

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.



July 29, 2022

## Consolidated Financial Results for the Six Months Ended June 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: August 12, 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 six months ended June 30, 2022 (from January 1, 2022 to June 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	%
Six months ended June 30, 2022	18,095	–	1,572	–	1,785	–	1,378	–
June 30, 2021	16,172	6.5	1,479	41.5	1,643	29.9	1,078	15.4

Note: Comprehensive income For the six months ended June 30, 2022: ¥1,786 million [-%]  
 For the six months ended June 30, 2021: ¥1,684 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	159.29	–
June 30, 2021	124.64	–

\* 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 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, 2022	47,440	30,763	64.6
December 31, 2021	46,037	29,378	63.5

Reference: Equity

As of June 30, 2022: ¥30,630 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 as of June 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	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 June 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 June 30, 2022	798,834
As of December 31, 2021	804,996

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

Six months ended June 30, 2022	8,655,951
Six months ended June 30, 2021	8,650,063

\* 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 six-month period).....	6
(Quarterly Consolidated Statement of Comprehensive Income) (First six-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 “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 six 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 six 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. 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, protraction of 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 six months under review totaled ¥18,095 million (¥16,172 million for the same period last year), operating profit was ¥1,572 million (¥1,479 million for the same period last year), ordinary profit came to ¥1,785 million (¥1,643 million for the same period last year), and profit attributable to owners of the parent was ¥1,378 million (¥1,078 million for the same period last year).

Operating results by segment are as shown below.

#### Agriculture

While the fertilizer sales volume remained at the same level as the same period last year, net sales came to ¥6,091 million (¥5,353 million for the same period last year) as selling prices rose due to higher raw material prices.

#### Chemicals

Sales of water treatment chemicals totaled ¥4,360 million (¥4,081 million for the same period last year) as the sales volume increased due to steady shipments of ultra-high-basicity polyaluminum chloride, etc.

Sales of functional materials amounted to ¥3,006 million (¥2,538 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 ¥99 million (¥95 million for the same period last year).

As a result, net sales came to ¥7,466 million (¥6,715 million for the same period last year).

#### Construction materials

Net sales totaled ¥1,364 million (¥1,412 million for the same period last year) as a result of a decline in both the sales volume and selling prices of gypsum board.

#### Petroleum

While the fuel oil sales volume remained at the same level as the same period last year, net sales came to ¥1,136 million (¥920 million for the same period last year) as selling prices rose due to higher crude oil prices.

#### Real estate

Net sales totaled ¥665 million (¥649 million for the same period last year) with rents at shopping centers remaining at the same level as the same period last year.

#### Transportation

Net sales totaled ¥1,370 million (¥1,120 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 second quarter of the current fiscal year came to ¥47,440 million (up ¥1,402 million from the end of the previous fiscal year). Current assets totaled ¥23,535 million (up ¥1,182 million from the end of the previous fiscal year) due primarily to increases of ¥1,537 million in notes and accounts receivable - trade and ¥333 million in electronically recorded monetary claims - operating, despite decreases of ¥979 million in cash and deposits and ¥276 million in raw materials and supplies. Non-current assets came to ¥23,905 million (up ¥220 million from the end of the previous fiscal year) due primarily to an increase of ¥536 million in investment securities, despite a decrease of ¥318 million in property, plant and equipment.

Total liabilities amounted to ¥16,676 million (up ¥17 million from the end of the previous fiscal year) due primarily to increases of ¥515 million in notes and accounts payable - trade and ¥222 million in deferred tax liabilities, despite a decrease of ¥864 million in accounts payable - other.

Net assets totaled ¥30,763 million (up ¥1,385 million from the end of the previous fiscal year) due primarily to increases of ¥946 million in retained earnings and ¥413 million in the valuation difference on available-for-sale securities.

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

Results for the first six-month period under review were better than initially forecast, but the forecast for the third quarter onwards remains unchanged from the forecast published on February 14, 2022 due to uncertain elements such as the rebound from the last-minute demand for fertilizer and the impact of rising prices of raw materials.

If the need to revise the results forecast arises, this will be promptly disclosed.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	6,433	5,454
Notes and accounts receivable - trade	8,963	10,501
Electronically recorded monetary claims - operating	1,893	2,226
Securities	100	-
Merchandise and finished goods	2,285	2,242
Work in process	242	246
Raw materials and supplies	2,216	1,939
Other	227	934
Allowance for doubtful accounts	(10)	(10)
Total current assets	22,352	23,535
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,197	22,254
Accumulated depreciation	(15,203)	(15,416)
Buildings and structures, net	6,994	6,838
Machinery, equipment and vehicles	16,776	16,824
Accumulated depreciation	(14,949)	(15,186)
Machinery, equipment and vehicles, net	1,827	1,637
Tools, furniture and fixtures	1,481	1,501
Accumulated depreciation	(1,331)	(1,363)
Tools, furniture and fixtures, net	149	138
Land	6,413	6,413
Leased assets	457	457
Accumulated depreciation	(49)	(65)
Leased assets, net	408	392
Construction in progress	16	71
Total property, plant and equipment	15,809	15,491
Intangible assets		
Software	500	460
Right to use water facilities, etc.	10	10
Software in progress	11	2
Total intangible assets	522	473
Investments and other assets		
Investment securities	7,072	7,609
Deferred tax assets	101	151
Other	214	215
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	7,352	7,940
Total non-current assets	23,685	23,905
Total assets	46,037	47,440

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,976	5,492
Short-term borrowings	376	368
Current portion of long-term borrowings	60	60
Lease obligations	35	35
Accounts payable - other	1,964	1,100
Income taxes payable	429	572
Accrued consumption taxes	112	178
Provision for bonuses	43	40
Other	597	695
Total current liabilities	8,596	8,542
Non-current liabilities		
Long-term borrowings	455	395
Lease obligations	413	395
Deferred tax liabilities	698	921
Retirement benefit liability	3,770	3,708
Guarantee deposits received	2,539	2,529
Other	185	183
Total non-current liabilities	8,062	8,133
Total liabilities	16,659	16,676
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,372	1,398
Retained earnings	23,888	24,834
Treasury shares	(736)	(729)
Total shareholders' equity	26,672	27,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,581	2,994
Remeasurements of defined benefit plans	(17)	(14)
Total accumulated other comprehensive income	2,563	2,980
Non-controlling interests	142	133
Total net assets	29,378	30,763
Total liabilities and net assets	46,037	47,440



**(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, 2021	Six months ended June 30, 2022
Net sales	16,172	18,095
Cost of sales	11,774	13,470
Gross profit	4,397	4,625
Selling, general and administrative expenses	2,918	3,052
Operating profit	1,479	1,572
Non-operating income		
Interest income	3	3
Dividend income	141	170
Other	45	62
Total non-operating income	190	236
Non-operating expenses		
Interest expenses	6	6
Loss on redemption of securities	–	5
Loss on retirement of non-current assets	10	6
Other	9	5
Total non-operating expenses	26	24
Ordinary profit	1,643	1,785
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	96	14
Total extraordinary losses	109	14
Profit before income taxes	1,533	1,916
Income taxes - current	418	574
Income taxes - deferred	34	(27)
Total income taxes	453	546
Profit	1,080	1,369
Profit (loss) attributable to non-controlling interests	2	(8)
Profit attributable to owners of parent	1,078	1,378

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

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	1,080	1,369
Other comprehensive income		
Valuation difference on available-for-sale securities	600	413
Remeasurements of defined benefit plans, net of tax	2	3
Total other comprehensive income	603	416
Comprehensive income	1,684	1,786
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,681	1,795
Comprehensive income attributable to non-controlling interests	2	(8)

**(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, in the first six-month period under review, there were decreases of ¥657 million in net sales, ¥655 million in cost of sales and ¥2 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.