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August 8, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: OSAKA SODA Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4046
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 Scheduled date to file quarterly securities report: August 9, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	23,193	(9.9)	2,807	(45.5)	3,504	(40.8)	2,404	(42.1)
June 30, 2022	25,738	20.1	5,149	68.4	5,921	70.9	4,149	57.5

Note: Comprehensive income For the Three months ended June 30, 2023: ¥4,544 million [0.2%]
 For the Three months ended June 30, 2022: ¥4,535 million [(177.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	94.50	—
June 30, 2022	178.14	159.87

Note: The amount of diluted earnings per share for the Three months ended June 30, 2023, is not provided because there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2023	139,229	102,945	73.9
March 31, 2023	138,029	99,543	72.1

Reference: Equity
 As of June 30, 2023: ¥102,936 million
 As of March 31, 2023: ¥99,535 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	45.00	—	45.00	90.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		45.00	—	45.00	90.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings Per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half year (cumulative)	51,000	(1.8)	3,600	(63.0)	4,100	(62.2)	2,800	(62.7)	110.06
Full year	105,000	0.8	10,000	(35.7)	11,100	(35.3)	7,500	(29.1)	294.81

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	26,732,017 shares
As of March 31, 2023	26,732,017 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2023	1,291,570 shares
As of March 31, 2023	1,291,509 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	25,440,473 shares
Three months ended June 30, 2022	23,293,934 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

In this document, statements other than historical facts are forward looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Qualitative Information Concerning Results for the Three months ended June 30, 2023 (3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts" on page 3 of the attached documents.

(Attached Documents)

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1. Qualitative Information Concerning Results for the Three months ended June 30, 2023

(1) Analysis of Operating Results

For the first three months of the consolidated fiscal year, the Japanese economy continued to show signs of recovery as social and economic activities moved toward normalization in line with the easing of restrictions on activities imposed as a result of COVID-19. Circumstances remained difficult, however, owing to the impact of factors such as rising raw material and fuel prices, rising commodity prices, the prolonging of the situation in Ukraine, and the risk that a downturn of overseas economies amidst continued global monetary tightening could put downward pressure on the domestic economy.

It is in this environment that the Group decided to postpone the announcement of the new medium-term management plan consisting of three basic principles, the “continuous strengthening of our base in existing businesses,” the “strengthening of new product creation capabilities,” and the “the promotion of sustainability management,” due to the manufacturing equipment problems that occurred at our Mizushima Plant on April 4, 2023. That said, there are no changes to the basic policy that the Company should be focusing on, so we will steadily execute concrete measures in line with that basic policy while doing our best to restore the equipment as soon as possible.

In terms of the “continuous strengthening of our base in existing businesses,” we will work to enhance our business base by generating stable cash flows and actively investing in growth areas. In the Basic chemicals business, the entire company has been working together to recover from manufacturing equipment problems to ensure stable supply to customers. In the Functional chemicals business, despite declining demand for major products, we were able to steadily increase the sales volume of Acrylic Rubber by developing new markets. In the Healthcare business, following the decision to construct new manufacturing facilities at the Matsuyama Plant, it was also decided to construct new manufacturing facilities at the Amagasaki Plant as a second phase of expansion in order to meet the growing demand for pharmaceutical purification materials for diabetes treatments and the rapidly expanding obesity treatments.

In terms of the “strengthening of new product creation capabilities,” we will work to quickly bring to market the next global niche-top products by focusing on next-generation storage battery materials such as ultra-high ionic conductive polymers for all-solid batteries, which were selected as a Green Innovation Fund Project by NEDO.

In terms of the “promotion of sustainability management,” as an appropriate response to Japan’s Corporate Governance Code, in addition to taking steps to comply with TCFD recommendations and calculating GHG emissions, we are continuing revision of the personnel system for managers which started last fiscal year and also revised the personnel system for general employees in April of this year, all in an effort to “grow together with our employees as a company” as set forth in our Vision Statement. Under the new personnel systems, we will work to further spread business reform activities, improve employee engagement, and nurture the next generation of human resources.

Due in part to the manufacturing equipment problems at the Mizushima Plant (net sales: ¥1,700 million, operating income: ¥2,100 million), net sales for the first three months of the consolidated fiscal year decreased 9.9% year on year to ¥23,193 million. In terms of income, operating income decreased 45.5% year on year to ¥2,807 million, ordinary income decreased 40.8% year on year to ¥3,504 million, and net income attributable to owners of parent decreased 42.1% year on year to ¥2,404 million.

As the Healthcare business has been steadily growing as our third profitable business, starting from the first three months of the consolidated fiscal year we are changing our system to four reportable segments, namely, Basic Chemicals, Functional Chemicals, Healthcare, and Trading and Others. Accordingly, in the following year-on-year comparisons, figures for the same period of the previous fiscal year have been reclassified to the post-change segment classifications.

< Basic chemicals >

Despite a decrease in the sales volumes of some products due to the manufacturing equipment problems at the Mizushima Plant, net sales of Chlor-Alkali products increased due in part to a rise in product prices as a result of increases in raw material and fuel prices. Net sales of Epichlorohydrin decreased due to a reduction in demand for epoxy resin both in Japan and overseas, as well as sales adjustments resulting from the manufacturing equipment problems. As a result of the above, net sales in the Basic chemicals business decreased 11.8% year on year to ¥9,045 million.

< Functional chemicals >

In the synthetic rubbers business, net sales of Epichlorohydrin Rubber decreased due to a decline in demand for OA applications. Net sales of Acrylic Rubber increased, particularly to customers in Asia, as it was adopted for new applications in Japan and overseas. Net sales of DAP resin decreased due to weak demand in Europe and East Asia and prolonged inventory adjustments in the United States. Net sales of Allyl Ethers decreased due to lower demand for Silane coupling agents in Europe, the United States, and China, particularly for paint applications. As a result of the above, net sales in the Functional chemicals business decreased 11.7% year on year to ¥6,483 million.

<Healthcare>

Net sales of pharmaceutical purification materials increased as demand steadily increased for applications in diabetes treatments in Europe, the Americas, and Asia. Net sales of active pharmaceutical ingredients (APIs) and their intermediates decreased due to a concentration of sales in the first three months of the previous fiscal year, despite an increase in sales of oligonucleotide APIs and antiulcer drug intermediates. As a result of the above, net sales in the Healthcare business decreased 10.1% year on year to ¥2,208 million, but the full-year results are expected to be higher than the previous fiscal year.

<Trading and Others>

While net sales for consumer products increased thanks to strong sales, net sales decreased due to sluggish sales of electronic materials and automotive products, mainly glass fiber. As a result of the above, net sales in the Trading and others business decreased 4.0% year on year to ¥5,454 million.

(2) Analysis of Financial Position

(Assets)

Current assets were ¥88,797 million, a decrease of 0.9% since March 31, 2023. This was due primarily to a decrease of ¥5,000 million in securities. Noncurrent assets were ¥50,432 million, an increase of 4.2% since March 31, 2023. This was due primarily to an increase of ¥2,634 million in investment securities. As a result, total assets at the end of the first three months of the consolidated accounting period were ¥139,229 million, an increase of 0.9% since March 31, 2023.

(Liabilities)

Current liabilities were ¥29,209 million, a decrease of 9.6% since March 31, 2023. This was due primarily to a decrease of ¥2,758 million in accrued income taxes and ¥466 million in provision for bonuses. Noncurrent liabilities were ¥7,074 million, an increase of 14.6% since March 31, 2023. This was due primarily to an increase of ¥1,022 million yen in deferred tax liabilities. As a result, liabilities at the end of the first three months of the consolidated accounting period were ¥36,283 million, a decrease of 5.7% since March 31, 2023.

(Net assets)

Net assets at the end of the first three months of the consolidated accounting period were ¥102,945 million, an increase of 3.4% since March 31, 2023. This was due primarily to increases of ¥1,259 million in retained earnings and ¥1,814 million in unrealized gains on other securities.

(3) Analysis of Forward-looking Statement, Including Consolidated financial results Forecasts

There are no changes to the earnings forecasts for the fiscal year ending March 31, 2024, announced on May 11, 2023. If there are any changes in the future, the Company will appropriately disclose information to that effect.

2. Quarterly Consolidated Financial Statements and Notes to Quarterly Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	12,844	14,795
Notes and accounts receivable - trade, and contract assets	29,290	28,488
Electronically recorded monetary claims - operating	3,826	6,481
Securities	23,998	18,998
Merchandise and finished goods	9,516	10,150
Work in process	2,602	2,700
Raw materials and supplies	3,965	6,196
Other	3,599	987
Allowance for doubtful accounts	△3	△2
Total current assets	89,640	88,797
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,721	7,371
Machinery, equipment and vehicles, net	11,239	12,536
Land	2,304	2,305
Leased assets, net	644	620
Construction in progress	3,730	1,527
Other, net	462	439
Total property, plant and equipment	25,103	24,799
Intangible assets		
Goodwill	217	203
Software	102	100
Other	320	334
Total intangible assets	639	638
Investments and other assets		
Investment securities	21,302	23,936
Long-term loans receivable	14	14
Deferred tax assets	677	394
Other	657	670
Allowance for doubtful accounts	△5	△21
Total investments and other assets	22,645	24,994
Total non-current assets	48,389	50,432
Total assets	138,029	139,229

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,397	14,768
Short-term borrowings	7,172	7,172
Income taxes payable	3,585	827
Provision for bonuses	928	462
Current portion of long-term borrowings	58	59
Other	6,168	5,919
Total current liabilities	32,310	29,209
Non-current liabilities		
Long-term borrowings	434	417
Lease liabilities	838	811
Deferred tax liabilities	1,709	2,731
Retirement benefit liability	2,826	2,782
Asset retirement obligations	152	152
Other	214	179
Total non-current liabilities	6,175	7,074
Total liabilities	38,485	36,283
Net assets		
Shareholders' equity		
Share capital	15,871	15,871
Capital surplus	17,009	17,009
Retained earnings	62,741	64,001
Treasury shares	△3,811	△3,811
Total shareholders' equity	91,812	93,070
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,339	9,153
Deferred gains or losses on hedges	△101	179
Foreign currency translation adjustment	676	714
Remeasurements of defined benefit plans	△190	△182
Total accumulated other comprehensive income	7,723	9,865
Non-controlling interests	8	9
Total net assets	99,543	102,945
Total liabilities and net assets	138,029	139,229

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	25,738	23,193
Cost of sales	17,142	16,955
Gross profit	8,596	6,237
Selling, general and administrative expenses	3,446	3,430
Operating profit	5,149	2,807
Non-operating income		
Interest income	2	3
Dividend income	308	346
Share of profit of entities accounted for using equity method	1	1
Foreign exchange gains	492	297
Insurance claim income	2	—
Other	64	99
Total non-operating income	871	747
Non-operating expenses		
Interest expenses	20	28
Loss on abandonment of inventories	70	—
Other	9	22
Total non-operating expenses	99	50
Ordinary profit	5,921	3,504
Extraordinary losses		
Loss on retirement of non-current assets	40	40
Total extraordinary losses	40	40
Profit before income taxes	5,881	3,463
Income taxes - current	1,481	695
Income taxes - deferred	249	365
Total income taxes	1,731	1,060
Profit	4,149	2,402
Loss attributable to non-controlling interests	△0	△1
Profit attributable to owners of parent	4,149	2,404

Consolidated statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	4,149	2,402
Other comprehensive income		
Valuation difference on available-for-sale securities	31	1,814
Deferred gains or losses on hedges	85	281
Foreign currency translation adjustment	247	36
Remeasurements of defined benefit plans, net of tax	8	7
Share of other comprehensive income of entities accounted for using equity method	13	2
Total other comprehensive income	385	2,142
Comprehensive income	4,535	4,544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,533	4,545
Comprehensive income attributable to non-controlling interests	1	△1

(3) Notes to Quarterly Consolidated Financial Statements
(Notes on Premise of Going Concern)
Not applicable

(Notes on Major Changes in Shareholders' Equity)
Not applicable

(Segment Information and Other Items)

The Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(Millions of yen)

	Basic chemicals	Functional chemicals	Healthcare	Trading and Others	Total	Adjustments *1	Consolidated *2
Net sales							
Japan	8,420	1,887	1,227	4,686	16,222	—	16,222
China	7	1,972	349	708	3,038		3,038
Asia	1,505	1,468	385	266	3,625	—	3,625
Europe	148	1,346	223	0	1,717	—	1,717
Others	179	668	270	16	1,135	—	1,135
Revenue from Contracts with Customers	10,260	7,342	2,456	5,679	25,738	—	25,738
Other Revenue	—	—	—	—	—	—	—
External sales	10,260	7,342	2,456	5,679	25,738	—	25,738
Intersegment sales or reclassifications	0	370	1	1,155	1,527	(1,527)	—
Total	10,260	7,713	2,457	6,834	27,266	(1,527)	25,738
Segment income	2,159	1,984	1,086	234	5,464	(314)	5,149

Notes:

- (1) Adjustments of segment income of ¥ (314) million are corporate expenses not allocated to reportable segments. Most of above-mentioned corporate expenses are not attributable to a reporting segment and related to fundamental research and development.
- (2) Segment income is adjusted to operating income of consolidated statement of income.

The Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Basic chemicals	Functional chemicals	Healthcare	Trading and Others	Total	Adjustments *1	Consolidated *2
Net sales							
Japan	8,759	1,933	1,069	4,675	16,438	—	16,438
China	—	1,929	204	447	2,581	—	2,581
Asia	185	1,256	194	260	1,896	—	1,896
Europe	100	639	521	66	1,328	—	1,328
Others	—	724	219	4	948	—	948
Revenue from Contracts with Customers	9,045	6,483	2,208	5,454	23,193	—	23,193
Other Revenue	—	—	—	—	—	—	—
External sales	9,045	6,483	2,208	5,454	23,193	—	23,193
Intersegment sales or reclassifications	0	275	1	704	981	(981)	—
Total	9,045	6,759	2,209	6,159	24,174	(981)	23,193
Segment income	171	1,128	1,352	443	3,095	(288)	2,807

Notes:

- (1) Adjustments of segment income of ¥ (288) million are corporate expenses not allocated to reportable segments. Most of above-mentioned corporate expenses are not attributable to a reporting segment and related to fundamental research and development.
- (2) Segment income is adjusted to operating income of consolidated statement of income.

Changes in Reportable Segments

(Changes in Reportable Segment Classification)

Starting from the first three months of the accounting period, the Healthcare business, which was previously included in the Functional Chemicals segment, has been spun off as its own new segment in line with business expansion. In addition, in order to better understand the actual state of business performance, reportable segments have been changed from the three categories of Basic Chemicals, Functional Chemicals, and Housing Facilities and Others, to the four categories of Basic Chemicals, Functional Chemicals, Healthcare, and Trading and Others. Furthermore, in order to better evaluate and manage the performance of each reportable segment, we have revised the allocation method of common expenses and changed the calculation method of profit or loss for the reportable segments. The segment information for the first three months of the previous consolidated fiscal year is disclosed based on the post-change classification of the reportable segments.