(Note) Change in dividends forecast from the most recent announcement: None

3. Earnings Forecast for the fiscal year ending March 31, 2022

		First half		Full-year	
			Change*		Change*
Net sales	Millions of yen	37,000	7.8%	75,500	0.3%
Operating income	Millions of yen	4,000	14.4%	9,000	7.9%
Ordinary income	Millions of yen	4,400	19.0%	9,700	9.8%
Net income	Millions of yen	3,200	29.3%	6,800	12.4%
Earnings per share	Yen	137.18	-	291.51	-

(Note1) Change in dividends forecast from the most recent announcement: None

(Note2) In order to adopt "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) from the beginning of year ended March 31, 2022, the above earnings forecast reflect this accounting standard and year-on-year percent changes are computed on the assumption that this standard is adopted for the year ended March 31, 2021.

* 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
 - 1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
 - 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, 2021:	26,731,714	shares
As of March 31, 2021:	26,731,415	shares
 - 2) Number of treasury shares at the end of period

As of June 30, 2021:	3,404,932	shares
As of March 31, 2021:	3,404,604	shares

3) Average number of shares outstanding in each period

Three months ended June 30, 2021	23,326,851	shares
Three months ended June 30, 2020	23,728,689	shares

*Disclosure regarding the execution of the quarterly review process:

This quarterly financial results are outside the scope of the quarterly review by certified public accountants or an audit firm.

*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. This translation is subject to change without notice. Osaka Soda Group 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 three months ended June 30, 2021, Japan's economy has picked up as a trend in a severe situation due to the novel coronavirus infections. The economy is expected to pick up, supported by the acceleration of vaccinations, the effects of the policies, and improvement in overseas economies. However, the outlook remains uncertain due to the declaration of emergency measures in some prefectures.

Under the circumstances, Osaka Soda Group launched the Medium-Term Management Plan "Empower the Next - 22", and implemented concrete measures based on four basic policies, "Building a resilient business foundation", "Promotion of market-in-type development", "Efforts to achieve the SDGs", and "Reforming corporate culture and organizational culture".

Regarding to "Building a resilient business foundation", Chemicals business, Functional Materials business, and Healthcare business will be positioned as core businesses and resilient strategy is pursued.

Health Care business continued to grow at a strong pace due to an increase of customer acceptance for new grades in Chromatography and to increase of new orders for Pharmaceutical API and Intermediates.

Pursuing cost reduction at a production site is connected to constantly meet our targets.

As a result, net sales were ¥21,435 million, a decrease of 7.8% compared to the same period of fiscal 2020. Net sales declined 6,827 million yen caused by the adoption of revenue recognition standard, but the reality is that net sales increased. Operating income was ¥3,057 million, an increase of 57.0% compared to the same period of fiscal 2020. Ordinary income was ¥3,465 million, an increase of 60.0% compared to the same period of fiscal 2020. Net income attributable to owners of parent was ¥2,634 million, an increase of 79.2% compared to the same period of fiscal 2020. All incomes for the first quarter reached record highs.

The following is a summary of reporting segments.

Basic Chemical Products

In ***Chlor-Alkali***, net sales increased due to the demand recovery from COVID-19.

In ***Epichlorohydrin***, net sales increased due to the demand recovery mainly in electrical materials and pass on raw material price increase into production cost.

As a result, Basic Chemical Products reported net sales of ¥8,356 million, down 17.6% compared to the same period of fiscal 2020, due to the adoption of Accounting Standard for Revenue Recognition.

Functional Chemical Products

In ***Synthetic Rubber and related businesses, Epichlorohydrin Rubber***, net sales increased due to the recovery of the decline in the number of global automobiles production. ***Acrylic Rubber***, net sales increased due to an expansion of customer acceptance in domestic and overseas.

In ***Diallyl Phthalate Resin***, net sales increased due to a growth of electric materials caused by nesting demand in domestic and the constant growth of exported sales to China in overseas sales.

In ***Allyl Ethers***, net sales increased due to volume growth in silane coupling agents for semiconductor in domestic and China.

In ***Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)***, net sales increased due to the expansion of demand for diabetes drug use to Europe & the United States and Asian countries. In addition, ***Colum for Liquid Chromatography and Analytical Instruments*** continued to increase favorably in instruments sales to Korea.

In ***Active Pharmaceutical Ingredients (API) and their Intermediates***, net sales increased due to an increase of anti-cancer drug substance and intermediate, blood flow improver intermediate, and ***insomnia treatment intermediates*** increased. Also, the number of contract manufacturing increased in ***high pharmacologically active drug***.

As a result, Functional Chemical Products reported net sales of ¥11,271 million, up 22.3% compared to the same period of fiscal 2020.

Housing Facilities and Others

Net sales were ¥1,806 million, down 53.7% due to the adoption of revenue recognition standards, compared to the same period of fiscal 2020. However, the reality is that Life products continued favorable sales

(2) Financial Condition

Assets

Current assets were ¥76,978 million, an increase of 4.2% since March 31, 2021. The increase was due primarily to a decrease of ¥2,164 million in *notes and accounts receivable-trade*, an increase of ¥1,423 million in *electronically recorded monetary claims* respectively, and a decrease of ¥1,072 million in *cash and deposits*.

Noncurrent assets were ¥44,274 million, a decrease of 2.7% since March 31, 2021. The decrease was due primarily to a decrease of ¥1,169 million in *investment securities*.

As a result, **Total assets** were ¥121,253 million, an increase of 1.6% since March 31, 2021.

Liabilities

Current liabilities were ¥28,228 million, an increase of 5.3% since March 31, 2021. The increase was due primarily to an increase of ¥ 1,436 million in *notes and accounts payable- trade*.

Noncurrent liabilities were ¥14,917 million, a decrease of 2.6% since March 31, 2021. The increase was due primarily to a decrease of ¥360 million in *deferred tax liabilities*.

As a result, **Total liabilities** were ¥43,145 million, an increase of 2.4% since March 31, 2021.

Net assets

Net assets were ¥78,107 million, an increase of 1.1% since March 31, 2021.

(3) Earnings Forecasts

There are no revisions to the earnings forecast from the previous forecast announced in the “Consolidated financial results both for the quarterly period ending September 30, 2021 and for the year ending March 31, 2022” dated on May 14, 2021.

5. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2021	June 30, 2021
Assets		
Current assets		
Cash and deposits	17,436	16,363
Notes and accounts receivable-trade	26,655	28,819
Electronically recorded monetary claims	3,456	4,879
Short term investment securities	14,499	14,499
Merchandise and finished goods	6,581	7,090
Work in process	1,661	1,669
Raw materials and supplies	2,219	2,548
Other current assets	1,435	1,178
Less: Allowance for doubtful accounts	(69)	(71)
Total current assets	<u>73,876</u>	<u>76,978</u>
Noncurrent assets		
Property, plant, and equipment		
Property, plant, and equipment - Net	8,920	8,935
Other - Net	11,616	11,680
Total property, plant and equipment	<u>20,536</u>	<u>20,615</u>
Intangible assets		
Goodwill	498	452
Other	283	269
Total intangible assets	<u>782</u>	<u>722</u>
Investments and other assets		
Investment securities	22,965	21,796
Deferred tax assets	325	283
Other, net	893	864
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>24,178</u>	<u>22,937</u>
Total noncurrent assets	<u>45,496</u>	<u>44,274</u>
Total assets	<u>119,373</u>	<u>121,253</u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2021	June 30, 2021
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,046	14,483
Short term loans payable	7,172	7,172
Income taxes payable	1,492	993
Provision for bonuses	884	452
Other current liabilities	4,223	5,126
Total current liabilities	26,818	28,228
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	8,737	8,736
Deferred tax liabilities	2,463	2,103
Net defined benefit liability	2,705	2,683
Other noncurrent liabilities	1,415	1,393
Total noncurrent liabilities	15,322	14,917
Total liabilities	42,141	43,145
Net assets		
<i>Shareholders' equity</i>		
Capital stock	15,870	15,871
Capital surplus	14,388	14,389
Retained earnings	46,387	48,263
Treasury stock	(7,669)	(7,670)
Total shareholders' equity	68,977	70,854
<i>Accumulated other comprehensive income</i>		
Valuation difference on available-for-sale securities	8,292	7,204
Deferred gains or losses on hedges	48	14
Foreign currency translation adjustments	(13)	99
Re-measurements of defined benefit plans	(80)	(73)
Total accumulated other comprehensive income	8,247	7,245
Non-controlling interests	7	8
Total net assets	77,232	78,107
Total net assets and liabilities	119,373	121,253

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Three Months Ended	
	June 30, 2020	June 30, 2021
Net sales	23,257	21,435
Cost of sales	18,314	15,168
Gross profit	4,942	6,266
Selling, general, and administrative expenses	2,994	3,208
Operating income	1,947	3,057
<i>Non-operating income</i>		
Interest income	4	2
Dividend income	256	251
Share of profit of entities accounted for using equity method	-	18
Foreign exchange gain	-	14
Others	21	154
Total non-operating income	282	441
<i>Non-operating expenses</i>		
Interest expenses	22	22
Share of loss of entities accounted for using equity method	10	-
Foreign exchange loss	24	-
Other	6	11
Total non-operating expenses	64	33
Ordinary income	2,165	3,465
<i>Extraordinary gain</i>		
Gain on sale of investment securities	-	304
Total extraordinary gain	-	304
<i>Extraordinary loss</i>		
Loss on sale of intangible assets	42	23
Total extraordinary loss	42	23
Income before income taxes	2,123	3,746
Income taxes - current	371	938
Income taxes - deferred	282	173
Total income taxes	653	1,111
Net income	1,470	2,634
Net income attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of parent	1,470	2,634

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Three Months Ended</u>	
	June 30, 2020	June 30, 2021
Net income	1,470	2,634
Other comprehensive income		
Valuation difference on available-for-sale securities	1,128	(1,087)
Deferred gains or losses on hedges	(2)	(34)
Foreign currency translation adjustments	(26)	105
Re-measurements of defined benefit plans	9	8
Share of other comprehensive income of entities accounted for using equity method	(2)	8
Total other comprehensive income	1,107	(1,001)
Comprehensive income	2,577	1,633
Comprehensive income attributable to:		
Owners of parent	2,577	1,632
Non-controlling interests	(0)	0

6. Notes to the Consolidated Financial Statements

- (1) Notes regarding the going concern assumption: None
- (2) Notes on significant changes in shareholders' equity: None

(3) Changes in Accounting Policies

(Adoption of the Accounting Standard for Revenue Recognition)

Osaka Soda Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022, and recognize revenue at the amount expected to be received in exchange for its goods or services when the dominance of the promised goods or services is transferred to customers.

As a result of its change, rebate which was conventionally recorded as selling, general and administrative expenses and sales discounts which was conventionally recorded as non-operating expenses, has been deducted from Net sales. And if a contract includes a variable amount, Osaka Soda Group includes it in the transaction price only when a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved.

Regarding to the adoption of the revenue recognition standards, in accordance with the transitional treatment stipulated in the provision to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022, has been added to or deducted from retained earnings at the beginning of the fiscal year ending March 31, 2022 and the new accounting policy has been adopted from the beginning balance of the fiscal year ending March 31, 2022.

As a result, net sales and cost of sales decreased 6,827 million yen respectively for the quarterly period ended June 30, 2021. Nothing has changed in operating income, ordinary income, net income before income taxes. Leave the prior year classifications unchanged following new presentation requirements in accordance with the transitional treatment stipulated in the provision to paragraph 89-2 of the Accounting Standard for Revenue Recognition.

(Adoption of the Accounting Standard for Fair Value Measurement)

Osaka Soda Group has adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and related implementation guidance from the beginning of the quarterly period ended June 30, 2021. Based on the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), we have decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement into the future. These changes had no impact on the quarterly consolidated financial statements.

(4) Segment information

Three months ended June 30, 2020

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	10,138	9,220	3,898	23,257	—	23,257
Intersegment sales or reclassifications	8	53	133	194	(194)	—
Total	10,147	9,273	4,031	23,452	(194)	23,257
Segment income	1,089	1,075	66	2,231	(283)	1,947

Note 1 Adjustments of segment income of ¥(283) 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.

Note 2 Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

Three months ended June 30, 2021

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	8,356	11,271	1,806	21,435	—	21,435
Intersegment sales or reclassifications	2	105	756	864	(864)	—
Total	8,359	11,376	2,563	22,299	(864)	21,435
Segment income	911	2,278	150	3,341	(283)	3,057

Note 1 Adjustments of segment income of ¥(283) 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.

Note 2 Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.