

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended September 30, 2015
(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: Tamotsu Sato, Representative Director, Chief Executive Officer
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Scheduled date of filing of quarterly report: November 9, 2015
Scheduled date of commencement of dividend payment: December 8, 2015
Supplementary materials prepared for the quarterly 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, 2015		September 30, 2014	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	50,347	2.9%	48,914	9.2%
Operating income	3,080	30.5%	2,361	10.9%
Ordinary income	3,255	23.1%	2,644	12.2%
Net income	1,977	25.6%	1,574	19.7%
Comprehensive income	1,064	(60.9)%	2,721	45.1%

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

Net income per share (Yen)	18.77	14.95
Diluted net income per share (Yen)	15.59	13.56

(2) Financial Condition

	September 30, 2015		March 31, 2015	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	98,687	—	100,893	—
Net assets	48,376	—	47,704	—
Equity *	48,376	—	47,704	—
Equity ratio	—	49.0%	—	47.3%

2. Dividends

	Year ending Mar. 31, 2016 (Forecast)	Year ending Mar. 31, 2016	Year ended Mar. 31, 2015
End of first quarter		—	—
End of second quarter		5.00	4.00
End of third quarter	—		—
End of fourth quarter	5.00		4.00
Full year	10.00		8.00

2. Earnings Forecast for the fiscal year ending March 31, 2016

	Full-year	
	Millions of yen	Change*
Net sales	105,000	3.6%
Operating income	6,000	16.0%
Ordinary income	6,300	9.6%
Net income	3,800	10.1%

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

Earnings per share (Yen)	36.07
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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.: 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, 2015: 111,771,671 shares

As of March 31, 2015: 111,771,671 shares

2) Number of treasury shares at the end of period

As of September 30, 2015: 6,415,785 shares

As of March 31, 2015: 6,411,660 shares

3) Average number of shares outstanding in each period

Six months ended September 30, 2015: 105,358,111 shares

Six months ended September 30, 2014: 105,346,097 shares

* Status of quarterly review procedure:

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

*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.

4. QUALITATIVE INFORMATION

(1) Results of Operations

During the six months ended September 30, 2015, while Japan's economy has continued to recover moderately as a trend against the background of steady improvement in the employment and income situation, there are downside risks including slowing down of the Chinese economy as the U.S. monetary policy normalization emerges. The outlook remains uncertain in the midst of an unpredictable environment.

Under the circumstance, Osaka Soda Group took a series of strategic steps in fiscal 2015 which is the second year of the 5th mid-term management plan "*NEXT FRONTIER-100*". According to the basic policies in this plan, we focused on "Creation of new products and new businesses", "Expansion of global businesses", and "Restructure and reinforce the existing businesses" in order to drive business expansion and strength including cost reduction.

Basic Chemical Products

In *Chlor-Alkali*, net sales decreased due to the effect of weakening market conditions.

In *Epichlorhydrin*, net sales increased due to steady domestic and overseas demand.

As a result, net sales in basic chemical products were ¥21,923 million, an increase of 1.8% compared to the same period of fiscal 2014.

Functional Chemical Products

In *Epichlorhydrin Rubber*, net sales increased due to continued steady export sales to Korea and Southeast Asia despite inventory adjustments backed by the decrease of motor vehicle production in China.

In *Diallyl Phthalate Resin*, net sales increased due to expansion of domestic and export sales to China in printing inks as well as an increase of export sales to Taiwan for molding compound.

In ***Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)***, net sales increased due to continued favorable sales in both diabetes therapeutic drug and hypolipidemic agent as well as an increase of export sales to Asia.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued steady sales in "Anti-Ulcer Drug" and "Intermediates of the anti-influenza drug" as well as the drug substance in late phase clinical trial in the U.S..

In *Allyl Ethers*, net sales decreased due to the slowdown in China.

As a result, net sales in functional chemical products were ¥18,282 million, an increase of 8.4% compared to the same period of fiscal 2014.

Housing Facilities and Others

Household Materials and Components has seen a downturn in demand of seasonal products.

In *Plant Engineering Services*, net sales decreased due to the decline in large scale construction projects.

As a result, net sales in housing facilities and others were ¥10,142 million, a decrease of 3.5% compared to the same period of fiscal 2014.

As a result, net sales were ¥50,347 million, an increase of 2.9% compared to the same period of fiscal 2014. Operating income was ¥3,080 million, reflecting business expansion of functional chemical products, an increase of 30.5% compared to the same period of fiscal 2014. Ordinary income was ¥3,255 million, an increase of 23.1% compared to the same period of fiscal 2014. Net income attributable to owners of parent was ¥1,977 million, an increase of 25.6% compared to the same period of fiscal 2014.

Our company celebrates the 100th anniversary of the foundation in October 2015. On this occasion our trade name is scheduled to change to "Osaka Soda Co., Ltd." on October 1st, 2015. Our company's frontier spirit has been developed and deepened since our foundation. In the coming 100 years, we continue our efforts to grow into dynamic and innovative global company.

(2) Financial Condition

Assets

Current assets were ¥58,611 million, an increase of 0.3% since March 31, 2015. The increase was due primarily to an increase of ¥1,429 million in *cash and deposits*, an increase of ¥838 million in *merchandise and finished goods*, an increase of ¥300 million in *notes and accounts receivable-trade* and a decrease of ¥2,499 million in *short term investment securities*.

Noncurrent assets were ¥40,076 million, a decrease of 5.6% since March 31, 2015. The increase was due primarily to a decrease of ¥1,439 million in *investment securities* and a decrease of ¥764 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥98,687 million as of September 30, 2015, a decrease of 2.2% since March 31, 2015.

Liabilities

Current liabilities were ¥31,082 million, a decrease of 3.6% since March 31, 2015. The decrease was due primarily to a decrease of ¥936million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥19,228million, a decrease of 8.1% since March 31, 2015. The decrease was due primarily to a decrease of ¥1,220 million in *long term loans payable*.

As a result, **Total liabilities** were ¥50,310 million as of September 30, 2015, a decrease of 5.4% since March 31, 2015.

Net assets

Net assets were ¥48,376 million as of September 30, 2015, an increase of 1.4% since March 31, 2015.

(3) Cash Flows

As of September 30, 2015, cash and cash equivalents were ¥19,025 million, a decrease of ¥1,069 million compared with those as of March 31, 2015.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥1,068 million. This increase resulted from ¥2,952 million in *income before income taxes*, ¥1,438 million in *depreciation*. The decrease was due mainly to a decrease of ¥1,220 million in *notes and accounts payable-trade* and ¥948 million in *inventories*.

Cash flows from investing activities

Net cash used in investing activities totaled ¥791million. This was primarily attributed to payments of ¥620 million for purchase of *property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,663 million. This was primarily attributed to repayments of ¥1,240 million of long term loans payable.

(4) Earnings Forecast

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the year ended March 31, 2015, unaudited" dated May 8, 2015.

5. OTHER INFORMATION

Changes in accounting policies

“Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Consolidation”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and related standards have been applied effective from the current first quarter of the fiscal year ending March 31, 2016.

Accordingly, any change in the company’s ownership interest in a subsidiary while the company retains control over the subsidiary is accounted for as capital surplus, and acquisition-related costs are expensed in the fiscal year in which the costs are incurred. For any business combinations on or after the beginning of the current first quarter, a revision of purchase price allocations for business combinations, due to a retroactive adjustment resulting from a change to the provisional amounts recognized in completing the initial accounting, is reflected in the quarterly consolidated financial statements for the quarterly period that includes the date of business combination.

In addition, the presentation of net income was changed and the minority interests were reported as non-controlling interests. In order to reflect the change of presentation, the quarterly consolidated financial statements and consolidated financial statements have been reclassified retroactively for the previous quarterly period ended September 30 and the previous fiscal year ended March 31.

The aforementioned accounting standards were adopted effective from the beginning of the current first quarter and thereafter, in accordance with transitional treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidation, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect of these changes on the quarterly consolidated financial statements for the quarterly period ended September 30, 2015.

6. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2015	September 30, 2015
Assets		
<i>Current assets</i>		
Cash and deposits	7,596	9,026
Notes and accounts receivable-trade	28,172	28,473
Short term investment securities	12,499	9,999
Merchandise and finished goods	5,669	6,508
Work in process	1,127	1,423
Raw materials and supplies	2,186	2,103
Other current assets	1,203	1,081
Less: Allowance for doubtful accounts	(5)	(5)
Total current assets	58,450	58,611
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Property, plant, and equipment - Net	11,581	11,174
Other - Net	9,005	8,647
Total property, plant and equipment	20,586	19,822
Intangible assets		
Goodwill	902	835
Other	257	269
Total intangible assets	1,159	1,105
Investments and other assets		
Investment securities	19,452	18,013
Other	1,251	1,143
Less: Allowance for doubtful accounts	(6)	(8)
Total investment and other assets	20,697	19,148
Total noncurrent assets	42,443	40,076
Total assets	100,893	98,687

CONSOLIDATED BALANCE SHEETS *(Continued)*
(Millions of yen)

	March 31, 2015	September 30, 2015
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	15,764	14,827
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,480	2,460
Income taxes payable	915	950
Provision for bonuses	720	698
Other current liabilities	3,497	3,265
Total current liabilities	32,258	31,082
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	10,000
Long term loans payable	5,400	4,180
Provision for directors retirement benefits	615	514
Net defined benefit liability	2,447	2,452
Other noncurrent liabilities	2,467	2,081
Total noncurrent liabilities	20,930	19,228
Total liabilities	53,189	50,310
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,882
Capital surplus	9,399	9,399
Retained earnings	22,038	23,595
Treasury stock	(1,663)	(1,665)
Total shareholders' equity	40,657	42,211
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	6,900	5,991
Deferred gains or losses on hedges	7	(14)
Foreign currency translation adjustments	22	59
Re-measurements of defined benefit plans	118	129
Total accumulated other comprehensive income	7,047	6,164
Total net assets	47,704	48,376
Total net assets and liabilities	100,893	98,687

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2014	September 30, 2015
Net sales	48,914	50,347
Cost of sales	41,427	41,859
Gross profit	7,486	8,488
Selling, general, and administrative expenses	5,125	5,408
Operating income	2,361	3,080
<i>Non-operating income</i>		
Interest income	7	17
Dividend income	166	179
Foreign exchange gain	212	5
Other	40	29
Total non-operating income	426	232
<i>Non-operating expenses</i>		
Interest expenses	63	49
Bond issuance costs	36	-
Other	43	7
Total non-operating expenses	143	56
Ordinary income	2,644	3,255
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	30	-
Gain on sales of investment securities	-	18
Gain on reversal of subscription rights to shares	11	-
Total extraordinary income	42	18
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	192	172
Commemorative activities expense	-	149
Total extraordinary loss	192	322
Income before income taxes	2,493	2,952
Income taxes - current	706	904
Income taxes - deferred	212	70
Total income taxes	919	974
Net income	1,574	1,977
Net income attributable to non-controlling interests	—	—
Net income attributable to owners of parent	1,574	1,977

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2014	September 30, 2015
Net income	1,574	1,977
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,100	(908)
Deferred gains or losses on hedges	33	(22)
Foreign currency translation adjustments	(5)	6
Re-measurements of defined benefit plans	18	11
Total	1,147	(913)
Comprehensive income	2,721	1,064
Comprehensive income attributable to:		
Owners of parent	2,721	1,064
Minority interests	—	—

CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2014	September 30, 2015
Cash flows from operating activities		
Income (loss) before income taxes	2,493	2,952
Depreciation	1,386	1,438
Amortization of goodwill	66	66
Increase (decrease) in allowance for doubtful accounts	1	(3)
Increase (decrease) in provision for bonuses	(23)	(22)
Increase (decrease) in provision for directors' retirement benefits	(43)	(101)
Increase (decrease) in allowance for retirement benefits for employees	22	5
Interest and dividend income	(173)	(196)
Interest expenses	63	49
Foreign exchange losses (gains)	(146)	(13)
Loss on retirement of non-current assets	192	172
Loss (gain) on sales of non-current assets	(30)	-
Gain on sales of investment securities	-	(18)
Bond issuance cost	36	-
Decrease (increase) in notes and accounts receivable-trade	(2,422)	(193)
Decrease (increase) in inventories	(1,090)	(948)
Increase (decrease) in notes and accounts payable-trade	1,864	(1,220)
Other, net	464	(182)
Subtotal	2,661	1,782
Interest and dividend income received	173	196
Interest expenses paid	(64)	(49)
Income taxes paid	(1,158)	(860)
Net cash provided by (used in) operating activities	1,612	1,068

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*
(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2014	September 30, 2015
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	400	-
Purchase of property, plant and equipment	(633)	(620)
Proceeds from sales of property, plant and equipment	157	-
Purchase of intangible assets	(96)	(36)
Purchase of investment securities	(48)	(8)
Proceeds from sales of investment securities	-	29
Other, net	(178)	(155)
Net cash provided by (used in) investing activities	(399)	(791)
Cash flows from financing activities		
Repayments of long-term loans payable	(1,290)	(1,240)
Proceeds from issuance of bonds with subscription rights to shares	9,963	-
Cash dividends paid	(368)	(421)
Other, net	12	(2)
Net cash provided by (used in) financing activities	8,318	(1,663)
Effect of exchange rate change on cash and cash equivalents	140	15
Net increase (decrease) in cash and cash equivalents	9,671	(1,371)
Cash and cash equivalents	8,197	20,095
Increase in cash and cash equivalents from newly consolidated subsidiary	75	301
Cash and cash equivalents	17,944	19,025

7. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption

None

(2) Notes regarding significant changes in the amount of shareholders' equity

None

(3) Segment information

Six months ended September 30, 2014

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	21,532	5	21,538	601
Functional Chemical Products	16,870	0	16,870	2,076
Housing Facilities and Others	10,511	221	10,733	189
Total	48,914	227	49,142	2,866
Adjustments *1	-	(227)	(227)	(505)
Consolidated operating income *2	48,914	-	48,914	2,361

Notes 1: Adjustments of segment income of ¥(505) 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.

Six months ended September 30, 2015

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	21,923	12	21,935	607
Functional Chemical Products	18,282	1	18,283	2,856
Housing Facilities and Others	10,142	218	10,360	131
Total	50,347	232	50,579	3,595
Adjustments *1	-	(232)	(232)	(515)
Consolidated operating income *2	50,347	—	50,347	3,080

Notes 1: Adjustments of segment income of ¥(515) 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.