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February 13, 2023

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Under Japanese GAAP)

Company name: Taki Chemical Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4025
 URL: <https://www.takichem.co.jp/>
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 Scheduled date of annual general meeting of shareholders: March 29, 2023
 Scheduled date to commence dividend payments: March 30, 2023
 Scheduled date to file annual securities report: March 29, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	35,846	—	2,751	—	3,144	—	2,056	—
December 31, 2021	32,812	8.7	2,658	51.0	2,982	37.6	1,916	22.9

Note: Comprehensive income For the fiscal year ended December 31, 2022: ¥3,079 million [-%]
 For the fiscal year ended December 31, 2021: ¥2,652 million [153.8%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	237.53	—	6.7	6.5	7.7
December 31, 2021	221.46	—	6.8	6.7	8.1

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended December 31, 2022: ¥— million

For the fiscal year ended December 31, 2021: ¥— million

* 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 current fiscal year, and each figure for the fiscal year ended 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	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	50,323	32,057	63.5	3,689.28
December 31, 2021	46,037	29,378	63.5	3,378.42

Reference: Equity

As of December 31, 2022: ¥31,948 million

As of December 31, 2021: ¥29,236 million

* 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 current fiscal year, and each figure for the fiscal year ended December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2022	1,444	(1,083)	(543)	6,256
December 31, 2021	2,823	(2,319)	(498)	6,433

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2021	—	—	—	50.00	50.00	432	22.6	1.5
Fiscal year ended December 31, 2022	—	—	—	50.00	50.00	432	21.0	1.4
Fiscal year ending December 31, 2023 (Forecast)	—	—	—	50.00	50.00		30.9	

Breakdown of year-end dividend

For the fiscal year ended December 31, 2021: Ordinary dividend: ¥45.00
Special dividend: ¥5.00

For the fiscal year ended December 31, 2022: Ordinary dividend: ¥45.00
Commemorative dividend: ¥5.00 (commemoration of the transition to the Prime Market)

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

*** 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) 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 “(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” in “3. Consolidated Financial Statements and Significant Notes Thereto” on page 13 of the appendix.

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	9,458,768 shares
As of December 31, 2021	9,458,768 shares

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

As of December 31, 2022	798,931 shares
As of December 31, 2021	804,996 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2022	8,657,922 shares
Fiscal year ended December 31, 2021	8,651,933 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	27,844	—	2,423	—	2,860	—	2,090	—
December 31, 2021	25,596	11.7	2,233	57.3	2,636	45.4	1,713	29.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2022	241.50	—
December 31, 2021	198.04	—

* 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 current fiscal year, and each figure for the fiscal year ended 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) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	42,635	27,184	63.8	3,139.10
December 31, 2021	38,645	24,442	63.2	2,824.44

Reference: Equity

As of December 31, 2022: ¥27,184 million

As of December 31, 2021: ¥24,442 million

* 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 current fiscal year, and each figure for the fiscal year ended December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

* Financial results reports are exempt from audit 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.

For matters related to the above earnings forecasts, please see “(4) Outlook” in “1. Overview of Operating Results and Others” on page 4 of the appendix.

(How to obtain supplementary material for financial results)

Supplementary material on financial results is disclosed on the same day on TDnet. and the Company’s website (<https://www.takichem.co.jp/>).

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

The Taki Chemical Group (the “Group”) has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review. Due to this change, the revenue recognition standard used for the fiscal year under review is different from the one used for the previous fiscal year, and therefore no year-on-year change is shown in the explanation for operating results.

The Japanese economy during the fiscal year under review remained rocky due 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 domestic and international pandemic trends and supply constraints as well as growing downside risks caused by raw material price hikes, 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. As a result, net sales for the fiscal year under review totaled ¥35,846 million (¥32,812 million for the previous fiscal year), operating profit was ¥2,751 million (¥2,658 million for the previous fiscal year), ordinary profit was ¥3,144 million (¥2,982 million for the previous fiscal year), and profit attributable to owners of the parent was ¥2,056 million (¥1,916 million for the previous fiscal year).

Operating results by segment are as shown below.

Agriculture

While the 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 ¥11,521 million (¥10,011 million for the previous fiscal year).

Chemicals

Sales of water treatment chemicals totaled ¥9,340 million (¥8,409 million for the previous fiscal year) as the sales volume increased due to steady shipments of ultra-high-basicity polyaluminum chloride and more.

Sales of functional materials amounted to ¥5,489 million (¥5,757 million for the previous year) due to falling demand for high-purity tantalum oxide for smartphones, as well as a decline in the sales volume of high-basicity aluminum chloride used in ceramic fibers for automotive applications, which was caused by semiconductor shortages.

Sales of other chemical products totaled ¥194 million (¥191 million for the previous fiscal year).

As a result, net sales came to ¥15,024 million (¥14,357 million for the previous fiscal year).

Construction materials

The gypsum board sales volume declined, but net sales came to ¥3,115 million (¥2,902 million for the previous fiscal year) as selling prices rose.

Petroleum

While the fuel oil sales volume remained at the same level as the previous fiscal year, net sales came to ¥2,202 million (¥1,966 million for the previous fiscal year) as selling prices rose due to higher crude oil prices.

Real estate

Net sales totaled ¥1,335 million (¥1,261 million for the previous fiscal year) due primarily to a recovery in rental income from shopping centers.

Transportation

Net sales totaled ¥2,646 million (¥2,312 million for the previous fiscal year) due to an upward trend in the coastal shipping market and an increase in cargo handling volume.

(2) Overview of Financial Position for the Fiscal Year

Total assets at the end of the fiscal year under review came to ¥50,323 million (up ¥4,285 million from the end of the previous fiscal year). Current assets totaled ¥26,039 million (up ¥3,687 million year on year) due primarily to increases of ¥1,038 million in notes and accounts receivable - trade, ¥302 million in electronically recorded monetary claims - operating, and ¥1,799 million in merchandise and finished goods. Non-current assets came to ¥24,283 million (up ¥598 million from the end of the previous fiscal year) due primarily to an increase of ¥1,288 million in investment securities, despite a decrease of ¥497 million in property, plant and equipment.

Total liabilities amounted to ¥18,266 million (up ¥1,607 million year on year) due primarily to increases of ¥1,808 million in notes and accounts payable - trade and ¥432 million in deferred tax liabilities, despite a decrease of ¥592 million in accounts payable - other.

Net assets totaled ¥32,057 million (up ¥2,678 million year on year) due primarily to increases of ¥1,623 million in retained earnings and ¥1,031 million in the valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Fiscal Year

In the fiscal year under review, net cash provided by operating activities totaled ¥1,444 million, net cash used in investing activities totaled ¥1,083 million, and net cash used in financing activities totaled ¥543 million. As a result, cash and cash equivalents at the end of the fiscal year under review totaled ¥6,256 million, a decrease of ¥176 million compared to the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥1,444 million (¥2,823 million provided in the previous fiscal year) due primarily to profit before income taxes of ¥3,038 million, depreciation of ¥1,281 million, and an increase in cash resulting from an increase in trade payables of ¥1,808 million, despite decreases in cash resulting from increases in trade receivables of ¥1,341 million, inventories of ¥1,904 million and other assets of ¥727 million, and income taxes paid of ¥797 million.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥1,083 million (¥2,319 million used in the previous fiscal year) due primarily to purchase of non-current assets of ¥1,478 million, despite proceeds from sale of investment securities of ¥267 million.

(Cash flows from financing activities)

Net cash used in financing activities totaled ¥543 million (¥498 million used in the previous fiscal year) due primarily to dividends paid of ¥432 million.

Trends in cash flow indicators

	Year ended December 2018	Year ended December 2019	Year ended December 2020	Year ended December 2021	Year ended December 2022
Equity-to-asset ratio (%)	60.1	61.5	62.7	63.5	63.5
Equity-to-asset ratio based on market value (%)	116.3	94.8	131.3	109.0	78.4
Ratio of interest-bearing debt to cash flow (annual)	1.3	0.9	1.0	1.0	1.8
Interest coverage ratio (times)	143.8	212.1	227.6	222.1	118.3

Equity-to-asset ratio: Equity/Total assets

Equity-to-asset ratio based on market value: Total market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/ operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

- Notes:
1. Each indicator is calculated based on consolidated financial data.
 2. Total market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after deducting treasury shares) at the end of the fiscal year.
 3. Cash flows from operating activities in the consolidated statement of cash flows are used for operating cash flow. Interest-bearing debts include all of those debts reported on the consolidated balance sheet on which interest is paid. Interest expenses in the consolidated statement of cash flows are used for interest paid.

(4) Outlook

Given the backdrop of rebounding economic and social activities coupled with measures to prevent the spread of COVID-19, the outlook for the Japanese economy is expected to improve due partly to the effects of various government policies. However, the situation remains uncertain due to domestic and international pandemic trends and supply constraints as well as growing downside risks caused by raw material price hikes, fluctuations in financial and capital markets, and other factors.

Amid this environment, the Group has completed the second year of Medium-term Management Plan 2023, a three-year plan that started in 2021. The basic policies of Medium-term Management Plan 2023 are (1) proactive investment into growth businesses, (2) enhancement of profitability of current businesses, (3) strengthening of management foundation and (4) promotion of compliance management. Its financial targets for the final fiscal year are consolidated net sales of ¥32,000 million, consolidated ordinary profit of ¥2,500 million and ROE of 6.0% or more, based on the assumption of a gradual economic recovery after the COVID-19 pandemic. In FY2022, there was a continuation of last-minute demand in the Agriculture business in anticipation of fertilizer price increases, as well as a recovery in demand for smartphone-related products in the functional materials segment of the Chemicals business. As a result, numerical targets for Group performance for the final year of the Medium-term Management Plan 2023 were exceeded in this, the second year of the Plan, as they were in the first year. However, in addition to expecting a reaction to the last-minute demand of the previous year and an increase in fuel prices in FY2023, which is the final year of the Medium-term Management Plan 2023, we project a prolongation of the semiconductor shortage and falling demand for smartphones to make it difficult to achieve the target for ordinary profit. We will work to secure profits by continuing to adjust production as appropriate in response to trends in demand, revising selling prices, and taking other steps. Furthermore, will formulate the next Medium-term Management Plan, which is scheduled to begin in 2024, so as to include measures to address climate change and other sustainability targets, and to help realize a sustainable society and enhance the Group's corporate value.

In the fiscal year ending December 31, 2023, the Group expects net sales of ¥38,000 million, operating profit of ¥1,550 million, ordinary profit of ¥1,900 million and profit attributable to owners of parent of ¥1,400 million.

With regard to the "Fully artificial cultivation of *Tricholoma bakamatsutake*" announced on October 4, 2018, the project team has been forging ahead with technology development in preparation for commercialization. As announced on November 28, 2022, as a result of conducting various investigations in the cultivation research facilities, which were expanded in May 2021, to resolve issues such as production cost and stability of production at scale, we judge that we have reached the stage of

having the cultivated *Tricholoma bakamatsutake* evaluated in the market. Accordingly, since November 2022, restaurants and other locations have been assessing their quality and value as a cooking ingredient. A decision on beginning construction of facilities for commercial production will depend on the feasibility of the product in the light of these assessments, and so has been postponed until 2023 or beyond. Going forward, we will continue to promptly release new information as it becomes available.

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review and Next Fiscal Year

The Company recognizes the return of profit to its shareholders as a key management priority, and it maintains a policy of paying stable dividends on a continual basis. Moreover, the Company will allocate profits to capital investment, research and development investment, and rationalization investment to improve sustainable development and the corporate value of the Company.

The Company has given comprehensive consideration to a range of factors including the enhancement of business structure, future business development and business performance, and it plans to pay a year-end dividend for the fiscal year under review of ¥50 in total, consisting of an ordinary dividend of ¥45 and a commemorative dividend to commemorate the transition to the Prime Market of ¥5 per share, to repay the support of shareholders.

For the next fiscal year, the Company plans to pay a year-end dividend of ¥50 per share.

2. Basic Rationale for Selection of Accounting Standards

The Group, in consideration of the inter-period-comparability and inter-company-comparability of consolidated financial statements, will prepare its consolidated financial statements, for the time being, in accordance with the Japanese accounting standards. With regard to the adoption of International Financial Reporting Standards (IFRS), the Group intends to give appropriate consideration to this issue as well as to various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	6,433	6,256
Notes and accounts receivable - trade	8,963	10,002
Electronically recorded monetary claims - operating	1,893	2,196
Securities	100	—
Merchandise and finished goods	2,285	4,085
Work in process	242	271
Raw materials and supplies	2,216	2,292
Other	227	947
Allowance for doubtful accounts	(10)	(13)
Total current assets	22,352	26,039
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,197	22,324
Accumulated depreciation	(15,203)	(15,652)
Buildings and structures, net	6,994	6,672
Machinery, equipment and vehicles	16,776	16,810
Accumulated depreciation	(14,949)	(15,346)
Machinery, equipment and vehicles, net	1,827	1,463
Tools, furniture and fixtures	1,481	1,494
Accumulated depreciation	(1,331)	(1,383)
Tools, furniture and fixtures, net	149	111
Land	6,413	6,455
Leased assets	457	457
Accumulated depreciation	(49)	(93)
Leased assets, net	408	364
Construction in progress	16	245
Total property, plant and equipment	15,809	15,312
Intangible assets		
Software	500	406
Right to use water facilities, etc.	10	9
Software in progress	11	1
Total intangible assets	522	418
Investments and other assets		
Investment securities	7,072	8,361
Deferred tax assets	101	29
Other	214	196
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	7,352	8,552
Total non-current assets	23,685	24,283
Total assets	46,037	50,323

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,976	6,785
Short-term borrowings	376	369
Current portion of long-term borrowings	60	60
Lease liabilities	35	35
Accounts payable - other	1,964	1,372
Income taxes payable	429	627
Accrued consumption taxes	112	77
Provision for bonuses	43	42
Other	597	602
Total current liabilities	8,596	9,973
Non-current liabilities		
Long-term borrowings	455	395
Lease liabilities	413	378
Deferred tax liabilities	698	1,131
Retirement benefit liability	3,770	3,693
Guarantee deposits received	2,539	2,509
Other	185	185
Total non-current liabilities	8,062	8,293
Total liabilities	16,659	18,266
Net assets		
Shareholders' equity		
Share capital	2,147	2,147
Capital surplus	1,372	1,398
Retained earnings	23,888	25,511
Treasury shares	(736)	(729)
Total shareholders' equity	26,672	28,327
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,581	3,612
Remeasurements of defined benefit plans	(17)	8
Total accumulated other comprehensive income	2,563	3,621
Non-controlling interests	142	108
Total net assets	29,378	32,057
Total liabilities and net assets	46,037	50,323

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	32,812	35,846
Cost of sales	24,247	27,040
Gross profit	8,564	8,805
Selling, general and administrative expenses	5,906	6,053
Operating profit	2,658	2,751
Non-operating income		
Interest income	7	5
Dividend income	272	334
Gain on sale of investment securities	–	45
Other	101	64
Total non-operating income	380	450
Non-operating expenses		
Interest expenses	12	12
Loss on retirement of non-current assets	30	28
Waste disposal costs	6	7
Other	6	9
Total non-operating expenses	56	58
Ordinary profit	2,982	3,144
Extraordinary income		
Gain on sale of non-current assets	11	–
Gain on sale of investment securities	–	145
Total extraordinary income	11	145
Extraordinary losses		
Impairment losses	7	110
Loss on valuation of investment securities	3	125
Loss on retirement of non-current assets	302	14
Total extraordinary losses	313	251
Profit before income taxes	2,679	3,038
Income taxes - current	719	983
Income taxes - deferred	43	32
Total income taxes	763	1,015
Profit	1,915	2,022
Loss attributable to non-controlling interests	(0)	(33)
Profit attributable to owners of parent	1,916	2,056

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	1,915	2,022
Other comprehensive income		
Valuation difference on available-for-sale securities	727	1,031
Remeasurements of defined benefit plans, net of tax	9	26
Total other comprehensive income	736	1,057
Comprehensive income	2,652	3,079
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,652	3,113
Comprehensive income attributable to non-controlling interests	(0)	(33)

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,147	1,342	22,361	(742)	25,109
Changes during period					
Dividends of surplus			(389)		(389)
Profit attributable to owners of parent			1,916		1,916
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		30		6	36
Loss attributable to non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	30	1,526	5	1,562
Balance at end of period	2,147	1,372	23,888	(736)	26,672

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,854	(27)	1,827	143	27,079
Changes during period					
Dividends of surplus				(0)	(390)
Profit attributable to owners of parent					1,916
Purchase of treasury shares					(0)
Disposal of treasury shares					36
Loss attributable to non-controlling interests				(0)	(0)
Net changes in items other than shareholders' equity	727	9	736	0	736
Total changes during period	727	9	736	(0)	2,298
Balance at end of period	2,581	(17)	2,563	142	29,378

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,147	1,372	23,888	(736)	26,672
Changes during period					
Dividends of surplus			(432)		(432)
Profit attributable to owners of parent			2,056		2,056
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		25		6	31
Loss attributable to non-controlling interests					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	25	1,623	6	1,655
Balance at end of period	2,147	1,398	25,511	(729)	28,327

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,581	(17)	2,563	142	29,378
Changes during period					
Dividends of surplus					(432)
Profit attributable to owners of parent					2,056
Purchase of treasury shares					(0)
Disposal of treasury shares					31
Loss attributable to non-controlling interests				(33)	(33)
Net changes in items other than shareholders' equity	1,031	26	1,057	0	1,057
Total changes during period	1,031	26	1,057	(33)	2,678
Balance at end of period	3,612	8	3,621	108	32,057

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,679	3,038
Depreciation	1,188	1,281
Loss (gain) on sale of investment securities	–	(145)
Impairment losses	7	110
Loss (gain) on valuation of investment securities	3	125
Loss (gain) on sale of non-current assets	(11)	–
Loss on retirement of non-current assets	117	4
Increase (decrease) in allowance for doubtful accounts	(0)	2
Increase (decrease) in retirement benefit liability	(66)	(38)
Interest and dividend income	(279)	(339)
Interest expenses	12	12
Decrease (increase) in trade receivables	(1,058)	(1,341)
Decrease (increase) in inventories	518	(1,904)
Increase (decrease) in trade payables	546	1,808
Decrease (increase) in other assets	134	(727)
Increase (decrease) in other liabilities	(543)	49
Other, net	(7)	(20)
Subtotal	3,241	1,915
Interest and dividends received	279	339
Interest paid	(12)	(12)
Income taxes paid	(683)	(797)
Net cash provided by (used in) operating activities	2,823	1,444
Cash flows from investing activities		
Purchase of non-current assets	(2,605)	(1,478)
Proceeds from sale of non-current assets	31	8
Purchase of investment securities	(9)	(3)
Proceeds from sale of investment securities	164	267
Proceeds from redemption of investment securities	–	100
Other, net	100	22
Net cash provided by (used in) investing activities	(2,319)	(1,083)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2	(6)
Repayments of long-term borrowings	(71)	(60)
Refund of guarantee deposits received	(13)	(11)
Purchase of treasury shares	(0)	(0)
Dividends paid	(389)	(432)
Dividends paid to non-controlling interests	(0)	–
Other, net	(25)	(32)
Net cash provided by (used in) financing activities	(498)	(543)
Effect of exchange rate change on cash and cash equivalents	1	5
Net increase (decrease) in cash and cash equivalents	7	(176)
Cash and cash equivalents at beginning of period	6,426	6,433
Cash and cash equivalents at end of period	6,433	6,256

(5) Notes to Consolidated Financial Statements
(Notes on Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services are 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 26, 2021), 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 fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, 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 fiscal year under review, 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 fiscal year under review there were decreases of ¥1,487 million in net sales, ¥1,483 million in cost of sales and ¥4 million in profit before income taxes. The application of the standard has no effect on the opening balance of retained earnings for the fiscal year under review.

(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 fiscal year under review, 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 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 next 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.

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of managerial resources and assessing their performance.

The Group is composed of segments based on the products and services they handle, and their six reportable segments are "Agriculture," "Chemicals," "Construction materials," "Petroleum," "Real estate" and "Transportation." Each segment formulates comprehensive strategies and conducts business activities for the businesses that each of them controls (including the businesses of subsidiaries).

The primary products and/or business details of each reportable segment are as follows:

Agriculture.....Compound fertilizers, phosphate fertilizers, agriculture-related materials, etc.

Chemicals.....Water treatment chemicals, functional materials, etc.

Construction
materials.....Gypsum board

Petroleum.....Petroleum, etc.

Real estate.....Real estate leasing, sale, etc.

Transportation...Marine transportation, land transportation, etc.

2. Method for calculating amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting method for reportable segments follows that used to prepare the consolidated financial statements.

Profit figures for reportable segments are based on operating profit.

Intersegment revenue or transfers are based on actual market prices.

As described in "Changes in Accounting Policies," the Group applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review. Because the method of accounting treatment for revenue recognition has changed, the method used for calculating reportable segment profit or loss has been similarly changed.

As result of this change, net sales and segment profit for Agriculture in the fiscal year under review decreased by ¥1,148 million and ¥4 million respectively, while net sales for Chemicals decreased by ¥339 million. There was no impact on segment profit for Chemicals.

3. Information on amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment and information on disaggregation of revenue

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segments							Adjustments (Note 1)	Consolidated financial statement amounts (Note 2)
	Agriculture	Chemicals	Construc- tion materials	Petroleum	Real estate	Transpor- tation	Total		
Net sales									
Sales to external customers	10,011	14,357	2,902	1,966	1,261	2,312	32,812	—	32,812
Intersegment sales or transfers	0	54	—	128	74	497	755	(755)	—
Total	10,012	14,412	2,902	2,095	1,336	2,809	33,568	(755)	32,812
Segment profit (loss)	917	2,475	(4)	12	635	249	4,285	(1,627)	2,658
Segment assets	7,735	9,920	2,063	965	6,361	5,943	32,990	13,046	46,037
Others									
Depreciation	139	470	35	16	229	186	1,078	109	1,188
Increase in property, plant and equipment and intangible assets	87	334	53	43	1,991	591	3,102	192	3,294

Notes: 1. Adjustments are as follows.

- (1) The adjustment to segment profit (loss) of negative ¥1,627 million represents corporate expenses, etc. not allocated to each reportable segment.
 - (2) The adjustment to segment assets of ¥13,046 million represents corporate assets of ¥13,064 million not allocated to each reportable segment. Corporate assets mainly consist of cash and deposits of the parent company, long-term investment funds (investment securities) and assets, etc. in the administrative department.
 - (3) The adjustment to depreciation of ¥109 million represents the depreciation of corporate assets not allocated to each reportable segment.
 - (4) The adjustment to the increase in property, plant and equipment and intangible assets of ¥192 million represents an increase to corporate assets not allocated to each reportable segment.
2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segments							Adjustments (Note 1)	Consolidated financial statement amounts (Note 2)
	Agriculture	Chemicals	Construc- tion materials	Petroleum	Real estate	Transpor- tation	Total		
Net sales									
Agriculture	11,521	—	—	—	—	—	11,521	—	11,521
Water treatment chemicals	—	9,340	—	—	—	—	9,340	—	9,340
Functional materials	—	5,489	—	—	—	—	5,489	—	5,489
Construction materials	—	—	3,115	—	—	—	3,115	—	3,115
Petroleum	—	—	—	2,176	—	—	2,176	—	2,176
Real estate	—	—	—	—	18	—	18	—	18
Transportation	—	—	—	—	—	2,540	2,540	—	2,540
Others	—	194	—	—	—	—	194	—	194
Revenue from contracts with customers	11,521	15,024	3,115	2,176	18	2,540	34,396	—	34,396
Other revenue (Note 3)	—	—	—	26	1,317	106	1,449	—	1,449
Sales to external customers	11,521	15,024	3,115	2,202	1,335	2,646	35,846	—	35,846
Intersegment sales or transfers	—	53	—	148	75	533	811	(811)	—
Total	11,521	15,078	3,115	2,351	1,411	3,180	36,657	(811)	35,846
Segment profit (loss)	1,426	2,156	(155)	18	749	306	4,501	(1,749)	2,751
Segment assets	10,936	9,743	2,209	979	6,265	6,101	36,235	14,087	50,323
Others									
Depreciation	133	438	34	15	293	181	1,096	184	1,281
Increase in property, plant and equipment and intangible assets	99	225	24	0	163	7	521	273	795

Notes: 1. Adjustments are as follows.

- (1) The adjustment to segment profit (loss) of negative ¥1,749 million represents corporate expenses, etc. not allocated to each reportable segment.
 - (2) The adjustment to segment assets of ¥14,087 million represents corporate assets of ¥14,104 million not allocated to each reportable segment. Corporate assets mainly consist of cash and deposits of the parent company, long-term investment funds (investment securities) and assets, etc. in the administrative department.
 - (3) The adjustment to depreciation of ¥184 million represents the depreciation of corporate assets not allocated to each reportable segment.
 - (4) The adjustment to the increase in property, plant and equipment and intangible assets of ¥273 million represents an increase to corporate assets not allocated to each reportable segment.
2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.
 3. Other revenue consists of transactions included in the scope of the Accounting Standard for Lease Transactions.

(Per Share Information)

(Yen)

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net assets per share	3,378.42	3,689.28
Basic earnings per share	221.46	237.53

Notes: 1. The amount of diluted earnings per share is not provided because there are no potential shares.
2. The basis of calculating net assets per share is as follows:

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Total net assets (Millions of yen)	29,378	32,057
Amount to be deducted from total net assets (Millions of yen)	142	108
(of which, non-controlling interests (Millions of yen))	[142]	[108]
Net assets related to common stock at end of period (Millions of yen)	29,236	31,948
Number of shares of common stock at end of period used in the calculation of net assets per share (Thousand shares)	8,653	8,659

3. The basis for calculating basic earnings per share is as follows.

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Profit attributable to owners of parent (Millions of yen)	1,916	2,056
Amount not attributable to shareholders of common shares (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	1,916	2,056
Average number of shares outstanding during the period (Thousand shares)	8,651	8,657

(Subsequent Events)

Not applicable

4. Other

For details regarding the changing of officers on March 29, 2023, please refer to “Appointment of Officers” disclosed today on the Company’s website (<https://www.takichem.co.jp/>).