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April 28, 2022

Consolidated Financial Results for the Three Months Ended March 31, 2022 (Under Japanese GAAP)

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Listing: Tokyo Stock Exchange
Securities code: 4025
URL: https://www.takichem.co.jp/
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Scheduled date to file quarterly securities report: May 13, 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 three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	8,412	–	633	–	705	–	497	–
March 31, 2021	7,725	1.0	473	9.5	520	(0.9)	365	(13.9)

Note: Comprehensive income For the three months ended March 31, 2022:¥1,111 million [-%]
For the three months ended March 31, 2021:¥1,081 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2022	57.47	–
March 31, 2021	42.28	–

* The Company has applied "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 first three months of the fiscal year ending December 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, 2022	47,342	30,056	63.2
December 31, 2021	46,037	29,378	63.5

Reference: Equity
As of March 31, 2022: ¥29,918 million
As of December 31, 2021: ¥29,236 million

* The Company has applied "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 first three months of the fiscal year ending December 31, 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	33,000	–	1,550	–	1,850	–	1,450	–	167.56

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

* The Company has applied "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 March 31, 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 March 31, 2022	804,996
As of December 31, 2021	804,996

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

Three months ended March 31, 2022	8,653,772
Three months ended March 31, 2021	8,648,179

* 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

The Taki Chemical Group (the "Group") has applied "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 quarter 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 three month-period under review 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 and an improvement in overseas economies. However, the situation remains uncertain due to growing downside risks caused by supply constraints and rising raw material prices in addition to global pandemic trends, the conflict in Ukraine, and other factors.

Working against this backdrop, the Group focused on enhancing the profitability of its current businesses in line with Medium-term Management Plan 2023 launched in January 2021. As a result, net sales for the three-months under review totaled ¥8,412 million (¥7,725 million for the same period last year), operating profit was ¥633 million (¥473 million for the same period last year), ordinary profit came to ¥705 million (¥520 million for the same period last year), and profit attributable to owners of the parent was ¥497 million (¥365 million for the same period last year).

Operating results by segment are as shown below.

Agriculture

While the fertilizer sales volume remained the same year on year, net sales came to ¥2,540 million yen (¥2,336 million yen for the same period last year) as selling prices rose due to higher raw material prices.

Chemicals

Sales of water treatment chemicals totaled ¥2,044 million (¥1,994 million yen for the same period last year) as the sales volume increased due to steady shipments of ultra-high-basicity poly aluminum chloride.

Sales of functional materials amounted to ¥1,386 million (¥1,287 million yen 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 ¥45 million (¥45 million for the same period last year).

As a result, net sales came to ¥3,476 million (¥3,327 million for the same period last year).

Construction materials

Net sales totaled ¥681 million (¥725 million yen for the same period last year) as a result of a decline in both the sales volume and selling prices of gypsum board.

Petroleum

Net sales came to ¥668 million (¥458 million for the same period last year) as the rise in crude oil prices brought the retail price of fuel oil up on top of an increase in the sales volume.

Real estate

Net sales totaled ¥332 million (¥355 million for the same period last year) due primarily to a decrease in tenant rents at shopping centers.

Transportation

Net sales totaled ¥712 million (¥522 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 first quarter of the current fiscal year came to ¥47,342 million (up ¥1,305 million from the end of the previous fiscal year). Current assets totaled ¥22,935 million (up ¥583 million from the end of the previous fiscal year) due primarily to a decrease of ¥841 million in cash and deposits, despite increases of ¥336 million in notes and accounts receivable-trade and ¥515 million in merchandise and finished goods. Noncurrent assets came to ¥24,407 million (up ¥721 million yen from the end of the previous fiscal year) due primarily to an increase of ¥833 million in investment securities.

Total liabilities amounted to ¥17,285 million (up ¥626 million yen from the end of the previous fiscal year) due primarily to increases of ¥626 million in notes and accounts payable-trade, ¥207 million in provision for bonuses, and ¥255 million in deferred tax liabilities.

Net assets totaled ¥30,056 million (up ¥678 million yen from the end of the previous fiscal year) due primarily to an increase of ¥616 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, 2022, which was announced on February 14, 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 March 31, 2022
Assets		
Current assets		
Cash and deposits	6,433	5,591
Notes and accounts receivable - trade	8,963	9,300
Electronically recorded monetary claims - operating	1,893	1,981
Securities	100	100
Merchandise and finished goods	2,285	2,801
Work in process	242	213
Raw materials and supplies	2,216	2,131
Other	227	826
Allowance for doubtful accounts	(10)	(10)
Total current assets	22,352	22,935
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,197	22,247
Accumulated depreciation	(15,203)	(15,293)
Buildings and structures, net	6,994	6,954
Machinery, equipment and vehicles	16,776	16,785
Accumulated depreciation	(14,949)	(15,053)
Machinery, equipment and vehicles, net	1,827	1,732
Tools, furniture and fixtures	1,481	1,498
Accumulated depreciation	(1,331)	(1,347)
Tools, furniture and fixtures, net	149	151
Land	6,413	6,413
Leased assets	457	457
Accumulated depreciation	(49)	(57)
Leased assets, net	408	400
Construction in progress	16	39
Total property, plant and equipment	15,809	15,692
Intangible assets		
Software	500	487
Right to use water facilities, etc.	10	10
Software in progress	11	1
Total intangible assets	522	499
Investments and other assets		
Investment securities	7,072	7,906
Deferred tax assets	101	115
Other	214	228
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	7,352	8,215
Total non-current assets	23,685	24,407
Total assets	46,037	47,342

(Millions of yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,976	5,603
Short-term borrowings	376	376
Current portion of long-term borrowings	60	60
Lease obligations	35	35
Accounts payable - other	1,964	1,861
Income taxes payable	429	239
Accrued consumption taxes	112	155
Provision for bonuses	43	251
Other	597	490
Total current liabilities	8,596	9,073
Non-current liabilities		
Long-term borrowings	455	455
Lease obligations	413	404
Deferred tax liabilities	698	954
Retirement benefit liability	3,770	3,694
Guarantee deposits received	2,539	2,519
Other	185	184
Total non-current liabilities	8,062	8,212
Total liabilities	16,659	17,285
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,372	1,372
Retained earnings	23,888	23,952
Treasury shares	(736)	(736)
Total shareholders' equity	26,672	26,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,581	3,197
Remeasurements of defined benefit plans	(17)	(15)
Total accumulated other comprehensive income	2,563	3,181
Non-controlling interests	142	138
Total net assets	29,378	30,056
Total liabilities and net assets	46,037	47,342

(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, 2021	Three months ended March 31, 2022
Net sales	7,725	8,412
Cost of sales	5,803	6,291
Gross profit	1,921	2,120
Selling, general and administrative expenses	1,447	1,486
Operating profit	473	633
Non-operating income		
Interest income	1	1
Dividend income	30	34
Gain on sale of investment securities	4	30
Other	19	15
Total non-operating income	55	81
Non-operating expenses		
Interest expenses	3	3
Loss on retirement of non-current assets	2	4
Other	3	3
Total non-operating expenses	9	10
Ordinary profit	520	705
Extraordinary losses		
Loss on retirement of non-current assets	–	14
Total extraordinary losses	–	14
Profit before income taxes	520	690
Income taxes - current	222	240
Income taxes - deferred	(70)	(43)
Total income taxes	151	196
Profit	368	493
Profit (loss) attributable to non-controlling interests	2	(3)
Profit attributable to owners of parent	365	497

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

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	368	493
Other comprehensive income		
Valuation difference on available-for-sale securities	711	616
Remeasurements of defined benefit plans, net of tax	1	1
Total other comprehensive income	713	617
Comprehensive income	1,081	1,111
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,078	1,115
Comprehensive income attributable to non-controlling interests	2	(3)

(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 "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 is 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 31, 2020), 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, the effect of this change on profit and loss for the first quarter of the current fiscal year is immaterial. 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.