

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended December 31, 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: February 8, 2016
Scheduled date of commencement of dividend payment: —
Supplementary materials prepared 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, 2015		December 31, 2014	
	Millions of yen	Change *	Millions of yen	Change *
Net sales	75,505	1.8%	74,153	7.8%
Operating income	5,194	30.9%	3,968	12.8%
Ordinary income	5,424	17.6%	4,613	14.2%
Net income attributable to owners of parent	3,299	18.8%	2,777	21.9%
Comprehensive income	3,372	(29.4)%	4,777	26.3%

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

Net income per share (Yen)	31.31	26.36
Diluted net income per share (Yen)	26.01	23.21

(2) Financial Condition

	December 31, 2015		March 31, 2015	
	Millions of yen	Ratio	Millions of yen	Ratio
Total assets	100,517	—	100,893	—
Net assets	50,157	—	47,704	—
Equity *	50,157	—	47,704	—
Equity ratio	—	49.9%	—	47.3%

Note: Equity = "Total net assets" minus "Subscription rights to shares"

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 yen*	4.00 yen
End of third quarter		—	—
End of fourth quarter	5.00 yen		4.00 yen
Full year	10.00 yen		8.00 yen

Note: End of second quarter for the year ending Mar. 31, 2016: Ordinary dividend 4.00 yen
Commemorative dividend 1.00 yen

3. 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 attributable to owners of parent	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 December 31, 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 December 31, 2015:	6,416,785	shares
As of March 31, 2015:	6,411,660	shares
 - 3) Average number of shares outstanding in each period

Nine months ended December 31, 2015:	105,357,329	shares
Nine months ended December 31, 2014:	105,350,991	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 nine months ended December 31, 2015, Japan's economy has continued to recover moderately as a trend against the background of continued steady corporate profits and improvement in the employment and income situation, however, attention should be given to downside risks of emerging economies including the Chinese economy affected by an interest rate rise in the U.S. 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 of market conditions.

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

As a result, net sales in basic chemical products were ¥32,241 million, an increase of 0.2% compared to the same period of fiscal 2014.

Functional Chemical Products

In *Epichlorhydrin Rubber*, net sales increased due to continued steady export sales to Asian countries (not including China), despite decrease in export sales to China, reflecting slowdown in China's economic growth.

In *Diallyl Phthalate Resin*, net sales increased due to continued steady domestic sales in UV printing inks as well as an increase in export sales to Asia Region.

In *Separation Media for in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased primarily due to continued favorable sales for anti-diabetic drug in Europe as well as sharp increase in sales volume in the Chinese market.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued steady sales in "Intermediate for the Antiulcer Drug" and "Intermediate for Anti-influenza Drug".

In *Allyl Ethers*, net sales decreased due to decline in sales volume, reflecting China's economic slowdown.

As a result, net sales in functional chemical products were ¥27,734 million, an increase of 8.1% compared to the same period of fiscal 2014.

Housing Facilities and Others

In *Household Materials and Components*, net sales decreased due to continued unfavorable sales of seasonal products.

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

As a result, net sales in housing facilities and others were ¥15,529 million, a decrease of 4.9% compared to the same period of fiscal 2014.

As a result, net sales were ¥75,505 million, an increase of 1.8% compared to the same period of fiscal 2014. In terms of income, through expansion of chemical business products, operating income was ¥5,194million, an increase of 30.9% compared to the same period of fiscal 2014. Accordingly, ordinary income was ¥5,424 million, an increase of 17.6% compared to the same period of fiscal 2014. Net income attributable to owners of parent was ¥3,299 million, an increase of 18.8% compared to the same period of fiscal 2014.

(2) Financial Condition

Assets

Current assets were ¥59,076 million, an increase of 1.1% since March 31, 2015. The increase was due primarily to an increase of ¥2,758 million in *notes and accounts receivable-trade*, an increase of ¥2,337 million in *cash and deposits*, an increase of ¥1,173 million in *merchandise and finished goods*, and an increase of ¥5,999 million in *short term investment securities*.

Noncurrent assets were ¥41,441 million, a decrease of 2.4% since March 31, 2015. The decrease was due primarily to a decrease of ¥815 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥100,517 million as of December 31, 2015, a decrease of 0.4% since March 31, 2015.

Liabilities

Current liabilities were ¥31,252 million, a decrease of 3.1% since March 31, 2015. The decrease was due primarily to a decrease of ¥642 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥19,107 million, a decrease of 8.7% since March 31, 2015. The decrease was due primarily to a decrease of ¥1,810 million in *long term loans payable*.

As a result, **Total liabilities** were ¥50,359 million as of December 31, 2015, a decrease of 5.3% since March 31, 2015.

Net assets

Net assets were ¥50,157 million as of December 31, 2015, an increase of 5.1% since March 31, 2015.

(3) 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 Divestures" (ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as "Accounting Standard for Business Divestures") 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 December 31 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 December 31, 2015.

6. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2015	December 31, 2015
Assets		
<i>Current assets</i>		
Cash and deposits	7,596	9,934
Notes and accounts receivable-trade	28,172	30,931
Short term investment securities	12,499	6,499
Merchandise and finished goods	5,669	6,843
Work in process	1,127	1,662
Raw materials and supplies	2,186	2,076
Other current assets	1,203	1,135
Less: Allowance for doubtful accounts	(5)	(6)
Total current assets	<u>58,450</u>	<u>59,076</u>
<i>Noncurrent assets</i>		
Property, plant, and equipment		
Machinery, equipment, and vehicles - Net	11,581	11,444
Other - Net	9,005	8,326
Total property, plant and equipment	<u>20,586</u>	<u>19,771</u>
Intangible assets		
Goodwill	902	804
Other	257	274
Total intangible assets	<u>1,159</u>	<u>1,079</u>
Investments and other assets		
Investment securities	19,452	19,487
Other	1,251	1,111
Less: Allowance for doubtful accounts	(6)	(8)
Total investment and other assets	<u>20,697</u>	<u>20,590</u>
Total noncurrent assets	<u>42,443</u>	<u>41,441</u>
Total assets	<u>100,893</u>	<u>100,517</u>

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

	March 31, 2015	December 31, 2015
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	15,764	15,122
Short term loans payable	8,880	8,880
Current portion of long term loans payable	2,480	2,430
Income taxes payable	915	675
Provision for bonuses	720	355
Other current liabilities	3,497	3,790
Total current liabilities	<u>32,258</u>	<u>31,252</u>
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	10,000
Long term loans payable	5,400	3,590
Provision for directors retirement benefits	615	534
Net defined benefit liability	2,447	2,428
Other noncurrent liabilities	2,467	2,553
Total noncurrent liabilities	<u>20,930</u>	<u>19,107</u>
Total liabilities	<u>53,189</u>	<u>50,359</u>
Net assets		
<i>Shareholders' equity</i>		
Capital stock	10,882	10,882
Capital surplus	9,399	9,399
Retained earnings	22,038	24,390
Treasury stock	(1,663)	(1,665)
Total shareholders' equity	<u>40,657</u>	<u>43,006</u>
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	6,900	6,985
Deferred gains or losses on hedges	7	(18)
Foreign currency translation adjustments	22	49
Re-measurements of defined benefit plans	118	134
Total accumulated other comprehensive income	<u>7,047</u>	<u>7,151</u>
Total net assets	<u>47,704</u>	<u>50,157</u>
Total net assets and liabilities	<u>100,893</u>	<u>100,517</u>

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2014	December 31, 2015
Net sales	74,153	75,505
Cost of sales	62,485	62,041
Gross profit	11,668	13,463
Selling, general, and administrative expenses	7,699	8,269
Operating income	3,968	5,194
<i>Non-operating income</i>		
Interest income	12	20
Dividend income	260	300
Foreign exchange gain	497	-
Other	48	36
Total non-operating income	819	357
<i>Non-operating expenses</i>		
Interest expenses	93	71
Bond issuance costs	36	-
Foreign exchange loss	-	42
Other	45	12
Total non-operating expenses	174	126
Ordinary income	4,613	5,424
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	30	-
Gain on sales of investment securities	6	18
Gain on reversal of subscription rights to shares	11	-
Total extraordinary income	48	18
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	253	266
Commemorative activities expense	-	216
Total extraordinary loss	253	483
Income before income taxes	4,408	4,960
Income taxes - current	1,300	1,392
Income taxes - deferred	330	268
Total income taxes	1,631	1,661
Net income	2,777	3,299
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of parent	2,777	3,299

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Nine Months Ended	
	December 31, 2014	December 31, 2015
Net income	2,777	3,299
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,918	85
Deferred gains or losses on hedges	50	(25)
Foreign currency translation adjustments	3	(3)
Re-measurements of defined benefit plans	27	16
Total	2,000	73
Comprehensive income	4,777	3,372
Comprehensive income attributable to:		
Owners of parent	4,777	3,372
Non-controlling interests	—	—

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

Nine months ended December 31, 2014

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	32,171	12	32,183	1,154
Functional Chemical Products	25,648	1	25,649	3,304
Housing Facilities and Others	16,334	860	17,194	277
Total	74,153	873	75,027	4,735
Adjustments *1	—	(873)	(873)	(767)
Consolidated operating income *2	74,153	—	74,153	3,968

Notes 1: Adjustments of segment income of ¥(767) 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, 2015

(Millions of yen)

	Net sales			Segment income
	External sales	Intersegment sales or reclassifications	Total	
Basic Chemical Products	32,241	17	32,259	1,417
Functional Chemical Products	27,734	2	27,736	4,380
Housing Facilities and Others	15,529	340	15,869	153
Total	75,505	360	75,865	5,950
Adjustments *1	—	(360)	(360)	(756)
Consolidated operating income *2	75,505	—	75,505	5,194

Notes 1: Adjustments of segment income of ¥(756) 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.