

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 30, 2023

Consolidated Financial Results for the Nine Months Ended September 30, 2023 (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: Osamu Okamoto, General Manager, General Affairs & Personnel Department
 TEL: 079-437-6002
 Scheduled date to file quarterly securities report: November 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 nine months ended September 30, 2023 (from January 1, 2023 to September 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	%
Nine months ended September 30, 2023	25,042	(1.6)	619	(67.8)	858	(60.7)	702	(57.9)
September 30, 2022	25,455	–	1,923	–	2,182	–	1,670	–

Note: Comprehensive income For the nine months ended September 30, 2023: ¥2,841 million [61.0%]
 For the nine months ended September 30, 2022: ¥1,765 million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	81.10	–
September 30, 2022	192.95	–

* 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 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, 2023	51,692	34,494	66.6
December 31, 2022	50,323	32,057	63.5

Reference: Equity
 As of September 30, 2023: ¥34,418 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 September 30, 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 September 30, 2023	792,644
As of December 31, 2022	798,931

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

Nine months ended September 30, 2023	8,663,427
Nine months ended September 30, 2022	8,657,276

* 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

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Given the backdrop of rebounding economic and social activities, during the nine-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 nine months under review totaled ¥25,042 million (down 1.6% versus the same period last year), due to factors such as rising raw materials prices and energy costs, operating profit was ¥619 million (down 67.8% versus the same period last year), ordinary profit was ¥858 million (down 60.7% versus the same period last year), and profit attributable to owners of the parent was ¥702 million (down 57.9% 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 ¥6,793 million, a decrease of 8.2% versus the same period last year.

Chemicals

Sales of water treatment chemicals totaled ¥7,989 million, a significant increase of 16.3% 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 ¥3,333 million, a significant decrease of 23.1% 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 ¥149 million, up 1.9% versus the same period last year.

As a result, net sales came to ¥11,471 million, up 1.1% versus the same period last year.

Construction materials

Net sales totaled ¥2,292 million, up 9.1% versus the same period last year as a result of an increase in selling prices of gypsum board despite the sales volume remaining flat.

Petroleum

Net sales came to ¥1,443 million, a decrease of 9.7% versus the same period last year, due to a decline in fuel oil sales volume as a result of falling demand.

Real estate

Net sales totaled ¥1,017 million, up 1.6% 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 0.9% versus the same period last year to ¥2,024 million as handling volume increased despite a decrease in transported cargo.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year came to ¥51,692 million (up ¥1,369 million from the end of the previous fiscal year). Current assets totaled ¥23,201 million (down ¥2,838 million from the end of the previous fiscal year) due primarily to decreases of ¥1,136 million in cash and deposits, ¥2,367 million in notes and accounts receivable - trade, and ¥225 million in raw materials and supplies, despite an increase of ¥958 million in merchandise and finished goods. Non-current assets came to ¥28,491 million (up ¥4,207 million from the end of the previous fiscal year) due primarily to increases of ¥1,174 million in property, plant and equipment and ¥3,126 million in investment securities.

Total liabilities amounted to ¥17,198 million (down ¥1,068 million from the end of the previous fiscal year) due primarily to decreases of ¥1,854 million in notes and accounts payable - trade and ¥617 million in income taxes payable, despite increases of ¥417 million in accounts payable - other, ¥258 million in provision for bonuses, and ¥864 million in deferred tax liabilities.

Net assets totaled ¥34,494 million (up ¥2,437 million from the end of the previous fiscal year) due primarily to increases of ¥269 million in retained earnings and ¥2,170 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	6,256	5,119
Notes and accounts receivable - trade	10,002	7,635
Electronically recorded monetary claims - operating	2,196	2,217
Merchandise and finished goods	4,085	5,044
Work in process	271	265
Raw materials and supplies	2,292	2,067
Other	947	862
Allowance for doubtful accounts	(13)	(11)
Total current assets	26,039	23,201
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,324	22,360
Accumulated depreciation	(15,652)	(16,003)
Buildings and structures, net	6,672	6,357
Machinery, equipment and vehicles	16,810	16,858
Accumulated depreciation	(15,346)	(15,629)
Machinery, equipment and vehicles, net	1,463	1,229
Tools, furniture and fixtures	1,494	1,547
Accumulated depreciation	(1,383)	(1,414)
Tools, furniture and fixtures, net	111	133
Land	6,455	7,086
Leased assets	457	457
Accumulated depreciation	(93)	(114)
Leased assets, net	364	342
Construction in progress	245	1,337
Total property, plant and equipment	15,312	16,486
Intangible assets		
Software	406	320
Right to use water facilities, etc.	9	9
Software in progress	1	16
Total intangible assets	418	347
Investments and other assets		
Investment securities	8,361	11,488
Deferred tax assets	29	19
Other	196	184
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	8,552	11,657
Total non-current assets	24,283	28,491
Total assets	50,323	51,692

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,785	4,930
Short-term borrowings	369	371
Current portion of long-term borrowings	60	60
Lease liabilities	35	35
Accounts payable - other	1,372	1,789
Income taxes payable	627	10
Accrued consumption taxes	77	22
Provision for bonuses	42	300
Other	602	620
Total current liabilities	9,973	8,141
Non-current liabilities		
Long-term borrowings	395	335
Lease liabilities	378	351
Deferred tax liabilities	1,131	1,995
Retirement benefit liability	3,693	3,687
Guarantee deposits received	2,509	2,537
Other	185	149
Total non-current liabilities	8,293	9,056
Total liabilities	18,266	17,198
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,398	1,420
Retained earnings	25,511	25,781
Treasury shares	(729)	(723)
Total shareholders' equity	28,327	28,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,612	5,783
Remeasurements of defined benefit plans	8	9
Total accumulated other comprehensive income	3,621	5,793
Non-controlling interests	108	75
Total net assets	32,057	34,494
Total liabilities and net assets	50,323	51,692

(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, 2022	Nine months ended September 30, 2023
Net sales	25,455	25,042
Cost of sales	19,037	19,967
Gross profit	6,418	5,075
Selling, general and administrative expenses	4,495	4,455
Operating profit	1,923	619
Non-operating income		
Interest income	4	3
Dividend income	199	208
Other	92	55
Total non-operating income	296	267
Non-operating expenses		
Interest expenses	9	8
Loss on retirement of non-current assets	12	12
Other	16	6
Total non-operating expenses	37	27
Ordinary profit	2,182	858
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	2,313	1,073
Income taxes - current	815	491
Income taxes - deferred	(157)	(87)
Total income taxes	657	403
Profit	1,656	669
Loss attributable to non-controlling interests	(13)	(32)
Profit attributable to owners of parent	1,670	702

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

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	1,656	669
Other comprehensive income		
Valuation difference on available-for-sale securities	103	2,170
Remeasurements of defined benefit plans, net of tax	4	1
Total other comprehensive income	108	2,171
Comprehensive income	1,765	2,841
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,779	2,874
Comprehensive income attributable to non-controlling interests	(13)	(32)

(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.