

Osaka Soda Co., Ltd.
CONSOLIDATED FINANCIAL RESULTS
For the Fiscal Year Ended March 31, 2016
(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
For inquiry: Kazuya Kawabata, Executive Officer, General Manager, Administration Division
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Scheduled date of general shareholders meeting: June 29, 2016
Scheduled date of commencement of dividend payment: June 13, 2016
Scheduled date of filing of securities report: June 30, 2016
Supplementary materials prepared for the financial results: Yes
Annual financial results briefings: Yes

1. Consolidated Financial Results

(Amounts are rounded down to the nearest million yen)

(1) Results of Operations

| | | Year ended | | | |
|---|-----------------|----------------|----------|----------------|----------|
| | | March 31, 2016 | | March 31, 2015 | |
| | | | Change * | | Change * |
| Net sales | Millions of yen | 102,125 | 0.7% | 101,365 | 10.6% |
| Operating income | Millions of yen | 6,443 | 24.6% | 5,172 | 8.9% |
| Ordinary income | Millions of yen | 6,439 | 12.0% | 5,747 | 9.7% |
| Net income attributable to owners of parent | Millions of yen | 3,606 | 4.5% | 3,450 | 13.9% |
| Comprehensive income | Millions of yen | 1,512 | -78.0% | 6,857 | 60.0% |
| Net income per share | Yen | 34.23 | - | 32.75 | - |
| Diluted net income per share | Yen | 28.43 | - | 28.41 | - |
| Return on equity | % | 7.5 | - | 7.7 | - |
| Return on total assets | % | 6.5 | - | 6.2 | - |
| Operating income ratio | % | 6.3 | - | 5.1 | - |

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

(2)Financial Condition

| | | As of March 31, 2016 | As of March 31, 2015 |
|----------------------------|-----------------|-------------------------|-------------------------|
| Total assets | Millions of yen | 97,027 | 100,893 |
| Net assets | Millions of yen | 48,296 | 47,704 |
| Equity * | Millions of yen | 48,296 | 47,704 |
| Equity ratio | % | 49.8 | 47.3 |
| Net assets per share (Yen) | Yen | 458.43 | 452.78 |

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

(3)Cash Flows

| | | Year ended | |
|--|-----------------|----------------|----------------|
| | | March 31, 2016 | March 31, 2015 |
| Cash flows from operating activities | Millions of yen | 5,031 | 7,460 |
| Cash flows from investing activities | Millions of yen | (2,535) | (1,853) |
| Cash flows from financing activities | Millions of yen | (3,433) | 5,954 |
| Cash and cash equivalents at end of year | Millions of yen | 19,036 | 20,095 |

2. Dividends

| | | Year ending March 31, 2017 (Forecast) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---------------------------------|-----------------|---|------------------------------|------------------------------|
| End of first quarter | Yen | - | - | |
| End of second quarter | Yen | 5.00 | 5.00* | 4.00 |
| End of third quarter | Yen | - | - | |
| End of fourth quarter | Yen | 5.00 | 5.00* | 4.00 |
| Full year | Yen | 10.00 | 10.00 | 8.00 |
| Payment of dividends | Millions of yen | - | - | 842 |
| Dividend payout ratio | % | 24.5 | 29.2 | 24.4 |
| Ratio of dividend to net assets | % | - | 2.2 | 1.9 |

Note1: The dividend of ¥5.00 at the end of second quarter of year ended March 31, 2016 includes ordinary dividend of ¥4.00 and commemorative dividend of ¥1.00.

Note2: The dividend of ¥5.00 at the end of fourth quarter of year ended March 31, 2016 includes ordinary dividend of ¥4.00 and commemorative dividend of ¥1.00

3. Earnings Forecast for the fiscal year ending March 31, 2017

| | | End of second quarter | | Full-year | |
|--------------------|-----------------|-----------------------|---------|-----------|---------|
| | | | Change* | | Change* |
| Net sales | Millions of yen | 50,400 | 0.1% | 103,000 | 0.9% |
| Operating income | Millions of yen | 3,100 | 0.6% | 6,500 | 0.9% |
| Ordinary income | Millions of yen | 3,260 | 0.1% | 6,800 | 5.6% |
| Net income | Millions of yen | 2,050 | 3.7% | 4,300 | 19.2% |
| Earnings per share | Yen | 19.46 | - | 40.82 | - |

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

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

| | | |
|-----------------------|-------------|--------|
| As of March 31, 2016: | 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 March 31, 2016: | 6,419,632 | Shares |
|-----------------------|-----------|--------|

| | | |
|-----------------------|-----------|--------|
| As of March 31, 2015: | 6,411,660 | Shares |
|-----------------------|-----------|--------|

3) Average number of shares outstanding in each period

| | | |
|----------------------------|-------------|--------|
| Year ended March 31, 2016: | 105,356,370 | Shares |
|----------------------------|-------------|--------|

| | | |
|----------------------------|-------------|--------|
| Year ended March 31, 2015: | 105,353,139 | Shares |
|----------------------------|-------------|--------|

* Status of audit procedure:

This financial results are not subject to the audit procedure in accordance with the Financial Instruments and Exchange Act. The audit 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. Results of Operations and Financial Condition

(1) Results of Operations

During the fiscal year ended March 31, 2016, Japan's economy has continued to recover moderately as a trend, against the background of improvement in corporate profits due to the downfall in crude oil prices and movements of picking up in corporate fixed investments. The outlook remains uncertain due to the downside risks such as economic slowdown in both resource-rich countries and emerging countries including China, despite economic recovery in the United States.

Under the circumstance, Osaka Soda Group coped with business expansion and cost reduction in fiscal 2015 which is the second year of the 5th mid-term management plan "*NEXT FRONTIER-100*", focusing on four basic policies of this plan which are "Creation of new products and new businesses", "Expansion of global businesses", "Restructuring and reinforcement of existing businesses", and "Nurturing of the healthcare related businesses". Especially, we implemented the integration of sales base in Asia and consolidated our management resources at overseas affiliated companies to strengthen global sales capabilities.

With regard to the reporting segment, we have implemented the following things by business fields.

Basic Chemical Products

In *Chlor-Alkali*, we developed a close-to-market sales activities, strengthening supply system and logistics function by region.

In *Epichlorohydrin*, we focused on overseas sales expansion and cost reduction.

Functional Chemical Products

In *Diallyl Phthalate Resin* and *Epichlorohydrin Rubber* which are Global, Niche, and Top products, we expanded sales to Europe. In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)* and *Active Pharmaceutical Ingredients and their Intermediates*, we developed to acquire new customers.

Housing Facilities and Others

We strengthened the sales activity in *Household Materials and Components* and made efforts to get new projects of chemical plants in *Plant Engineering Services*.

As a result, net sales were ¥102,125 million, an increase of 0.7% compared to the same period of fiscal 2014. All income categories were at record highs, which is the same as previous fiscal year, due mainly to business expansion of Functional Chemical Products. Operating income was ¥6,443 million, an increase of 24.6% compared to the same period of fiscal 2014. Ordinary income was ¥6,439 million, an increase of 12.0% compared to the same period of fiscal 2014. Net income attributable to owners of parent was ¥3,660 million, an increase of 4.5% compared to the same period of fiscal 2014.

Basic Chemical Products

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

In *Epichlorohydrin*, net sales decreased due to the downfall in raw fuel price despite volume growth of overseas sales.

As a result, net sales of Basic Chemical Products were ¥42,580 million, a decrease of 3.7% compared to the same period of fiscal 2014.

Functional Chemical Products

In *Epichlorohydrin Rubber*, net sales increased due to continued steady sales to other Asian countries for applications in automobiles despite the decrease of export sales to China by the effect of its economic slowdown.

In *Diallyl Phthalate Resin*, net sales increased due to continued steady domestic sales in UV printing inks as well as sales to Europe and America in UV printing inks.

In *Allyl Ethers*, net sales decreased due to the impact of stagnant economy in China.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, net sales increased due to continued steady sales to Europe and America as well as an increase in sales to China and India for diabetic drug.

In *Active Pharmaceutical Ingredients and their Intermediates*, net sales increased due to continued steady sales in “Intermediate for Antiinfluenza Drug”, “Intermediate for Antituberculosis Drug”, “Intermediate for Anticancer Drug”, and new active pharmaceutical ingredients.

Electrodes achieved increase in net sales led by increased demand for electrodes used for electrolytic copper foil and electrolytic caustic soda.

As a result, net sales of Functional Chemical Products were ¥37,867 million, an increase of 5.7% compared to the same period of fiscal 2014.

Housing Facilities and Others

In *Plant Engineering Services*, net sales decreased due to a decline in large-scale construction projects in Japan and overseas.

Diallyl Phthalate Resin Decorative Laminate Boards and *Household Materials and Components* achieved steady sales growth respectively.

As a result, net sales of Housing Facilities and Others were ¥21,676 million, an increase of 1.7% compared to the same period of fiscal 2014.

Outlook

With regard to the outlook for fiscal 2016, Japan's economy is expected to continue delivering solid growth through movements of picking up in private consumption against the background of improvement of employment and income situation. However, attention should be given to the downside risks of domestic economy affected by economic slowing down in both resource-rich countries and Asia's emerging countries including China. The business environment in the chemical industries still remains unpredictable for us due to the problem arising from increased overcapacity in Asia.

Basic Chemical Products

In *Allyl Chloride* and *Epichlorohydrin*, we reduce cost and expand sales both inside and outside the country to strengthen competitiveness.

In *Chlor-Alkali* products, we develop a close-to-market sales activities, strengthening supply system and logistics function by region.

Functional Chemical Products

In derivative products based on *Allyl Chloride* and *Epichlorohydrin*, we aim for expanding the scale of our business, developing downstream business such as rubber compound, and increase product variety of *synthetic resin* and *synthetic rubber*.

In health-care-related business, we prioritize our management resources in this business to achieve the practical use of peripheral businesses and new technologies, positioned it as our group's third pillar of profit.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, we make efforts to expand sales to Europe and America and emerging countries, expanding our production capacity in response to customer demand in a timely manner.

In *Active Pharmaceutical Ingredients and their Intermediates*, we actively develop new contract development projects, preparing well-equipped special reaction facilities.

Housing Facilities and Others

In Plant Engineering Services, we aim for order increase of chemical plant construction, including Chlor-Alkali that are our strengths, in domestic and overseas market.

Our outlook for fiscal 2016 is ¥103,000 million in net sales, ¥6,500 million in operating income, ¥6,800 million in ordinary income, and ¥4,300 million in net income attributable to shareholders of the parent.

(2) Financial Condition

Assets

Current assets were ¥57,137 million, a decrease of 2.2% since March 31, 2015. The decrease was due primarily to a decrease of ¥5,499 million in *short term investment securities*, an increase of ¥4,440 million in *cash and deposits*.

Noncurrent assets were ¥39,890 million, a decrease of 6.0% since March 31, 2015. The decrease was due primarily to a decrease of ¥2,298million in *investment securities*, a decrease of ¥2,280 million in *property, plant, and equipment*.

As a result, **Total assets** were ¥97,027 million, a decrease of 3.8% since March 31, 2015.

Liabilities

Current liabilities were ¥30,669 million, a decrease of 4.9% since March 31, 2015. The decrease was due primarily to a decrease of ¥2,771 million in *notes and accounts payable-trade*.

Noncurrent liabilities were ¥18,062 million, a decrease of 13.7% since March 31, 2015. The increase was due primarily to a decrease of ¥2,440 million in *long term loan payable*.

As a result, **Total liabilities** were ¥48,731 million, a decrease of 8.4% since March 31, 2015.

Net assets

Net assets were ¥48,296 million, an increase of 1.2% since March 31, 2015.

Cash flow

Cash and cash equivalents at the end of fiscal year were ¥19,036million, a decrease of ¥1,059 million compared to the previous fiscal period.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥5,031 million, due primarily to ¥5,730 million in *income before income taxes* and ¥2,892 million in *depreciation*, a decrease of ¥2,991 million in *notes and accounts payable*.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥2,535million, due primarily to cash outflows of ¥1,888 million in *purchase of property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,433 million, due primarily to repayment of ¥2,480 million in *repayments of long term loan payable* and cash dividend paid of ¥948 million.

Cash flow ratios

| | | Year ended March 31, | | | |
|------------------------------------|---------|----------------------|-------|-------|-------|
| | | 2016 | 2015 | 2014 | 2013 |
| Equity ratio | (%) | 49.8 | 47.3 | 49.3 | 49.7 |
| Equity ratio based on market price | (%) | 44.6 | 43.9 | 45.6 | 39.1 |
| Debt coverage | (%) | 295.3 | 229.7 | 386.2 | 297.5 |
| Interest coverage ratio | (times) | 53.5 | 61.2 | 44.9 | 50.2 |

(3) Dividend policy

Osaka Soda Group focuses on rewarding shareholders by delivering increasing shareholder's return. Our basic dividend policy is to maintain stable dividend payments while securing sufficient internal reserves to ensure business performance on a continuous basis and future business investments.

Based on this policy, we announced ¥5.0 per share in dividend for this fiscal year end including ¥1.0 in a commemorative dividend for the 100th anniversary of the foundation, a total of ¥10.0 per share in annualized dividend adding the interim payment of ¥5.0 per share including ¥1.0 in a commemorative dividend for the 100th anniversary of the foundation, which is the increase of ¥2.0 compared to the previous fiscal year.

The dividend for fiscal 2017 is scheduled to pay ¥10.0 yen per share (interim payment of ¥5.0, year-end payment of ¥5.0).

(4) Risk factors

Osaka Soda Group copes with our business risks organizationally and systematically. The following discussion of "Risk factors" identifies the most significant factors that may adversely affect our business operations or financial position. Investors must recognize that events could significantly differ from our expectations.

Also, the following discussion of risks is not all inclusive, but is designed to highlight what we believe are important factors to consider when evaluating our expectations.

1) Competitive environment and market conditions

Osaka Soda Co., Ltd. develops commodity chemical business. There are many factors like economic conditions, fluctuations in market price by competition, changes in exchange rates, and interests, which are adversely impacted on our business results. In terms of economic conditions or competitive market, the nature of Basic Chemicals business, specifically *Chlor-Alkali* and *Epichlorohydrin*, could result in negative impact on sales price or purchase price of raw materials. The disruption of supply/demand balance by large increments of competitor's production facilities could negatively impact our results of operations.

2) Purchase of raw materials

The raw materials are purchased from multiple-source of suppliers to maintain stable purchase activities, however, shortage or suspension of supply caused by supplier's accidents, defects in quality, or bankruptcy could adversely impact our production activities and results of operations.

3) Quality of products

Osaka Soda Co., Ltd. structured to make sure the product quality and had insurance on product liability, however, defective products could negatively impact on results of operations, financial position, and evaluation of social responsibility.

4) Global business operations

Our global operations are subject to a number of risks including changes in laws and regulations, political and economic volatility, and social disruption such as acts of war or terrorism. These risks could negatively impact results of operations and financial condition.

5) Intellectual properties

Osaka Soda Group established a management system to protect intellectual properties which is important to overall business developments. In case that we are in dispute with competitors over intellectual properties or infringement on intellectual properties rights by other companies, our results of operations could be adversely impacted.

6) Legal matters

In case our customer or third parties take legal action against us regarding our business operations, our results of operations could be adversely impacted.

7) Natural disaster and accident

Osaka Soda Group's security and safety activities are thoroughly managed and periodic inspection are carried out at plant facilities. Any significant disruption of manufacturing, such as natural disasters, loss or impairments of key manufacturing sites, could interrupt product supply and, if not remedied, have an adverse impact on our business.

8) Environment and safety

Osaka Soda Group, through Responsible Care initiative, continues to protect the environment and uphold safety over the entire product life cycle from the development, manufacture, and distribution of chemical substances to their application, final consumption, and disposal. However, in case the environmental issues have happened, the legal costs for compensation or opportunity loss by suspension of production could be incurred and adversely impacted on our results of operations.

5. Osaka Soda Group

Osaka Soda Group consists of Osaka Soda Co., Ltd., twelve consolidated subsidiaries, and two nonconsolidated subsidiaries. The consolidated subsidiaries are as follows.

| | | |
|-----------------------------|-------------------------------------|------------------------------------|
| Daiso Chemical Co., Ltd. | Daiso Engineering Co., Ltd. | Sanyo Fine Co., Ltd. |
| JMR Co., Ltd. | Impex Co., Ltd. | DS Logistics Co., Ltd. |
| Okayama Chemicals Co., Ltd. | Daiso Chemical (Shanghai) Co., Ltd. | Taiwan Daiso Chemical Co., Ltd. |
| Daiso Fine Chem USA, Inc. | Daiso Fine Chem GmbH | Daiso Chemical(Thailand) Co., Ltd. |

Basic Chemical Products

Osaka Soda Co., Ltd. manufactures and sells the following main products.

“Caustic Soda, Hydrochloric acid, Liquid Chlorine, Chlorine Gas, Sodium Hypochlorite, Sodium Chlorite, Sodium Chlorate, Caustic potash, Hydrogen Gas, Epichlorohydrin, Allyl Chloride”

Daiso Chemical Co., Ltd. which is a trading company sells painting materials and glue materials in addition to those products above. Osaka Soda Co., Ltd. purchases raw materials from this company.

DS Logistics Co., Ltd. deals with distribution of our company's products.

Okayama Chemicals Co., Ltd. manufactures *Caustic Soda, Chlorine Gas, Sodium Hypochlorite, Hydrogen Gas*. Osaka Soda Co., Ltd. purchases those products and raw materials from this company.

Functional Chemical Products

Osaka Soda Co., Ltd. manufactures and sells the following main products.

“Allyl Ethers, Epichlorohydrin Rubber, Diallyl Phthalate resin, Polysulfide Silane Coupling Agent, Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography), Optically Active Compounds, Active Pharmaceutical Ingredients and their Intermediates, Electrodes, Lens”

Daiso Chemical Co., Ltd. sells the merchandise such as *Photosensitive Resin, Color Resists for Liquid Crystal Display* along with the above products manufactured by our company.

Daiso Engineering Co., Ltd. manufactures and sells *Electrodes*.

Sanyo Fine Co., Ltd. manufactures and sells *Active Pharmaceutical Ingredients and their Intermediates*.

Impex Co., Ltd. sells *Glass-Fiber*. JMR Co., Ltd. does *Materials Recycling* business.

Daiso Fine Chem USA, Inc. sells *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*.

Daiso Fine Chem GmbH sells *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)* and *Active Pharmaceutical Ingredients and their Intermediates*.

Daiso Chemical (Shanghai) Co., Ltd. and Daiso Chemical(Thailand) Co., Ltd. sell *high water absorption resin*

for sanitary material and *non-woven fabric*.

Taiwan Daiso Chemical Co., Ltd. sells resists for *Color Resists for Liquid Crystal Display*.

Housing Facilities and Others

Osaka Soda Co., Ltd. manufactures, purchases, and sells *Diallyl Phthalate Resin Decorative Laminate Boards* and *Housing facilities*.

Daiso Engineering Co., Ltd. provides services for design, construction, and maintenance with chemical plants and environmental conservation facilities along with construction and maintenance of our company's facilities.

Osaka Soda Co., Ltd. provides agency service for material purchase of this company.

6. Management Policy

(1) Fundamental policy

Osaka Soda Group created a new group philosophy on April 1st in 2015.

"To realize an affluent society by developing innovative products through our aspirations for high standards."

Osaka Soda Group set "Be a company growing by business expansion of specialty chemicals" as group vision and push forward with a business strategy shifting to high value added chemical company.

Taking all possible measures to ensure the safety, we eager to reduce impact on global environment in an effort to conserve resource and energy.

(2) Management indicator

To realize our group vision, we aim to achieve that net sales of 130 billion yen, ordinary income of 10 billion yen, and 10% of ROE in 2018, in accordance with five-year management plan "NEXT FRONTIER - 100" launched in fiscal 2014.

(3) Management strategy over the medium to long term

Osaka Soda Group works on the creation of new business and products, the expansion of global business, and challenges higher profitability resulting from reorganization and reinforcement of existing business by bolstering the global competitiveness of basic chemical products and functional chemical products.

Specifically, Osaka Soda Group develops the growth of health-care related businesses focused on *Separation Media in Pharmaceuticals Industry (Silica Gel for Liquid Chromatography)* and *Active Pharmaceutical Ingredients and their Intermediates* as an anticipated main source of profit with aggressive capital spending.

(4) Key issues

In accordance with the guidelines of mid-term management plan "NEXT FRONTIER – 100", Osaka Soda Group works on the following issues.

1) Create new products and businesses

We integrate functions of sales, R&D, and manufacturing to accelerate R&D performance, and shorten the time to market for new "global, niche, top" products with global competitiveness, focusing on Healthcare related businesses, Energy, and Environment. We also increase product variety of synthetic resin and synthetic rubber, developing downstream business such as rubber compound.

We renovate R&D environment, constructing new research building, and actively develop in collaboration with customers. Those ensures that we achieve new product sales of 20% to net sales in 2018.

2) Expansion of global businesses

We further strengthen sales capabilities, developing commercial distribution and customer acquisition by integration of sales base in Asia, and achieve overseas sales of 30% to net sales in 2018 to promote collaboration with local customers and manufacturing companies, taking next step to establish manufacturing and R&D base in the future.

3) Restructuring and reinforcement of existing businesses

We strengthen competitiveness in *Chlor-Alkali*, *Allyl Chloride* and *Epichlorohydrin*, which are derived from electrolysis business that is our strengths, the origin of our company's business, and enables full in-house production from raw materials.

Also, we engage in establishment of stable and efficient manufacturing system for high-mix, small lot production, in response to diversification of customer needs, including convergence of Internet of Things.

4) Nurturing of the healthcare related businesses

We prioritize our management resources in this businesses to achieve the practical use of peripheral businesses and new technologies, positioned it as our group's third pillar of profit.

In *Separation Media in Pharmaceutical Industry (Silica Gel for Liquid Chromatography)*, we make efforts to expand sales to Europe and America and emerging countries, expanding our production capacity.

In *Active Pharmaceutical Ingredients and their Intermediates*, we reinforce sales and R&D structure, actively developed new contract development projects, preparing well-equipped special facilities to deal with ultra-low temperature reaction and production of substance having high pharmacological activity.

Osaka Soda Group looks ahead to become dynamic group companies that build sustainable growth along with highly profitable companies by disciplined execution on basic policies above.

7. Accounting Standards

Our consolidated financial statements are prepared under Japanese generally accepted accounting principles in terms of comparisons to period-on-period or company-to-company. We will adopt International Financial Reporting Standards by considering the internal and external situation in an appropriate manner.

8. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

| | March 31, 2015 | March 31, 2016 |
|--|----------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,596 | 12,037 |
| Notes and accounts receivable-trade | 28,172 | 27,730 |
| Short term investment securities | 12,499 | 6,999 |
| Merchandise and finished goods | 5,669 | 6,163 |
| Work in process | 1,127 | 1,107 |
| Raw materials and supplies | 2,186 | 1,847 |
| Deferred tax assets | 657 | 735 |
| Other current assets | 545 | 516 |
| Less: Allowance for doubtful accounts | (5) | (1) |
| Total current assets | 58,450 | 57,137 |
| Noncurrent assets | | |
| Buildings and structures | 13,482 | 13,395 |
| Accumulated depreciation | (8,755) | (8,674) |
| Buildings and structures - Net | 4,727 | 4,720 |
| Machinery, equipment, and vehicles | 53,791 | 52,235 |
| Accumulated depreciation | (42,209) | (41,136) |
| Machinery, equipment, and vehicles - Net | 11,581 | 11,098 |
| Land | 2,298 | 2,298 |
| Construction in progress | 1,649 | 1,912 |
| Other | 3,226 | 3,213 |
| Accumulated depreciation | (2,896) | (2,885) |
| Other - Net | 330 | 327 |
| Total property, plant and equipment | 20,586 | 20,357 |
| Intangible assets | | |
| Goodwill | 902 | 923 |
| Software | 192 | 229 |
| Other | 64 | 39 |
| Total intangible assets | 1,159 | 1,192 |
| Investments and other assets | | |
| Investment securities | 19,452 | 17,154 |
| Long-term loans receivable | 80 | 61 |
| Deferred tax assets | 121 | 132 |
| Other, net | 1,049 | 1,570 |
| Less: Allowance for doubtful accounts | (6) | (578) |
| Total investment and other assets | 20,697 | 18,339 |
| Total noncurrent assets | 42,443 | 39,890 |
| Total assets | 100,893 | 97,027 |

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

| | March 31, 2015 | March 31, 2016 |
|---|----------------|----------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable- trade | 15,764 | 12,993 |
| Short term loans payable | 8,880 | 8,880 |
| Current portion of long term loans payable | 2,480 | 2,440 |
| Income taxes payable | 915 | 1,338 |
| Provision for bonuses | 720 | 709 |
| Other current liabilities | 3,497 | 4,307 |
| Total current liabilities | 32,258 | 30,669 |
| Noncurrent liabilities | | |
| Bonds with subscription rights to shares | 10,000 | 10,000 |
| Long term loans payable | 5,400 | 2,960 |
| Deferred tax liabilities | 2,464 | 1,502 |
| Provision for directors retirement benefits | 615 | 533 |
| Net defined benefit liability | 2,447 | 3,063 |
| Other noncurrent liabilities | 3 | 2 |
| Total noncurrent liabilities | 20,930 | 18,062 |
| Total liabilities | 53,189 | 48,731 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 10,882 | 10,882 |
| Capital surplus | 9,399 | 9,399 |
| Retained earnings | 22,038 | 24,697 |
| Treasury stock | (1,663) | (1,666) |
| Total shareholders' equity | 40,657 | 43,312 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,900 | 5,500 |
| Deferred gains or losses on hedges | 7 | (82) |
| Foreign currency translation adjustments | 22 | 45 |
| Re-measurements of defined benefit plans | 118 | (479) |
| Total accumulated other comprehensive income | 7,047 | 4,983 |
| Total net assets | 47,704 | 48,296 |
| Total net assets and liabilities | 100,893 | 97,027 |

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

| | <u>Year Ended</u> | |
|--|-------------------|----------------|
| | March 31, 2015 | March 31, 2016 |
| Net sales | 101,365 | 102,125 |
| Cost of sales | 85,642 | 84,357 |
| Gross profit | 15,723 | 17,767 |
| Selling, general, and administrative expenses | 10,550 | 11,324 |
| Operating income | 5,172 | 6,443 |
| <i>Non-operating income</i> | | |
| Interest income | 21 | 23 |
| Dividend income | 273 | 313 |
| Insurance income | 34 | 231 |
| Foreign exchange gain | 411 | - |
| Other | 54 | 65 |
| Total non-operating income | 794 | 633 |
| <i>Non-operating expenses</i> | | |
| Interest expenses | 121 | 92 |
| Bond issuance costs | 36 | - |
| Foreign exchange loss | - | 525 |
| Other | 63 | 18 |
| Total non-operating expenses | 220 | 637 |
| Ordinary income | 5,747 | 6,439 |
| <i>Extraordinary income</i> | | |
| Gain on sales of noncurrent assets | 30 | 0 |
| Gain on sales of investment securities | 6 | 18 |
| Subsidy income | 1,234 | - |
| Gain on reversal of subscription rights to shares | 11 | - |
| Total extraordinary income | 1,282 | 18 |
| <i>Extraordinary loss</i> | | |
| Loss on retirement of noncurrent assets | 420 | 451 |
| Loss on reduction of non-current assets | 1,199 | - |
| Commemorative activities expense | - | 275 |
| Total extraordinary loss | 1,620 | 727 |
| Income before income taxes | 5,409 | 5,730 |
| Income taxes - current | 1,712 | 2,029 |
| Income taxes - deferred | 247 | 94 |
| Total income taxes | 1,959 | 2,123 |
| Net income | 3,450 | 3,606 |
| Net income attributable to shareholders of the parent | 3,450 | 3,606 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

| | <u>Year ended</u> | |
|---|-----------------------|-----------------------|
| | <u>March 31, 2015</u> | <u>March 31, 2016</u> |
| Net income | 3,450 | 3,606 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,117 | (1,399) |
| Deferred gains or losses on hedges | 7 | (89) |
| Foreign currency translation adjustments | 12 | (7) |
| Re-measurements of defined benefit plans | 270 | (597) |
| Total other comprehensive income | <u>3,407</u> | <u>(2,094)</u> |
| Comprehensive income | <u>6,857</u> | <u>1,512</u> |
| Comprehensive income attributable to: | | |
| Shareholders of the parent | 6,857 | 1,512 |
| Minority interests | — | — |

STATEMENTS OF CHANGES IN NET ASSETS

(Millions of yen)

| | March 31, 2015 | March 31, 2016 |
|---|----------------|----------------|
| Shareholder's Equity | | |
| Capital Stock | | |
| Balance at beginning of current period | 10,882 | 10,882 |
| Balance at end of current period | 10,882 | 10,882 |
| Capital Surplus | | |
| Balance at beginning of current period | 9,394 | 9,399 |
| Changes during the fiscal year | | |
| Disposal of treasury stock | 5 | - |
| Total changes of items during the period | 5 | - |
| Balance at end of current period | 9,399 | 9,399 |
| Retained earnings | | |
| Balance at beginning of current period | 19,367 | 22,038 |
| Changes during the fiscal year | | |
| Dividends from surplus | (790) | (948) |
| Net income attributable to shareholders of the parent | 3,450 | 3,606 |
| Change of scope of consolidation | 11 | 0 |
| Total changes of items during the period | 2,671 | 2,658 |
| Balance at end of current period | 22,038 | 24,697 |
| Treasury Stock | | |
| Balance at beginning of current period | (1,672) | (1,663) |
| Changes during the fiscal year | | |
| Purchase of treasury shares | (2) | (3) |
| Disposal of treasury stock | 11 | - |
| Total changes of items during the period | 8 | (3) |
| Balance at end of current period | (1,663) | (1,666) |
| Total shareholders' equity | | |
| Balance at beginning of current period | 37,971 | 40,657 |
| Changes during the fiscal year | | |
| Dividends from surplus | (790) | (948) |
| Net income attributable to shareholders of the parent | 3,450 | 3,606 |
| Purchase of treasury shares | (2) | (3) |
| Disposal of treasury stock | 16 | - |
| Change of scope of consolidation | 11 | 0 |
| Total changes of items during the period | 2,685 | 2,655 |
| Balance at end of current period | 40,657 | 43,312 |

STATEMENTS OF CHANGES IN NET ASSETS (Continued)

(Millions of yen)

| | March 31, 2015 | March 31, 2016 |
|---|----------------|----------------|
| Accumulated other comprehensive income | | |
| <i>Valuation difference on available-for-sale securities</i> | | |
| Balance at beginning of current period | 3,782 | 6,900 |
| Net changes of items other than shareholders' equity | 3,117 | (1,399) |
| Total changes of items during the period | 3,117 | (1,399) |
| Balance at end of current period | 6,900 | 5,500 |
| <i>Deferred gains or losses on hedges</i> | | |
| Balance at beginning of current period | (0) | 7 |
| Net changes of items other than shareholders' equity | 7 | 7 |
| Total changes of items during the period | 7 | (89) |
| Balance at end of current period | 7 | (89) |
| <i>Foreign currency translation adjustment</i> | | |
| Balance at beginning of current period | — | 22 |
| Change of scope of consolidation | 9 | 30 |
| Net changes of items other than shareholders' equity | 12 | (7) |
| Total changes of items during the period | 22 | 23 |
| Balance at end of current period | 22 | 45 |
| <i>Re-measurements of defined benefit plans</i> | | |
| Balance at beginning of current period | (152) | 118 |
| Net changes of items other than shareholders' equity | 270 | (597) |
| Total changes of items during the period | 270 | (597) |
| Balance at end of current period | 118 | (479) |
| <i>Total accumulated other comprehensive income</i> | | |
| Balance at beginning of current period | 3,629 | 7,047 |
| Change of scope of consolidation | 9 | 30 |
| Net changes of items other than shareholders' equity | 3,407 | (2,094) |
| Total changes of items during the period | 3,407 | (2,063) |
| Balance at end of current period | 7,047 | 4,983 |
| <i>Subscription rights to shares</i> | | |
| Balance at beginning of current period | 14 | - |
| Net changes of items other than shareholders' equity | (14) | - |
| Total changes of items during the period | (14) | - |
| Balance at end of current period | - | - |

STATEMENTS OF CHANGES IN NET ASSETS *(Continued)*
(Millions of yen)

| | <u>March 31, 2015</u> | <u>March 31, 2016</u> |
|---|-----------------------|-----------------------|
| Total net assets | | |
| Balance at beginning of current period | 41,615 | 47,704 |
| Dividends from surplus | (790) | (948) |
| Net income attributable to shareholders of the parent | 3,450 | 3,606 |
| Purchase of treasury shares | (2) | (3) |
| Disposal of treasury stock | 16 | - |
| Change of scope of consolidation | 21 | 31 |
| Net changes of items other than shareholders' equity | 3,393 | (2,094) |
| Total changes of items during the period | <u>6,088</u> | <u>591</u> |
| Balance at end of current period | <u>47,704</u> | <u>48,296</u> |

STATEMENTS OF CASH FLOWS

(Millions of yen)

| | March 31, 2015 | March 31, 2016 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| Income before Income Taxes | 5,409 | 5,730 |
| Depreciation | 2,811 | 2,892 |
| Amortization of goodwill | 133 | 128 |
| Increase (decrease) in allowance for doubtful accounts | 0 | 563 |
| Increase (decrease) in provision for bonuses | 5 | (11) |
| Increase (decrease) in net defined benefit liability | (317) | 616 |
| Increase (decrease) in provision for directors' retirement benefits | 3 | (82) |
| Interest and dividend income | (294) | (337) |
| Interest expenses | 121 | 92 |
| Foreign exchange gains | (256) | 397 |
| Loss on retirement of non-current assets | 420 | 451 |
| Loss (gain) on sales of non-current assets | (30) | (0) |
| Loss (gain) on sales of investment securities | (6) | (18) |
| Loss on reduction of non-current assets | 1,199 | - |
| Subsidy income | (1,234) | - |
| Bond issuance cost | 36 | - |
| Insurance income | (34) | (231) |
| Decrease (increase) in notes and accounts receivable - trade | (1,947) | (136) |
| Decrease (increase) in inventories | 190 | (37) |
| Increase (decrease) in notes and accounts payable - trade | 2,073 | (2,991) |
| Increase (decrease) in accrued consumption taxes | 435 | (185) |
| Other, net | 530 | (607) |
| Sub total | 9,250 | 6,234 |
| Interest and dividend income received | 294 | 337 |
| Interest expenses paid | (122) | (94) |
| Insurance income received | 34 | 231 |
| Income taxes paid | (1,996) | (1,677) |
| Net cash provided by operating activities | 7,460 | 5,031 |

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

| | March 31, 2015 | March 31, 2016 |
|---|----------------|----------------|
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | 400 | - |
| Purchase of property, plant and equipment | (1,540) | (1,888) |
| Proceeds from sales of property, plant and equipment | 157 | 0 |
| Purchase of intangible assets | (152) | (231) |
| Purchase of investment securities | (1,157) | (42) |
| Proceeds from subsidy income | 1,234 | - |
| Purchase of shares of subsidiaries and associates | (455) | - |
| Other, net | (349) | (403) |
| Net cash used in investing activities | (1,853) | (2,535) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (650) | - |
| Repayments of long-term loans payable | (2,580) | (2,480) |
| Proceeds from issuance of subscription rights to shares | 9,963 | - |
| Cash dividends paid | (790) | (948) |
| Other, net | 10 | (4) |
| Net cash provided by financing activities | 5,954 | (3,433) |
| Effect of exchange rate change on cash and cash equivalents | 260 | (423) |
| Net increase (decrease) in cash and cash equivalents | 11,822 | (1,360) |
| Cash and cash equivalents at beginning of period | 8,197 | 20,095 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 75 | 301 |
| Cash and cash equivalents at end of period | 20,095 | 19,036 |

9. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) 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 fiscal year ended 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 fiscal year, 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 consolidated financial statements for the current fiscal year that includes the date of business combination.

In addition, the presentation of net income was changed. In order to reflect the change of presentation, the consolidated financial statements have been reclassified retroactively for the previous fiscal year ended March 31, 2016.

The aforementioned accounting standards were adopted effective from the beginning of the current fiscal year 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 consolidated financial statements for the year ended March 31, 2016.

(3) Changes in presentation

“Insurance income”, which was previously included in “Income before income taxes” categorized as “Cash flows from operating activities”, is stated separately as “Insurance income” and “Insurance income received” from the current fiscal year, considering quantitative materiality. Consolidated financial statements for the previous fiscal year are reclassified to reflect this change in presentation.

As a result, the amount of ¥34 million stated as “Insurance income” included in “Income before income taxes” categorized as “Cash flows from operating activities” in the previous statement of cash flows, is reclassified as the amount of ¥34 million stated as “Insurance income” and the amount of ¥34 million stated as “Insurance income received”.

(4)Segment information

Year ended March 31, 2015

(Millions of yen)

| | Basic Chemical Products | Functional Chemical Products | Housing Facilities and Others | Total | Adjustments*1 | Consolidated operating income *2 |
|---|-------------------------------|------------------------------------|-------------------------------------|---------|---------------|--|
| Net sales | | | | | | |
| External sales | 44,229 | 35,816 | 21,319 | 101,365 | — | 101,365 |
| Intersegment sales or reclassifications | 16 | 29 | 947 | 993 | (993) | — |
| Total | 44,245 | 35,845 | 22,267 | 102,358 | (993) | 101,365 |
| Segment income | 1,428 | 4,648 | 179 | 6,256 | (1,083) | 5,172 |
| Segment assets | 41,884 | 26,368 | 5,257 | 73,510 | 27,383 | 100,893 |
| Other items | | | | | | |
| Depreciation | 1,669 | 989 | 22 | 2,681 | 130 | 2,811 |
| Increase of current and noncurrent assets | 932 | 946 | 6 | 1,885 | 130 | 2,015 |

Notes 1: Adjustments of segment income of ¥(1,083) 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: Adjustments of segment assets of ¥27,383 million are corporate assets of ¥27,571 million, which are not allocated to reportable segments. Corporate assets are mainly a parent company assets, those are surplus operating funds(cash and short term securities),long term investment capital(investment securities, etc.),and related to administrative, research and development departments.

Notes 3: Adjustments of Increase of current and noncurrent assets of ¥130 million are for administrative department and research and development department investment.

Notes 4: Segment income is adjusted to operating income of consolidated statement of income.

Year ended March 31, 2016

(Millions of yen)

| | Basic Chemical Products | Functional Chemical Products | Housing Facilities and Others | Total | Adjustments *1 | Consolidated operating income *2 |
|--|-------------------------------|------------------------------------|-------------------------------------|---------|----------------|--|
| Net sales | | | | | | |
| External sales | 42,580 | 37,867 | 21,676 | 102,125 | — | 102,125 |
| Intersegment sales or reclassifications | 16 | 4 | 1,592 | 1,613 | (1,613) | — |
| Total | 42,596 | 37,872 | 23,269 | 103,738 | (1,613) | 102,125 |
| Segment income | 2,121 | 5,974 | (676) | 7,418 | (975) | 6,443 |
| Segment assets | 38,513 | 28,438 | 6,427 | 73,379 | 23,648 | 97,027 |
| Other items | | | | | | |
| Depreciation | 1,888 | 884 | 23 | 2,796 | 96 | 2,892 |
| Increase of current and noncurrent | 1,635 | 966 | 39 | 2,640 | 220 | 2,861 |

| | | | | | | |
|--------|--|--|--|--|--|--|
| assets | | | | | | |
|--------|--|--|--|--|--|--|

Notes 1: Adjustments of segment income of ¥(975) 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: Adjustments of segment assets of ¥23,648 million are corporate assets of ¥23,796 million, which are not allocated to reportable segments. Corporate assets are mainly a parent company assets, those are surplus operating funds(cash and short term securities),long term investment capital(investment securities, etc.),and related to administrative, research and development departments.

Notes 3: Adjustments of Increase of current and noncurrent assets of ¥220million are for administrative department and research and development department investment.

Notes 4: Segment income is adjusted to operating income of consolidated statement of income.

(5) Per share information

| | | March 31, 2015 | March 31, 2016 |
|----------------------------|-----|----------------|----------------|
| Net assets per share | Yen | 452.78 | 458.43 |
| Earnings per share | Yen | 32.75 | 34.23 |
| Diluted earnings per share | Yen | 28.41 | 28.43 |

Notes 1: The calculation of earnings per share and diluted earnings per share are as shown below.

| | | March 31, 2015 | March 31, 2016 |
|--|---------------------|----------------|----------------|
| Earnings per share | | | |
| Net income | Millions of yen | 3,450 | 3,606 |
| Amount not attributable to owners of common stock | Millions of yen | — | — |
| Net income related to owner of common stock | Millions of yen | 3,450 | 3,606 |
| Weighted average number of common stock | Thousands of shares | 105,353 | 105,356 |
| Diluted earnings per share | | | |
| Adjustment to net income | Millions of yen | — | — |
| Increase of common stock | Thousands of shares | 16,102 | 21,510 |
| (Bonds with subscription rights to shares) | Thousands of shares | (16,094) | (21,510) |
| Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect | | — | — |

(6) Notes regarding subsequent events: None