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July 31, 2023

Consolidated Financial Results for the Six Months Ended June 30, 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: August 10, 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 six months ended June 30, 2023 (from January 1, 2023 to June 30, 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	%
Six months ended June 30, 2023	17,551	(3.0)	510	(67.6)	725	(59.3)	614	(55.4)
June 30, 2022	18,095	–	1,572	–	1,785	–	1,378	–

Note: Comprehensive income For the six months ended June 30, 2023: ¥2,000 million [12.0%]
 For the six months ended June 30, 2022: ¥1,786 million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	71.00	–
June 30, 2022	159.29	–

* 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 six months ended June 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	%
June 30, 2023	51,196	33,653	65.6
December 31, 2022	50,323	32,057	63.5

Reference: Equity
 As of June 30, 2023: ¥33,573 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 June 30, 2023	9,458,768
As of December 31, 2022	9,485,768

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

As of June 30, 2023	792,641
As of December 31, 2022	798,931

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

Six months ended June 30, 2023	8,662,055
Six months ended June 30, 2022	8,655,951

* 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.

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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, during the six-month period under review, the Japanese economy was expected to continue recovering gradually due partly to the effects of various government policies. However, the situation remained uncertain due to downside risks caused by price increases, 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. Net sales for the six months under review totaled ¥17,551 million (down 3.0% versus the same period last year), due to factors such as rising raw materials prices and energy costs, operating profit was ¥510 million (down 67.6% versus the same period last year), ordinary profit was ¥725 million (down 59.3% versus the same period last year), and profit attributable to owners of the parent was ¥614 million (down 55.4% versus the same period last year).

Operating results by segment are as shown below.

Agriculture

While fertilizer sales prices increased due to higher raw material prices, sales volume declined sharply due a decline in demand as people refrained from purchasing in expectation of a drop in prices, resulting in net sales of ¥5,590 million, a decrease of 8.2% versus the same period last year.

Chemicals

Sales of water treatment chemicals totaled ¥5,144 million, a significant increase of 18.0% versus the same period last year, as the sales volume increased due to steady shipments of ultra-high-basicity polyaluminum chloride and due to work to revise selling prices resulting from higher raw material prices.

Sales of functional materials amounted to ¥2,177 million, a significant decrease of 27.6% versus the same period last year, due to lower sales volume of high-purity tantalum oxide for smartphones and aluminum chloride with high basicity for automotive ceramic fibers as a result of significantly falling demand.

Sales of other chemical products totaled ¥94 million, down 4.6% versus the same period last year.

As a result, net sales came to ¥7,416 million, down 0.7% versus the same period last year.

Construction materials

Net sales totaled ¥1,506 million, up 10.4% 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 ¥950 million, a significant decrease of 16.3% 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 ¥677 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 rose 3.0% versus the same period last year to ¥1,411 million as transported cargo and handling volume increased.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the current fiscal year came to ¥51,196 million (up ¥872 million from the end of the previous fiscal year). Current assets totaled ¥24,184 million (down ¥1,854 million from the end of the previous fiscal year) due primarily to a decrease of ¥2,873 million in cash and deposits, despite increases of ¥360 million in electronically recorded monetary claims - operating and ¥898 million in merchandise and finished goods. Non-current assets came to ¥27,011 million (up ¥2,727 million from the end of the previous fiscal year) due primarily to increases of ¥750 million in property, plant and equipment and ¥2,034 million in investment securities.

Total liabilities amounted to ¥17,542 million (down ¥723 million from the end of the previous fiscal year) due primarily to decreases of ¥741 million in notes and accounts payable - trade, ¥287 in accounts payable - other, and ¥297 million in income taxes payable, despite an increase of ¥629 million in deferred tax liabilities.

Net assets totaled ¥33,653 million (up ¥1,596 million from the end of the previous fiscal year) due primarily to an increase of ¥1,413 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	6,256	3,383
Notes and accounts receivable - trade	10,002	10,080
Electronically recorded monetary claims - operating	2,196	2,557
Merchandise and finished goods	4,085	4,983
Work in process	271	250
Raw materials and supplies	2,292	2,125
Other	947	814
Allowance for doubtful accounts	(13)	(10)
Total current assets	26,039	24,184
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,324	22,351
Accumulated depreciation	(15,652)	(15,883)
Buildings and structures, net	6,672	6,467
Machinery, equipment and vehicles	16,810	16,830
Accumulated depreciation	(15,346)	(15,541)
Machinery, equipment and vehicles, net	1,463	1,288
Tools, furniture and fixtures	1,494	1,518
Accumulated depreciation	(1,383)	(1,401)
Tools, furniture and fixtures, net	111	117
Land	6,455	7,103
Leased assets	457	457
Accumulated depreciation	(93)	(107)
Leased assets, net	364	350
Construction in progress	245	734
Total property, plant and equipment	15,312	16,062
Intangible assets		
Software	406	349
Right to use water facilities, etc.	9	9
Software in progress	1	12
Total intangible assets	418	371
Investments and other assets		
Investment securities	8,361	10,396
Deferred tax assets	29	28
Other	196	187
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	8,552	10,577
Total non-current assets	24,283	27,011
Total assets	50,323	51,196

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,785	6,043
Short-term borrowings	369	371
Current portion of long-term borrowings	60	60
Lease liabilities	35	35
Accounts payable - other	1,372	1,084
Income taxes payable	627	330
Accrued consumption taxes	77	44
Provision for bonuses	42	40
Other	602	732
Total current liabilities	9,973	8,744
Non-current liabilities		
Long-term borrowings	395	335
Lease liabilities	378	360
Deferred tax liabilities	1,131	1,760
Retirement benefit liability	3,693	3,657
Guarantee deposits received	2,509	2,532
Other	185	152
Total non-current liabilities	8,293	8,798
Total liabilities	18,266	17,542
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,398	1,420
Retained earnings	25,511	25,693
Treasury shares	(729)	(723)
Total shareholders' equity	28,327	28,538
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,612	5,026
Remeasurements of defined benefit plans	8	9
Total accumulated other comprehensive income	3,621	5,035
Non-controlling interests	108	79
Total net assets	32,057	33,653
Total liabilities and net assets	50,323	51,196

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

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	18,095	17,551
Cost of sales	13,470	14,036
Gross profit	4,625	3,514
Selling, general and administrative expenses	3,052	3,004
Operating profit	1,572	510
Non-operating income		
Interest income	3	2
Dividend income	170	189
Other	62	39
Total non-operating income	236	231
Non-operating expenses		
Interest expenses	6	5
Loss on redemption of securities	5	–
Loss on retirement of non-current assets	6	4
Other	5	5
Total non-operating expenses	24	15
Ordinary profit	1,785	725
Extraordinary income		
Gain on sale of investment securities	145	–
Subsidy income	–	214
Total extraordinary income	145	214
Extraordinary losses		
Loss on retirement of non-current assets	14	–
Total extraordinary losses	14	–
Profit before income taxes	1,916	940
Income taxes - current	574	352
Income taxes - deferred	(27)	0
Total income taxes	546	353
Profit	1,369	586
Loss attributable to non-controlling interests	(8)	(28)
Profit attributable to owners of parent	1,378	614

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

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	1,369	586
Other comprehensive income		
Valuation difference on available-for-sale securities	413	1,413
Remeasurements of defined benefit plans, net of tax	3	0
Total other comprehensive income	416	1,414
Comprehensive income	1,786	2,000
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,795	2,029
Comprehensive income attributable to non-controlling interests	(8)	(28)

(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.