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April 28, 2023

Consolidated Financial Results for the Three Months Ended March 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4025
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 Scheduled date to file quarterly securities report: May 12, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2023	8,843	5.1	248	(60.8)	290	(58.8)	311	(37.3)
March 31, 2022	8,412	–	633	–	705	–	497	–

Note: Comprehensive income For the three months ended March 31, 2023:¥540 million [-51.4%]
 For the three months ended March 31, 2022:¥1,111 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2023	36.02	–
March 31, 2022	57.47	–

* 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 previous fiscal year, and each figure for the three months ended March 31, 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	%
March 31, 2023	50,503	32,164	63.5
December 31, 2022	50,323	32,057	63.5

Reference: Equity

As of March 31, 2023: ¥32,072 million
 As of December 31, 2022: ¥31,948 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	–	–	–	50.00	50.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (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, 2022

Ordinary dividend: ¥45.00
Commemorative dividend: ¥5.00 (Commemorating transition to the Prime Market)

3. Consolidated earnings forecast for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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	38,000	6.0	1,550	(43.7)	1,900	(39.6)	1,400	(31.9)	161.67

Note: Revisions to the earnings forecast most recently announced: None

*** Notes**

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

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 March 31, 2023	9,458,768
As of December 31, 2022	9,458,768

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

As of March 31, 2023	798,951
As of December 31, 2022	798,931

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

Three months ended March 31, 2023	8,659,828
Three months ended March 31, 2022	8,653,772

* 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 2 of the appendix.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Given the backdrop of rebounding economic and social activities, the Japanese economy during the three-month period under review is expected to improve due partly to the effects of various government policies in the “new normal” era after the outbreak of COVID-19. However, the situation remained uncertain due to downside risks caused by price increases, supply constraints, 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. However, while net sales for the three months under review totaled ¥8,843 million (up 5.1% versus the same period last year), due to factors such as rising raw materials prices and energy costs, operating profit was ¥248 million (down 60.8% versus the same period last year), ordinary profit was ¥290 million (down 58.8% versus the same period last year), and profit attributable to owners of the parent was ¥311 million (down 37.3% versus 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 ¥3,074 million, a significant increase of 21.0% versus the same period last year.

Chemicals

Sales of water treatment chemicals totaled ¥2,446 million, a significant increase of 19.7% versus the same period last year, as the sales volume increased due to steady shipments of ultra-high-basidity polyaluminum chloride and due to work to revise selling prices resulting from higher raw material prices.

Sales of functional materials amounted to ¥958 million, a significant decrease of 30.9% versus the same period last year, due to lower sales volume of high-purity tantalum oxide for smartphones as a result of significantly falling demand.

Sales of other chemical products totaled ¥46 million, up 1.5% versus the same period last year.

As a result, net sales came to ¥3,450 million, down 0.7% versus the same period last year.

Construction materials

Net sales totaled ¥767 million, up 12.6% versus the same period last year as a result of an increase in both the sales volume and selling prices of gypsum board.

Petroleum

Net sales came to ¥502 million, a significant decrease of 24.8% versus the same period last year, due to a decline in fuel oil sales volume as a result of falling demand and declining selling prices due to lower crude oil prices.

Real estate

Net sales totaled ¥338 million, up 1.7% versus the same period last year with rental income at shopping centers remaining at the same level as the same period last year.

Transportation

Net sales totaled ¥709 million, down 0.4% versus the same period last year due to falling demand for coastal shipping despite an increase in cargo handling volume.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year came to ¥50,503 million (up ¥180 million from the end of the previous fiscal year). Current assets totaled ¥25,033 million (down ¥1,005 million from the end of the previous fiscal year) due primarily to a decrease of ¥2,433 million in cash and deposits, despite an increase of ¥1,086 million in merchandise and finished goods. Non-current assets came to ¥25,469 million (up ¥1,186 million from the end of the previous fiscal year) due primarily to increases of ¥878 million in property, plant and equipment and ¥354 million in investment securities.

Total liabilities amounted to ¥18,339 million (up ¥72 million from the end of the previous fiscal year) due primarily to increases of ¥339 million in accounts payable - other and ¥246 million in provision for bonuses, despite a decrease of ¥375 million in income taxes payable.

Net assets totaled ¥32,164 million (up ¥107 million from the end of the previous fiscal year) due primarily to an increase of ¥244 million in the valuation difference on available-for-sale securities.

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

No changes have been made to the earnings forecast for the fiscal year ending December 31, 2023, which was announced on February 13, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	6,256	3,822
Notes and accounts receivable - trade	10,002	10,199
Electronically recorded monetary claims - operating	2,196	2,340
Merchandise and finished goods	4,085	5,172
Work in process	271	272
Raw materials and supplies	2,292	2,328
Other	947	910
Allowance for doubtful accounts	(13)	(11)
Total current assets	26,039	25,033
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,324	22,343
Accumulated depreciation	(15,652)	(15,770)
Buildings and structures, net	6,672	6,573
Machinery, equipment and vehicles	16,810	16,815
Accumulated depreciation	(15,346)	(15,447)
Machinery, equipment and vehicles, net	1,463	1,367
Tools, furniture and fixtures	1,494	1,500
Accumulated depreciation	(1,383)	(1,391)
Tools, furniture and fixtures, net	111	108
Land	6,455	7,101
Leased assets	457	457
Accumulated depreciation	(93)	(100)
Leased assets, net	364	357
Construction in progress	245	682
Total property, plant and equipment	15,312	16,190
Intangible assets		
Software	406	378
Right to use water facilities, etc.	9	9
Software in progress	1	1
Total intangible assets	418	389
Investments and other assets		
Investment securities	8,361	8,715
Deferred tax assets	29	23
Other	196	185
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	8,552	8,889
Total non-current assets	24,283	25,469
Total assets	50,323	50,503

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,785	6,844
Short-term borrowings	369	369
Current portion of long-term borrowings	60	60
Lease liabilities	35	35
Accounts payable - other	1,372	1,711
Income taxes payable	627	252
Accrued consumption taxes	77	33
Provision for bonuses	42	288
Other	602	471
Total current liabilities	9,973	10,066
Non-current liabilities		
Long-term borrowings	395	395
Lease liabilities	378	369
Deferred tax liabilities	1,131	1,186
Retirement benefit liability	3,693	3,643
Guarantee deposits received	2,509	2,519
Other	185	158
Total non-current liabilities	8,293	8,272
Total liabilities	18,266	18,339
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,398	1,398
Retained earnings	25,511	25,390
Treasury shares	(729)	(729)
Total shareholders' equity	28,327	28,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,612	3,857
Remeasurements of defined benefit plans	8	9
Total accumulated other comprehensive income	3,621	3,866
Non-controlling interests	108	91
Total net assets	32,057	32,164
Total liabilities and net assets	50,323	50,503

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

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	8,412	8,843
Cost of sales	6,291	7,108
Gross profit	2,120	1,735
Selling, general and administrative expenses	1,486	1,487
Operating profit	633	248
Non-operating income		
Interest income	1	1
Dividend income	34	30
Gain on sale of investment securities	30	0
Other	15	15
Total non-operating income	81	48
Non-operating expenses		
Interest expenses	3	2
Loss on retirement of non-current assets	4	0
Other	3	2
Total non-operating expenses	10	5
Ordinary profit	705	290
Extraordinary income		
Subsidy income	-	214
Total extraordinary income	-	214
Extraordinary losses		
Loss on retirement of non-current assets	14	-
Total extraordinary losses	14	-
Profit before income taxes	690	504
Income taxes - current	240	264
Income taxes - deferred	(43)	(55)
Total income taxes	196	209
Profit	493	295
Loss attributable to non-controlling interests	(3)	(16)
Profit attributable to owners of parent	497	311

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

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	493	295
Other comprehensive income		
Valuation difference on available-for-sale securities	616	244
Remeasurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	617	245
Comprehensive income	1,111	540
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,115	557
Comprehensive income attributable to non-controlling interests	(3)	(16)

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year under review, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This has no effect on the quarterly consolidated financial statements.