

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the first half of the fiscal period ending March 31, 2022
(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 Executive Officer		
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Scheduled date of filing of quarterly securities report:	November 8, 2021		
Scheduled date of commencement of dividend payment:	December 3, 2021		
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, 2021		September 30, 2020	
			Change *		Change *
Net sales	Millions of yen	42,157	- %	45,178	(14.8)%
Operating income	Millions of yen	5,694	62.8%	3,497	(29.4)%
Ordinary income	Millions of yen	6,158	66.5%	3,698	(28.7)%
Net income	Millions of yen	4,421	78.7%	2,474	(22.5)%
Comprehensive income	Millions of yen	3,997	(0.7)%	4,023	51.2%
Net income per share	Yen	189.55	-	104.60	-
Diluted net income per share	Yen	170.28	-	93.09	-

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

(2) Financial Condition

		September 30, 2021	March 31, 2021
Total assets	Millions of yen	126,302	119,373
Net assets	Millions of yen	80,485	77,232
Equity	Millions of yen	80,477	77,224
Equity ratio	%	63.7	64.7

2. Dividends

	Year ending Mar. 31, 2022	Year ending Mar. 31, 2022	Year ended Mar. 31, 2021
	(Forecast)		
End of first quarter		—	—
End of second quarter		35.00	32.50
End of third quarter	—		—
End of fourth quarter	35.00		32.50
Full year	70.00		65.00

Note: Changes from the most recently published forecast of dividends: No

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

		Full-year	
			Change*
Net sales	Millions of yen	82,000	- %
Operating income	Millions of yen	10,700	28.3%
Ordinary income	Millions of yen	11,400	29.0%
Net income	Millions of yen	8,000	32.2%
Earnings per share	Yen	342.95	-

Note 1: Changes from the most recently published forecast of financial results: No

Note 2: Osaka Soda Group has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) from the beginning of fiscal year ending March 31, 2022. The earnings forecast for the fiscal year ending March 31, 2022 reflect this change of accounting standard and year-on-year percent changes are not available.

* 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 September 30, 2021:	26,732,017	shares
As of March 31, 2021:	26,731,415	shares
 - 2) Number of treasury shares at the end of period

As of September 30, 2021:	3,400,017	shares
As of March 31, 2021:	3,404,604	shares

3) Average number of shares outstanding in each period

Six months ended September 30, 2021	23,328,288	shares
Six months ended September 30, 2020	23,655,604	shares

* Review procedures

The financial results are not subject to the review procedures performed by certified public accountants or an audit firm.

* Earnings 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 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 six months ended September 30, 2021, the Japanese economy is still in a severe situation due to the novel coronavirus, but it is showing movements of picking up. The economic outlook remains uncertain, although the economy is expected to move toward recovery, supported by the effects of the policies and improvement in overseas economies while taking thorough measures against infectious diseases, and accelerating vaccinations.

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”.

With regarding to “Building a resilient business foundation”, the following business domains such as Chemicals business, Functional Materials business, and Healthcare business will be positioned as core businesses and resilient strategy is pursued. Functional Materials business responded to growing global demand in Allyl Ethers with expansion of the supply system and improvement of productivity. Health Care business continued to grow at a strong pace due to the increase of customer acceptance for new grades in Chromatography and to the increase of new orders for Pharmaceutical API and Intermediates. Pursuing cost reduction at production sites is connected to contribution to earnings constantly.

As a result, net sales were ¥42,157 million, a decrease of 6.7% compared to the same period of fiscal 2020. Net sales declined 12,266 million yen caused by the adoption of revenue recognition standard, but the reality is that net sales increased. Operating income was ¥5,694 million, an increase of 62.8% compared to the same period of fiscal 2020. Ordinary income was ¥6,158 million, an increase of 66.5% compared to the same period of fiscal 2020. Net income attributable to owners of parent was ¥4,421 million, an increase of 78.7% compared to the same period of fiscal 2020. All incomes during the six months ended September 30, 2021 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 out of coronavirus collapse, especially in caustic soda and caustic potash.

In ***Epichlorohydrin***, net sales increased due to the demand recovery mainly in electrical materials and price pass on measures to cope with the rise in raw materials.

As a result, Basic Chemical Products reported net sales of ¥17,544 million, down 11.9% compared to the same period of fiscal 2020, due to the adoption of Accounting Standard for Revenue Recognition.

Functional Chemical Products

In ***Synthetic Rubber related products, Epichlorohydrin Rubber***, net sales increased due to the recovery of global demand for automobiles and office automation. ***Acrylic Rubber***, net sales increased due to an expansion of customer acceptance in domestic and overseas, especially in

In ***Diallyl Phthalate Resin***, net sales increased due to the growth of electric materials caused by domestic demand for nesting and the constant growth in exported sales to Asian countries including China and the United States.

In ***Allyl Ethers***, net sales increased due to vigorous demand in silane coupling agents in domestic and China.

In ***Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)***, net sales increased due to demand expansion for diabetes drug use to Europe, the United States and Asian countries.

In **Active Pharmaceutical Ingredients (API) and their Intermediates**, net sales increased due to sales expansion of anti-cancer drug substance and intermediate, blood flow improver intermediate, and insomnia treatment intermediates.

As a result, Functional Chemical Products reported net sales of ¥21,800 million, up 17.0% compared to the same period of fiscal 2020.

Housing Facilities and Others

Net sales were ¥2,812 million, down 57.5% compared to the same period of fiscal 2020, due to the adoption of Accounting Standard for Revenue Recognition.

(2) Financial Condition

Assets

Current assets were ¥79,096 million, an increase of 7.1% since March 31, 2021. The increase was due primarily to an increase of ¥4,258 million in *cash and deposits*, an increase of ¥802 million in *merchandise and finished goods*.

Noncurrent assets were ¥47,206 million, an increase of 3.8% since March 31, 2021. The increase was due primarily to an increase of ¥2,174 million in property, plant, and equipment.

As a result, **Total assets** were ¥126,302 million as of September 30, 2021, an increase of 5.8% since March 31, 2020.

Liabilities

Current liabilities were ¥39,610 million, an increase of 47.7% since March 31, 2021. The decrease was due primarily to an increase of ¥8,735 million in current portion of bonds with subscription rights to shares and an increase of ¥10,890 million in *notes and accounts payable-trade* respectively.

Noncurrent liabilities were ¥6,207 million, a decrease of 59.5% since March 31, 2021. The decrease was due primarily to a decrease of ¥8,737 million in *bonds with subscription rights to shares*.

As a result, **Total liabilities** were ¥45,817 million as of September 30, 2021, an increase of 8.7% since March 31, 2021.

Net assets

Net assets were ¥80,485 million as of September 30, 2021, an increase of 4.2% since March 31, 2021.

(3) Cash Flows

As of September 30, 2021, *cash and cash equivalents* were ¥36,194 million, an increase of ¥4,258 million since March 31, 2021.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥7,277 million, due primarily to ¥6,398 million in *income before income taxes*, ¥1,928 million in *depreciation*, and a decrease of ¥1,291 million in *income tax paid*.

Cash flows from investing activities

Net cash used in investing activities totaled ¥2,322 million, due primarily to purchase of ¥1,977 million for purchase of *property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥795 million, due primarily to payment of ¥758 million in *cash dividends*.

(4) Annual Earnings Forecasts

There are no revisions to the earnings forecast from the previous forecast announced in the “Consolidated financial results for the year ended March 31, 2022” dated on October 19, 2021.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2021	September 30, 2021
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash and deposits	17,436	21,694
Notes and accounts receivable-trade	26,655	-
Notes & accounts receivable-trade and contract assets	-	26,062
Electrically recorded monetary claims	3,456	3,553
Short term investment securities	14,499	14,499
Merchandise and finished goods	6,581	7,383
Work in process	1,661	2,071
Raw materials and supplies	2,219	2,397
Other current assets	1,435	1,503
Less: Allowance for doubtful accounts	(69)	(69)
Total current assets	<u>73,876</u>	<u>79,096</u>
Noncurrent assets		
Property, plant, and equipment		
Property, plant, and equipment – Net	8,920	9,227
Other – Net	11,616	13,483
Total property, plant and equipment	<u>20,536</u>	<u>22,710</u>
Intangible assets		
Goodwill	498	407
Other	283	283
Total intangible assets	<u>782</u>	<u>690</u>
Investments and other assets		
Investment securities	22,965	22,680
Deferred tax assets	325	318
Other	893	811
Less: Allowance for doubtful accounts	(6)	(5)
Total investment and other assets	<u>24,178</u>	<u>23,804</u>
Total noncurrent assets	<u>45,496</u>	<u>47,206</u>
Total assets	<u>119,373</u>	<u>126,302</u>

CONSOLIDATED BALANCE SHEETS *(Continued)*

(Millions of yen)

	March 31, 2021	September 30, 2021
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	13,046	14,136
Short term loans payable	7,172	7,172
Income taxes payable	1,492	2,215
Provision for bonuses	884	917
Current portion of bonds with subscription rights to shares	-	8,735
Other current liabilities	4,223	6,434
Total current liabilities	26,818	39,610
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	8,737	-
Deferred tax liability	2,463	2,083
Net defined benefit liability	2,705	2,719
Other noncurrent liabilities	1,415	1,404
Total noncurrent liabilities	15,322	6,207
Total liabilities	42,141	45,817
Net assets		
<i>Shareholders' equity</i>		
Capital stock	15,870	15,871
Capital surplus	14,388	14,390
Retained earnings	46,387	50,051
Treasury stock	(7,669)	(7,659)
Total shareholders' equity	68,977	72,654
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	8,292	7,766
Deferred gains or losses on hedges	48	18
Foreign currency translation adjustments	(13)	105
Re-measurements of defined benefit plans	(80)	(67)
Total accumulated other comprehensive income	8,247	7,822
Non-controlling interests	7	8
Total net assets	77,232	80,485
Total net assets and liabilities	119,373	126,302

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2020	September 30, 2021
Net sales	45,178	42,157
Cost of sales	35,483	29,829
Gross profit	9,695	12,327
Selling, general, and administrative expenses	6,197	6,633
Operating income	3,497	5,694
<i>Non-operating income</i>		
Interest income	7	6
Dividend income	275	274
Foreign exchange gains	-	27
Share of profit of entities accounted for using equity method	-	25
Insurance claim income	0	136
Other	48	58
Total non-operating income	333	528
<i>Non-operating expenses</i>		
Interest expenses	43	46
Share of loss of entities accounted for using equity method	15	-
Foreign exchange loss	63	-
Other	10	17
Total non-operating expenses	132	64
Ordinary income	3,698	6,158
<i>Extraordinary income</i>		
Gain on sales of investment securities	-	304
Total extraordinary income	-	304
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	92	64
Total extraordinary loss	92	64
Income before income taxes	3,606	6,398
Income taxes - current	1,025	2,105
Income taxes - deferred	107	(128)
Total income taxes	1,132	1,976
Net income	2,474	4,421
Net income attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of parent	2,474	4,421

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2020	September 30, 2021
Net income	2,474	4,421
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,563	(526)
Deferred gains or losses on hedges	(8)	(30)
Foreign currency translation adjustments	(22)	106
Re-measurements of defined benefit plans	19	13
Share of other comprehensive income of entities accounted for using equity method	(3)	12
Total	1,549	(424)
Comprehensive income	4,023	3,997
Comprehensive income attributable to:		
Owners of parent	4,023	3,997
Minority interests	(0)	0

CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

	<u>Six Months Ended</u>	
	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2021</u>
Cash flows from operating activities		
Income (loss) before income taxes	3,606	6,398
Depreciation	1,849	1,918
Amortization of goodwill	91	91
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in provision for bonuses	(15)	32
Increase (decrease) in provision for directors' retirement benefits	(266)	-
Increase (decrease) in retirement benefit liability	(13)	14
Interest and dividend income	(283)	(280)
Interest expenses	43	46
Foreign exchange losses (gains)	18	(12)
Loss on retirement of non-current assets	92	64
Loss (gain) on sales of short-term and long-term investment securities	-	(304)
Share of loss (profit) of entities accounted for using equity method	15	(25)
Insurance claim income	(0)	(136)
Decrease (increase) in notes and accounts receivable-trade	3,969	-
Decrease (increase) in notes and accounts receivable-trade and contract assets	-	575
Decrease (increase) in inventories	(562)	(1,381)
Increase (decrease) in notes and accounts payable-trade	(1,763)	992
Other, net	731	195
Subtotal	<u>7,511</u>	<u>8,198</u>
Interest and dividend income received	293	280
Interest expenses paid	(43)	(46)
Proceeds from insurance income	0	136
Income taxes paid	(1,122)	(1,291)
Net cash provided by (used in) operating activities	<u>6,638</u>	<u>7,277</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2020	September 30, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(491)	(1,977)
Proceeds from sales of property, plant and equipment	-	-
Purchase of intangible assets	(51)	(57)
Proceeds from redemption of securities	500	-
Purchase of investment securities	(8)	(456)
Proceeds from sales and redemption of investment securities	-	331
Other, net	(85)	(162)
Net cash provided by (used in) investing activities	(136)	(2,322)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(595)	-
Redemption of bonds	(1,263)	-
Purchase of treasury shares	(677)	(1)
Cash dividends paid	(771)	(758)
Other, net	(34)	(36)
Net cash provided by (used in) financing activities	(3,341)	(795)
Effect of exchange rate change on cash and cash equivalents	(44)	98
Net increase (decrease) in cash and cash equivalents	3,116	4,258
Cash and cash equivalents at beginning of period	28,899	31,936
Cash and cash equivalents at end of period	32,015	36,194

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. Among contracts applying the completed-contract method, those with performance requirements met over a period of time will change to a recognition method which estimates the degree of progression said performance fulfillment and determines revenue based on this progression, except for those for which this period of time is extremely short. In addition, estimating the degree of progress on fulfillment of performance requirements will use an input method based on the ratio of cost accrued to total estimated cost. Regarding the revenue in which we act as an agent in providing the products or services to customers, we have previously recognized the gross amount of consideration to be received from customers as revenue. We have now changed to a method to recognize revenue at the net amount after deducting the amount to be paid to suppliers from the amount to be received from customers.

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 12,266 million yen respectively for the quarterly period ended June 30, 2021. Nothing has changed in operating income, ordinary income, net income before income taxes.

Due to the application of these accounting standards, "Notes and accounts receivable-trade" in "Current Assets" in the consolidated balance sheets have been reclassified as "Notes and accounts receivable-trade, and contract assets" from the first quarter of the fiscal year ending March 31, 2022. Based on the transitional treatment stipulated in Article 89-2 of the "Accounting Standard for Revenue Recognition" comparative information for the previous fiscal year has not been restated to reflect the new method of presentation. In accordance with the transitional treatment provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on disaggregate revenue from contracts with customers for the six months ended September 30, 2020 is not presented

(Application of 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

Six months ended September 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	19,925	18,634	6,618	45,178	—	45,178
Intersegment sales or reclassifications	14	72	155	242	(242)	—
Total	19,940	18,706	6,774	45,420	(242)	45,178
Segment income	1,683	2,317	110	4,111	(613)	3,497

Notes 1: Adjustments of segment income of ¥(613) 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, 2021

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
Japan	14,862	10,359	2,796	28,018	-	28,018
Asia	1,893	8,004	15	9,913	-	9,913
Europe	341	2,690	-	3,031	-	3,031
Others	447	746	-	1,193	-	1,193
Revenue from contracts with customers	17,544	21,800	2,812	42,157	-	42,157
Other revenue	-	-	-	-	-	-
External sales	17,544	21,800	2,812	42,157	-	42,157
Intersegment sales or reclassifications	11	338	1,453	1,804	(1,804)	-
Total	17,555	22,139	4,266	43,961	(1,804)	42,157
Segment income	1,930	4,226	99	6,256	(562)	5,694

Notes 1: Adjustments of segment income of ¥(562) 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.