

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



October 28, 2022

Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: Taki Chemical Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4025
 URL: <https://www.takichem.co.jp/>
 Representative: Takamoto Taki, Representative Director, President
 Inquiries: Tadashi Ohashi, General Manager, General Affairs & Personnel Department
 TEL: 079-437-6002
 Scheduled date to file quarterly securities report: November 7, 2022
 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 nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(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	%
Nine months ended September 30, 2022	25,455	–	1,923	–	2,182	–	1,670	–
September 30, 2021	23,392	8.4	1,982	83.0	2,190	65.3	1,423	44.9

Note: Comprehensive income For the nine months ended September 30, 2022: ¥1,765 million[-%]
 For the nine months ended September 30, 2021: ¥2,274 million[-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2022	192.95	–
September 30, 2021	164.51	–

* The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure for the nine months ended September 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	48,163	30,742	63.6
December 31, 2021	46,037	29,378	63.5

Reference: Equity

As of September 30, 2022: ¥30,613 million
 As of December 31, 2021: ¥29,236 million

* The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and each figure as of September 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

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 December 31, 2021	—	—	—	50.00	50.00
Fiscal year ending December 31, 2022	—	—	—		
Fiscal year ending December 31, 2022 (Forecast)				50.00	50.00

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

Breakdown of year-end dividend for the fiscal year ended December 31, 2021 Ordinary dividend: ¥45.00
Special dividend: ¥5.00

3. Consolidated earnings forecast for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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
Full year	35,200	—	2,350	—	2,750	—	1,950	—	225.24

Note: Revisions to the earnings forecast most recently announced: Yes

* The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and the figures for the above consolidated earnings forecast are the figures after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.

*** Notes**

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

Newly included: 0 companies
Excluded: 0 companies

- (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: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

* For more information, please see “(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” in “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto” on page 8 of the appendix.

- (4) Number of issued shares (common shares)

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

As of September 30, 2022	9,458,768
As of December 31, 2021	9,458,768

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

As of September 30, 2022	798,931
As of December 31, 2021	804,996

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

Nine months ended September 30, 2022	8,657,276
Nine months ended September 30, 2021	8,651,313

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

* Proper use of earnings forecasts, and other special matters

The earnings forecast is based on information available to the Company as of the date of this document as well as certain assumptions it believes to be reasonable, and actual results may differ materially due to various factors. Please also see “(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information” in “1. Qualitative Information on Quarterly Financial Results” on page 3 of the appendix.

Appendix Table of Contents

Index

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information.....	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	6
(Quarterly Consolidated Statement of Income) (First nine-month period)	6
(Quarterly Consolidated Statement of Comprehensive Income) (First nine-month period)	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Going Concern Assumption)	8
(Notes on Significant Changes in Shareholders' Equity)	8
(Changes in Accounting Policies)	8
(Additional Information)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Taki Chemical Group (the “Group”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Due to this change, the revenue recognition standard used for the first nine months of the current fiscal year is different from the one used for the same period last fiscal year, and therefore no year-on-year change is shown in the explanation for operating results.

The Japanese economy during the nine month-period remained rocky due primarily to the COVID-19 pandemic. Given the backdrop of rebounding economic and social activities coupled with measures to prevent the spread of COVID-19, the economic outlook appears poised to pick up due partly to the effects of various government policies. However, the situation remains uncertain due to domestic and international pandemic trends and supply constraints as well as growing downside risks caused by raw material price hikes, fluctuations in financial and capital markets, and other factors.

Working against this backdrop, the Group focused on enhancing the profitability of its current businesses in line with the Medium-term Management Plan 2023 launched in January 2021. As a result, net sales for nine months under review totaled ¥25,455 million (¥23,392 million for the same period last year), operating profit was ¥1,923 million (¥1,982 million for the same period last year), ordinary profit was ¥2,182 million (¥2,190 million for the same period last year), and profit attributable to owners of the parent was ¥1,670 million (¥1,423 million for the same period last year).

Operating results by segment are as shown below.

Agriculture

While fertilizer sales volume declined as a reaction to last-minute demand in anticipation of price increases, sales prices rose due to higher raw material prices, resulting in net sales of ¥7,400 million (¥6,656 million for the same period of last year).

Chemicals

Sales of water treatment chemicals totaled ¥6,869 million (¥6,276 million for the same period last year) as the sales volume increased due to steady shipments of ultra-high-basicity polyaluminum chloride and more.

Sales of functional materials amounted to ¥4,332 million (¥4,144 million for the same period last year) due to a higher sales volume of high-purity tantalum oxide for smartphones although the sales volume of high-basicity aluminum chloride used in ceramic fibers for automotive applications declined due to semiconductor shortages.

Sales of other chemical products totaled ¥146 million (¥142 million for the same period last year).

As a result, net sales came to ¥11,348 million (¥10,562 million for the same period last year).

Construction materials

Gypsum board sales volume and prices were on par with the same period last year, resulting in net sales of ¥2,101 million (¥2,102 million for the same period last year).

Petroleum

While the fuel oil sales volume declined, net sales came to ¥1,598 million (¥1,393 million for the same period last year) as selling prices rose due to higher crude oil prices.

Real estate

Net sales totaled ¥1,001 million (¥942 million for the same period last year) due primarily to a recovery in rental income from shopping centers.

Transportation

Net sales totaled ¥2,006 million (¥1,734 million for the same period last year) due to an upward trend in the coastal shipping market and an increase in cargo handling volume.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year came to ¥48,163 million (up ¥2,125 million from the end of the previous fiscal year). Current assets totaled ¥24,805 million (up ¥2,452 million from the end of the previous fiscal year) due primarily to increases of ¥1,218 million in cash and deposits, ¥1,163 million in merchandise and finished goods, and ¥448 million in raw materials and supplies, despite a decrease of ¥1,199 million in notes and accounts receivable - trade. Non-current assets came to ¥23,357 million (down ¥327 million from the end of the previous fiscal year), due primarily to a decrease of ¥387 million in property, plant and equipment.

Total liabilities amounted to ¥17,420 million (up ¥761 million from the end of the previous fiscal year) due primarily to increases of ¥1,486 million in notes and accounts payable - trade and ¥252 million in provision for bonuses, despite a decrease of ¥761 million in accounts payable - other.

Net assets totaled to ¥30,742 million (up ¥1,364 million from the end of the previous fiscal year), due primarily to an increase of ¥1,237 million in retained earnings.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

The full year consolidated earnings forecast announced on February 14, 2022 has been revised in light of the results for the first nine-month period and other factors. For details, see the “Notice Regarding Revisions to the Full-Year Consolidated Earnings Forecast” released separately today (October 28, 2022).

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,433	7,651
Notes and accounts receivable - trade	8,963	7,764
Electronically recorded monetary claims - operating	1,893	1,955
Securities	100	-
Merchandise and finished goods	2,285	3,449
Work in process	242	277
Raw materials and supplies	2,216	2,664
Other	227	1,053
Allowance for doubtful accounts	(10)	(10)
Total current assets	22,352	24,805
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,197	22,273
Accumulated depreciation	(15,203)	(15,535)
Buildings and structures, net	6,994	6,737
Machinery, equipment and vehicles	16,776	16,840
Accumulated depreciation	(14,949)	(15,289)
Machinery, equipment and vehicles, net	1,827	1,550
Tools, furniture and fixtures	1,481	1,505
Accumulated depreciation	(1,331)	(1,377)
Tools, furniture and fixtures, net	149	127
Land	6,413	6,457
Leased assets	457	457
Accumulated depreciation	(49)	(73)
Leased assets, net	408	383
Construction in progress	16	164
Total property, plant and equipment	15,809	15,422
Intangible assets		
Software	500	431
Right to use water facilities, etc.	10	10
Software in progress	11	5
Total intangible assets	522	447
Investments and other assets		
Investment securities	7,072	7,149
Deferred tax assets	101	168
Other	214	204
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	7,352	7,487
Total non-current assets	23,685	23,357
Total assets	46,037	48,163

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,976	6,462
Short-term borrowings	376	368
Current portion of long-term borrowings	60	60
Lease obligations	35	35
Accounts payable - other	1,964	1,203
Income taxes payable	429	471
Accrued consumption taxes	112	58
Provision for bonuses	43	296
Other	597	603
Total current liabilities	8,596	9,559
Non-current liabilities		
Long-term borrowings	455	395
Lease obligations	413	386
Deferred tax liabilities	698	661
Retirement benefit liability	3,770	3,725
Guarantee deposits received	2,539	2,508
Other	185	182
Total non-current liabilities	8,062	7,861
Total liabilities	16,659	17,420
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,372	1,398
Retained earnings	23,888	25,125
Treasury shares	(736)	(729)
Total shareholders' equity	26,672	27,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,581	2,685
Remeasurements of defined benefit plans	(17)	(12)
Total accumulated other comprehensive income	2,563	2,672
Non-controlling interests	142	128
Total net assets	29,378	30,742
Total liabilities and net assets	46,037	48,163

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First nine-month period)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	23,392	25,455
Cost of sales	17,124	19,037
Gross profit	6,268	6,418
Selling, general and administrative expenses	4,285	4,495
Operating profit	1,982	1,923
Non-operating income		
Interest income	4	4
Dividend income	158	199
Other	85	92
Total non-operating income	249	296
Non-operating expenses		
Interest expenses	9	9
Loss on retirement of non-current assets	21	12
Other	11	16
Total non-operating expenses	41	37
Ordinary profit	2,190	2,182
Extraordinary income		
Gain on sale of investment securities	–	145
Total extraordinary income	–	145
Extraordinary losses		
Impairment losses	7	–
Loss on valuation of investment securities	5	–
Loss on retirement of non-current assets	172	14
Total extraordinary losses	184	14
Profit before income taxes	2,005	2,313
Income taxes - current	610	815
Income taxes - deferred	(29)	(157)
Total income taxes	580	657
Profit	1,424	1,656
Profit (loss) attributable to non-controlling interests	1	(13)
Profit attributable to owners of parent	1,423	1,670

(Quarterly Consolidated Statement of Comprehensive Income)
(First nine-month period)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	1,424	1,656
Other comprehensive income		
Valuation difference on available-for-sale securities	845	103
Remeasurements of defined benefit plans, net of tax	3	4
Total other comprehensive income	849	108
Comprehensive income	2,274	1,765
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,273	1,779
Comprehensive income attributable to non-controlling interests	1	(13)

(3) Notes to Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services are transferred to the customer in the amount expected to be received upon exchange of said goods or services. As a result, in cases of transactions involving chargeable subcontracting, the Group previously derecognized the materials supplied to its subcontractors for a fee but no longer derecognizes them if it bears an obligation to repurchase the supplied materials. The Group has also applied the alternative treatment specified in paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021), and in cases of sale of merchandise and finished goods in Japan, it still recognizes revenue at the time of shipment when the period from the time of shipment to the time when control of the merchandise or finished goods is transferred to the customer is a normal period of time.

Application of Accounting Standard for Revenue Recognition and its implementation guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the first quarter of the current fiscal year, were subject to the previous treatment by applying the method provided for in paragraph 86 of Accounting Standard for Revenue Recognition.

As a result, in the nine-month period, there were decreases of ¥1,083 million in net sales, ¥1,083 million in cost of sales and ¥0 million in profit before income taxes. It also does not have any effect on the opening balance of retained earnings for the current fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of Accounting Standard for Fair Value Measurement, and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no effect on the quarterly consolidated financial statements.

(Additional Information)

(Accounting Estimates)

COVID-19 has delivered a major blow to the economy and corporate activities, including the Group's operations.

Assuming that its impact will continue for at least some part of the current fiscal year, the Group made accounting estimates for the impairment of fixed assets, the recoverability of deferred tax assets, etc. in light of projected demand and determined that COVID-19 would have no material impact.

Although the Group has made estimates and judgments that it believes are reasonable based on the current situation and available information, actual results may differ from these estimates because of the uncertainties involved in estimating the resurgence of COVID-19, when the pandemic will end, and other factors.