

Corporate Report **2020**



Sanyo Trading Co., Ltd.

Table of Contents

02	Top Message
03	Mission
05	History
07	About Us
09	Long-Term Management Plan: VISION 2023
10	Rubber Business Unit
11	Chemical Business Unit
12	Industrial Products Business Unit No.1 & No.2
13	Machinery & Environmental Business Unit
14	Scientific Instruments Business Unit
15	Important Tasks for Achieving Sustainable Development (Materiality)
17	Transition to Environmentally Friendly Materials
19	Establishing Recycling-based Society by Using Domestic Wood Pellet
20	Mining, Lifting and Recovery of Rare-Earth Elements from the Deep Ocean
21	Working on Social Issues
23	Reinforcing Corporate Governance
25	Highlights of Financial Information
26	Corporate Data

Top Message



Being a Company Contributing the Sustainable Development of Our Society by Developing Our Business Based on Our Management Missions

“With an unwavering and enterprising spirit and a free and open corporate culture, we will supply the best solutions in a flexible and timely fashion, working to realize a process of “co-creation” by which we contribute both to the sustainable development of the international community and the happiness of our employees.” This is the mission of Sanyo Trading Co., Ltd. Since its foundation in 1947, we have contributed for more than 70 years to improvements in people’s living standards and the development of industry, both in Japan and abroad, centered on the import and marketing of a variety of superior quality raw materials, machinery and instruments to Japanese industry.

Currently in the Sanyo Trading group, the six business groups, Rubber, Chemicals, Industrial Products No.1 & No.2, Machinery & Environmental Business and Scientific Instruments are running their businesses based on each of their missions, and they and our subsidiaries both in Japan and abroad, provide products adapted to the needs of the market.

Currently, we are working on our long-term development and improvement of our fundamentals, through initiatives for reinforcing our corporate culture and revenue base based on the long-term business plan “VISION2023”.

Meanwhile, for future sustainable development of us as an independent trading company with its business based on chemicals, responding to environmental problems, which are considered as social issues nowadays, has become increasingly important. Our group is actively taking part in preservation of the global environment, and continue our maximum effort for sustainable development of the society through healthy business activities.

Important themes we are working on include proactive sales of environmentally-friendly products and equipment, promotion of reducing waste and recycling, promotion of energy saving and resource saving, and promotion of green purchasing etc.

In the recent situation where business development and globalization has progressed, we also focus on improving education systems and workplace environments even more, in order to let diverse human resources respect each other’s values, and work at their full capacity.

President & CEO **Masanobu Shintani**

Mission

Shown below is the philosophy system diagram of Sanyo Trading Co., Ltd., which indicates the shared values among us.

In the diagram, “Management Mission”, which is the superordinate concept, is broken down into “Credo”, which shows guidelines for our business activities. Also, the Slogan in this diagram sums up what is written in it. This diagram helps all employees of Sanyo Trading Co., Ltd. to embody the philosophy of the company.



The Slogan is made for expressing our philosophy system starting from the Management Mission with single phrase. We, Sanyo Trading Co., Trading, are a complex and specialized trading company, and it is our mission to solve social issues by providing various products and technologies. To do so, “finding the BEST solution for our customers” is what we will always required to do, and also what we should always pursue doing. Also, we constantly need to make “challenges” for finding the BEST solution. We are required to pursue the BEST solution by not only utilizing the existing knowledge and resources, but also flexibly expanding our ideas to utilize new fields and technologies.

Management Mission

With an unwavering and enterprising spirit, and a free and open corporate culture,
we will supply the best solutions in a flexible and timely fashion,
working to realize a process of “co-creation” by which we contribute both to the sustainable
development of the international community and the happiness of our employees.

Business Mission

Rubber Business Unit	With the trust that we have won and the results that we have achieved over the course of our history as our foundation, we will contribute to the development of the global rubber industry through a pioneering spirit and timely service.
Chemical Business Unit	Through the provision of the best solutions based on wide-ranging technological knowledge and the handling of niche specialty products, in addition to the active pursuit of investment initiatives, we will contribute to the development of the fine chemicals field.
Industrial Products Business Unit No.1 & No.2	Working agilely and with sure knowledge, through our just-in-time system we will deliver advanced technologies able to transform society to our customers, contributing to the development of society with a focus on the mobility field.
Machinery & Environmental Business Unit	We will contribute to food safety and the advancement of renewable energies by seeking out and supplying the best technologies and equipment from around the world in the powder processing and woody biomass fields.
Scientific Instruments Business Unit	We will contribute to the evolution of science and the realization of increased health through the provision of instruments that aid the development of science, medicine, and industry.

Credo

[Integrity] We comply with laws and regulations, and act with integrity

[Spirit of challenge] We aim towards a future of development and creativity

[Speed] We make decisions and act on them quickly and accurately

[Innovation] We understand the trends of the time and anticipate change

History

Sanyo Trading Co., Ltd. renewed its Mission and Slogan in 2018, and embarked on new era.

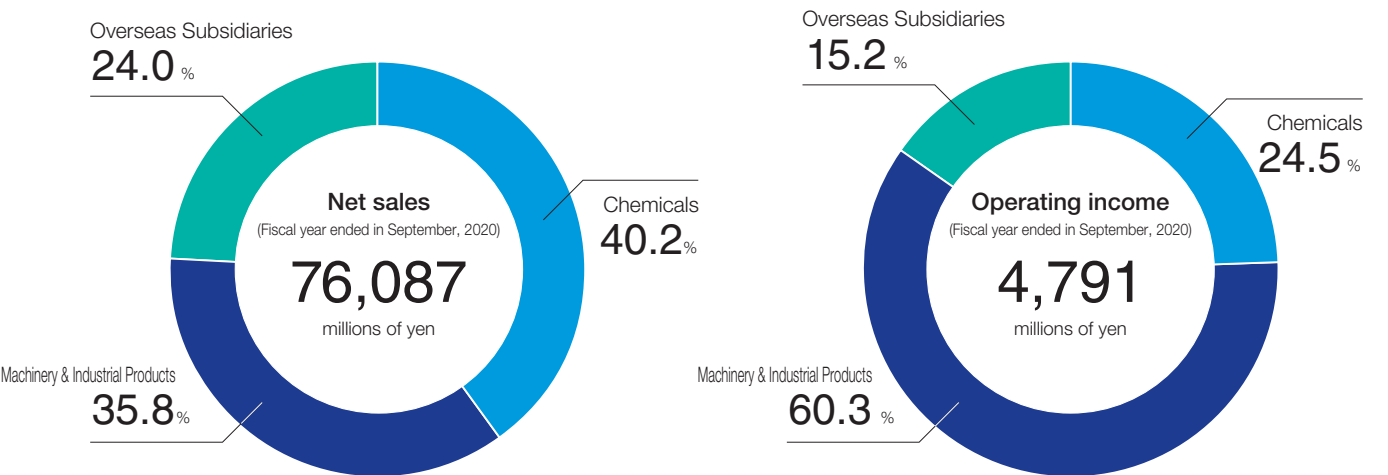
We have developed our business region worldwide, and established 4 offices in Japan and 15 foreign subsidiaries and its branches around the globe.

Our spirit of challenge, which we have cultivated in our history of more than 70 years, is still inherited to our employees, and becomes the driving force of our development and growth.



Let us explain the current status of our business portfolio,
and changes in fundamentals.

Business portfolio



Fiscal year ended in September, 2020
Sales results per segment

Chemicals	30,508
Machinery & Industrial Products	27,205
Overseas Subsidiaries	18,227
Others	114

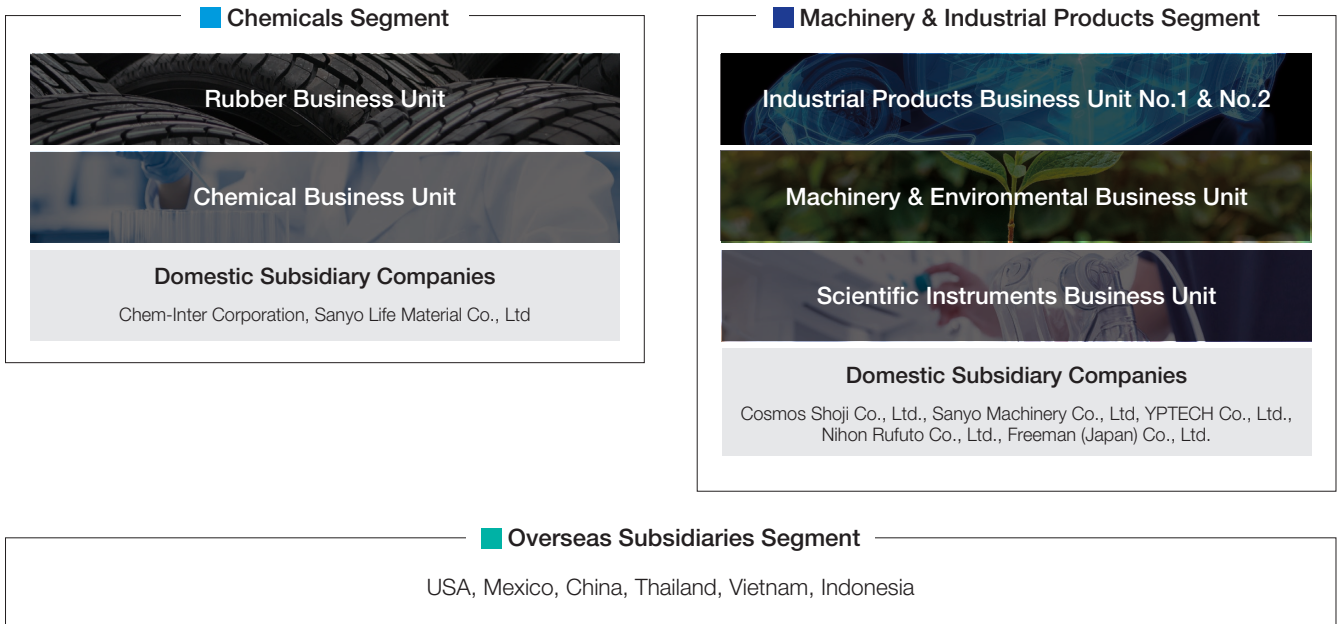
Fiscal year ended in September, 2020
Operating income results per segment

Chemicals	1,353
Machinery & Industrial Products	3,333
Overseas Subsidiaries	839
Others	72

*Adjustment amounts not included in the reportable segment is excluded.

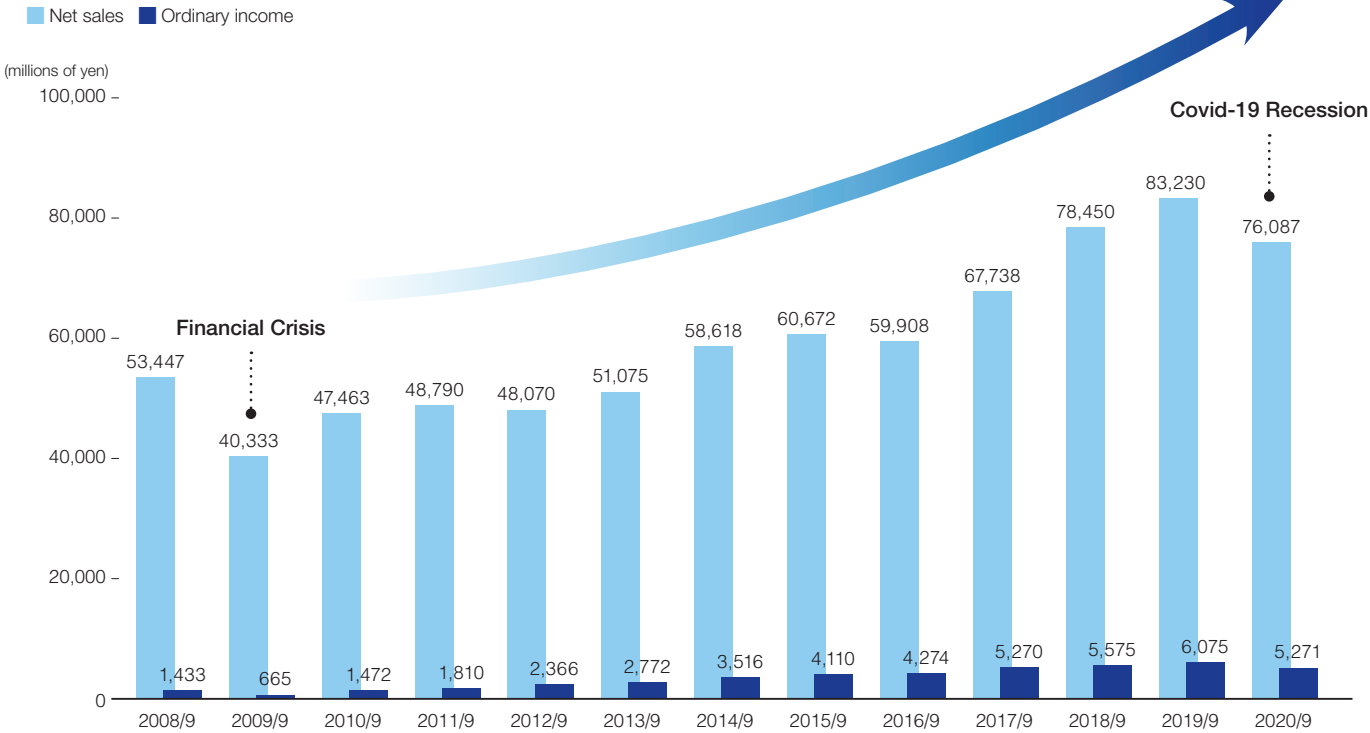
Segment classifications

We develop various business at home and abroad, with the below-mentioned 3 segments as the pillars of our business.
*Numbers related to Subsidiary Companies are shown on a consolidated basis.



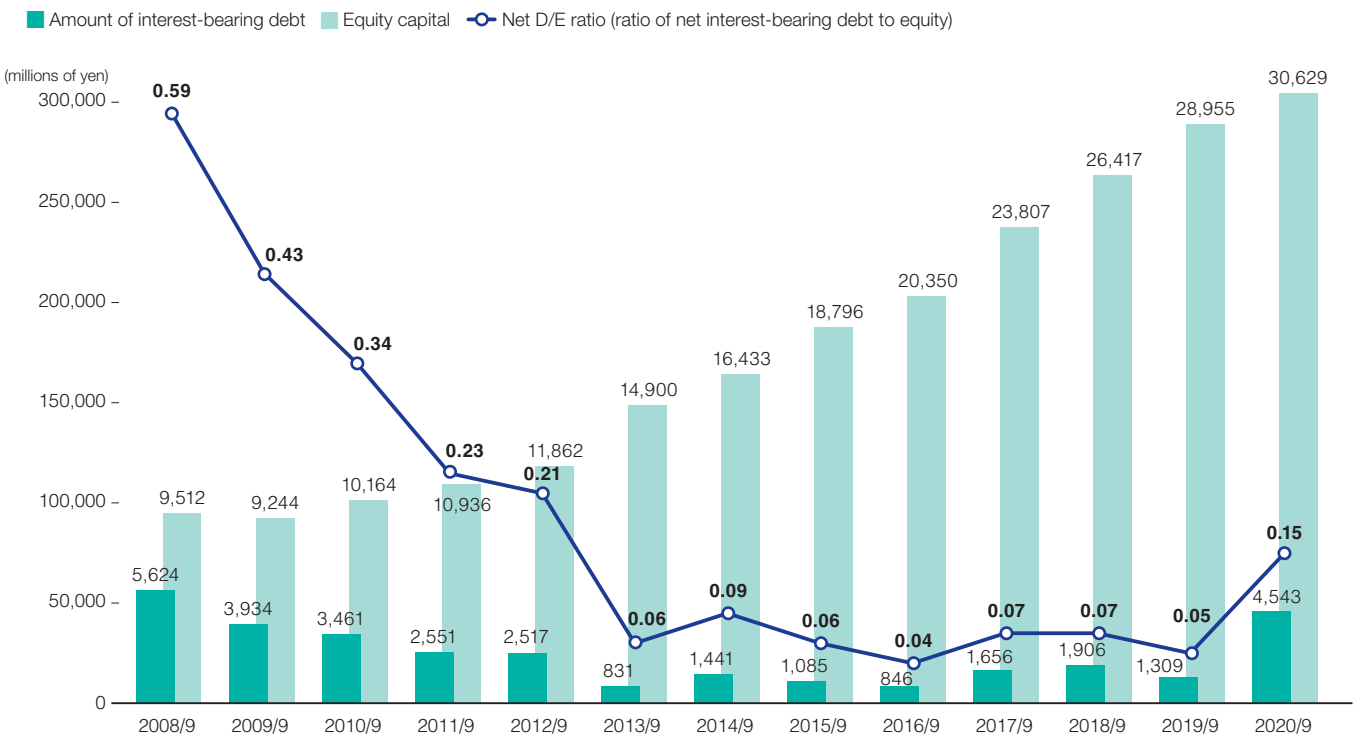
Profitability

Improving steadily



Financial structure

Transitioning stably



Long-Term Management Plan

Sanyo Trading Co., Ltd. aims to become a company which can increase added value for its products and shows its presence in niche markets, by providing the best solutions to our customers.

VISION2023 is our long-term management plan for conducting business succession in a healthy company, with 2023 as its milestone year.

With the Management Mission as our golden rule, we will put our Slogan, Business Mission and Credo into practice, and pursue continuous improvement of our corporate value.

VISION 2023



Rubber Business Unit

A broad-array of high-performance products---- The emblem of 60-years experience in the rubber industry

Our Rubber Business Unit became the sole agent of Polysar Limited in Canada in 1952, which made us the 1st company to introduce synthetic rubber and its processing technologies on a large scale in Japan. The rubber division of Polysar was taken over by ARLANXEO, the largest synthetic rubber manufacturer in the world, in 2016, via Bayer A.G which acquired Polysar in 1990 and LANXESS, which spun off from Bayer in 2005. For 70 years, our company has worked as one of the main distributors of various synthetic rubbers made by ARLANXEO or companies which acquired it, and contributed to the development of the rubber industry in Japan. Meanwhile, we have also been expanding a variety of products sold for Japanese companies overseas every year.

Our Rubber Business Unit has also served as the primary distributor of major synthetic rubber manufacturers in Japan, including Mitsui Chemicals, Dow Toray, Tosoh, Kuraray, Osaka Soda and 3M Japan, to supply various specialty synthetic rubbers to the domestic rubber market, while importing a wide range of rubber auxiliary materials from overseas. As with the synthetic rubber materials of ARLANXEO, we stock such materials in 8 depositing warehouses in Japan, and supply them to consumer companies. These rubber products are used in various fields of

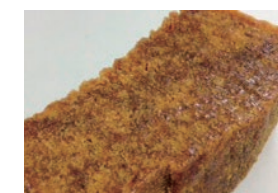
industry, including automobile components and tires, electrical equipment, electronics, OA, building materials and medical equipment.

In recent years, products are required to have functions such as flame retardant properties, heat-resistance and heat dissipation, and they tend to become lighter as well. At the same time, products are also required to be environmentally-friendly materials. In such situations, our rubber business unit is increasing the number of varieties of high-performance fillers they are handling, as well as expanding the variety of next-generation materials including environmentally-friendly plasticizers, fillers derived from wood biomass, and epoxidized natural rubbers.

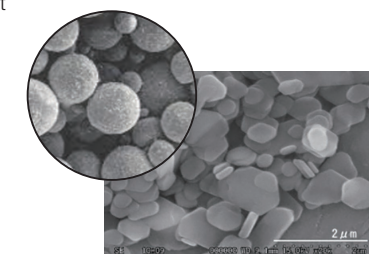
Recently, the number of foreign production facilities of Japanese companies is increasing, and so is the demand for materials from those countries. In order to respond to such demand, in addition to our existing foreign corporations in Detroit, Shanghai, Guangzhou, and Bangkok, our new foreign corporations that we established after 2010 in Ho Chi Ming, Hanoi, Jakarta, Gurgaon (India), Irapuato (Mexico), Hong Kong and Singapore, are also conducting inventory sales, exporting and importing. Furthermore, we are working hard on increasing communication between our Japanese office and foreign corporations, as well as improving services provided by them.

Main trading products

- Synthetic rubbers of ARLANXEO (NBR, PNB, HNBR, IIR, H-IIR, EPDM, EVM, CR etc.)
- Functional, domestically produced synthetic rubbers including silicon rubber, fluororubber, epichlorohydrin rubber, acrylic rubber, ethylene-propylene rubber etc.
- Environmentally-friendly plasticizers (LANXESS/Germany)
- Functional inorganic fillers (KaMin/USA, Huber Engineered Materials/USA, NIPPON STEEL Chemical & Material etc.)
- Carbon derived from wood biomass (CarbonNeat/USA)
- Others: additives related to rubber and resin, as well as equipment



Epoxidized natural rubber



Functional filler (closeup picture)



Synthetic rubber manufacturing process

Chemical Business Unit

Developing Markets and Serving Customers with Expertise and Creativity

The Chemical Business Unit is involved in the import, domestic sales, export and tripartite trade of high-value added chemicals. The Unit also recently focuses on developing products related to growing fields including pharmaceutical products, food, energy and environment, as well as expanding trade with rising nations such as Vietnam, India and Indonesia.

In its import business, the Unit imports various high-quality resins, additives and other functional chemicals for marketing to manufacturers of paint, ink, plastics, ceramics, electronics components, food, cosmetics and adhesives. The Unit has close cooperative ties with many major chemical suppliers mainly from North America, Europe and Asia. Through these ties, the Unit has access to information on foreign research and development trends, and on developments in markets.

In domestic sales, the Unit handles a wide range of distinctive products from major domestic manufactures for various industries including paint, ink and adhesives.

In its export business, the Unit exports various industrial chemicals, special resin, processing aids, additives, plastic films, electronics components and other products to North America, Europe, China and Southeast Asia.

In recent years, the Unit has focused on the life science field, and started to handle pharmaceutical materials and food additives. The Unit also began to sell environmentally-friendly products, such as products using naturally-derived materials or recycled materials.

Main trading products

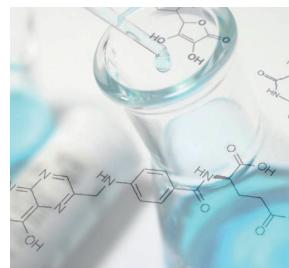
- Fine powder waxes for paint and ink, cosmetics, lubricants, waxes for engineering plastics (Shamrock Technologies/USA)
- Plasticizer for polyvinyl chloride and rubber (Paraplex, Plasthall) (The HallStar/USA)
- Clays for paint and ink (Polygloss, KaMin Clay) (KaMin LLC/USA)
- Surfactants (The Dow Chemical Company/USA)
- Gaskets for aerosol (Avon Engineered Rubber/Britain)
- Flame retardants (ICL/Israel)
- Thiocyanate thickeners and cellulose thickeners (Nouryon/Netherlands)
- Ceramics-related products, boron compound (3M/Germany)
- Pharmaceutical materials (drug substance and intermediate)
- Hot melt products (guns, applicators, adhesives)

Affiliated companies

Chem-Inter Corporation
Sanyo Life Material Co., Ltd
Global Trading Co., Ltd



Paint



Chemical materials

Industrial Products Business Unit No.1 & No.2

Development and importing of high-value added automotive parts and components for automotive seating and interior

Industrial Products Business Unit No.1 & No.2 specializes in sales activities of high-functional parts for automobile seats and interior.

Handles wide range of products, and the main products include: Genuine leathers of GST/Seton AutoLeather (USA); lumbar supports of Leggett & Platt Automotive group, including Schukra of North America Co. (Canada) and Wuxi Leggett & Platt - Huaguang Automobile Parts Co., Ltd. (China); Suspension mats of Pullmaflex Benelux N. V. (Belgium), Flex-O-Lators (USA) and Wuxi Leggett & Platt - Huaguang Automobile Parts Co., Ltd. (China); seat adjuster motors of GZ L & V Co., Ltd. (China); cables of L & C Changsha Cable Industries Ltd. (China); seat heaters and ventilation systems, and ECUs of Gentherm Inc. (USA); seat belt reminder, occupant detection system and various sensors of IEE S.A (Luxembourg).

In recent years, we started to handle new products and services, including the competitive assessment method using 3D CAD data obtained by high energy x-ray scan of Caresoft (USA), gas springs of SUSPA (Germany), spatter shields of Funabori (Japan), and ultra fine bubble generators of Shibata Co., Ltd. (Japan).

Business offices are not only located in Japan but all over the world, mainly in China, USA, Mexico and Thailand. There are also offices in South East Asia and Europe.

The Unit is currently working on developing new businesses related to automobile parts and systems for environmentally-friendly vehicle such as EV.

Main trading products

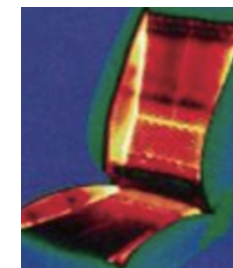
- Leather for seating, doors and consoles, seat heaters, lumbar supports, small motors, seat sensors, suspension mats, caresoft

Affiliated companies

Freeman (Japan) Co., Ltd.



Seat Leather



Seat heater



Lumbar support



Seat sensor



Caresoft

Machinery & Environmental Business Unit

We engage in pellet production of various kinds of materials for feed and fuel, as well as combined heat and power plants using wood pellets

The Powder Processing & Biomass Groups have been representing California Pellet Mill (CPM), the world's leading supplier of process equipment, since 1956, and established a sales record of 1,000 pelletizers in 2012. We also handle equipment for mixing and blending, drying and cooling, sifting and particle size reduction. Customers are manufacturers of wood biomass, feed for livestock animals and aquatic species, chicken manure pellets and RDF/RPF pellets. Groups introduce excellent foreign technologies to Japan, thus contributing to food safety.

The Biomass Group handles wood gasifiers with combined heat and power plants (CHP). They are made by Burkhardt GmbH, Germany, and use wood pellets as fuel source. Anticipating large market growth, we are currently enlarging our product portfolio in biomass even further. The group introduces advanced technologies related to renewable energy from Europe to Japan,

and thus contributing to make renewable energy more wide-spread in Japan.

Our subsidiary company Cosmos Shoji Co., Ltd., has supplied mining equipment for Deep Earth Exploration's scientific Drilling Vessel "Chikyu" in the past, and handles equipment for developing marine resources such as rare-earth elements. Also handles geothermal mining equipment, thus taking part in the development of renewable energy.

YPTECH Co., Ltd. handles functional feed that is friendly to animals, humans, as well as the environment. Its products are provided to the dairy and livestock industry as products that are safe and secure, and can improve productivity.

Main trading products

- Pellet mills (for wood, feed, fertilizer, RDF, RPF, etc.), wood pellet gasifiers with CHP, low temperature belt dryers for wood biomass, coolers, hammer mills, extruders (for aqua feed, pet food, etc.), twin paddle mixers, roll mills (for milling, flaking and crumbling of grain)
- Cosmos Shoji Co., Ltd.: Equipment for developing natural gas, geothermal heat and marine resources
- YPTECH Co., Ltd.: Palm oil fatty acid calcium, oil cake made from enzymatically treated and peeled soy, active yeast

Affiliated companies

Sanyo Machinery Co., Ltd.
Cosmos Shoji Co., Ltd.
YPTECH Co., Ltd.



Pellet mill



Wood pellet gasifiers with combined heat and power plants (CHP)



Equipment for developing marine resources



Oil cake made from enzymatically treated and peeled soy

Scientific Instruments Business Unit

Contributing to the development of advanced materials and life sciences, with the latest scientific instruments.

The Scientific Instruments Business Unit imports broad-ranging analytical instruments and testing equipment from overseas high-tech leading manufacturers, and markets to government institutes, universities, and research and control divisions of the various industries such as chemical, petrochemical, pharmaceutical, food, machinery, automobile and energy.

To appropriately respond to requests from customers, sales and application professionals with expert knowledge are confidently able to provide consultations in the level of fundamental operations to in-depth know-how of the analytical instruments and testing equipment.

The specialized products are extended range scientific equipment such as tribology-related equipment (test devices and analyzers for maintenance), weathering testers, surface physical properties testers, elemental analyzers, WS-CRDS analyzers (gas

concentration and isotopic ratio), bio-process sensors, SPF analyzers, IR/Raman based systems and accessories, and vacuum-related equipment.

Sanyo Technos Co., Ltd. was established to provide services including maintenance services, modification of equipment and manufacturing of specially customized equipment, mainly for equipment handled in the Scientific Instruments Business Unit. The Customer Support Department can provide a prompt and flexible response to the customers various requests.

Also, our subsidiary company Nihon Rufuto Co., Ltd. handles products that can improve QOL in the coming aging society, such as oxygen concentrators and fetal movement monitors, thus contributing to human health and safety.

Main trading products

- Bio Process Sensor/Bio Reactor/Handheld XRF, LIBS, Atomic Emission/NIR, MIR Spectroscopy/Handheld Raman Spectroscopy/Thin Film Thickness Measurement System/CRDS Gas Analyzer/SPF Analyzer/Plasma Cleaner/Hyperspectral Sensors/Glow Discharge Mass Spectrometer/Quadrupole Mass Spectrometer/Surface tension, Contact angle, Foam analyzer/Dispersion Stability analyzer/Glossmeter/Weathering Testing Equipment, Cyclic Corrosion Tester/Friction & Wear tester/Tribology equipment/X-ray SAXS/WAXS analyzer

Affiliated companies

Sanyo Technos Co., Ltd.
Nihon Rufuto Co., Ltd.
Shin-Toyo Kikai Kogyo Co., Ltd.
Test Materials Co., Ltd.



Oil analysis system



Bio reactor



Foam analyzer

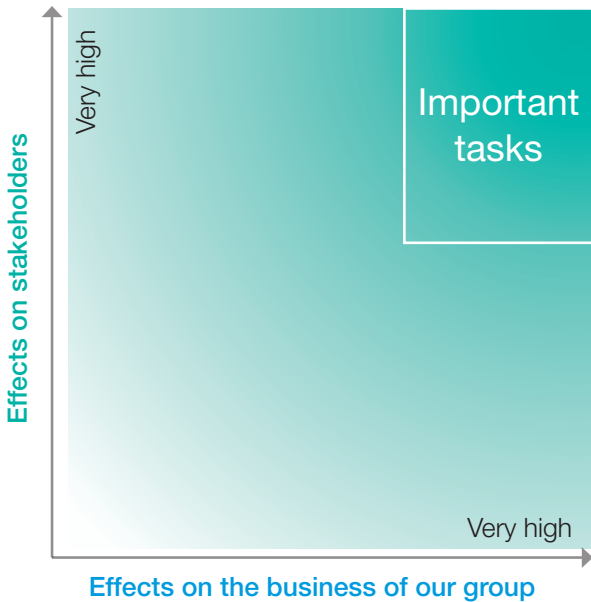


Fetal movement monitor

Important Tasks for Achieving Sustainable Development (Materiality)

Effects on stakeholders

To establish important tasks, we evaluated the effects on our stakeholders based on SDGs which covers many of the social issues, action plans of the government and evaluation items of an ESG evaluation agency.



Important tasks	Overview	Main initiatives
Initiatives for environmental load reduction	· Transition from petroleum-derived materials to environmental load-reducing materials and naturally-derived materials	· Plasticizers without phthalic acid · Carbon black derived from biomass · Materials for UV ink/UV coating
Initiatives for sustainability	· Contributing to establishing a sustainable society through providing services and products related to renewable energy	· Sales and maintenance of wood pellet gasifiers with combined heat and power plants (CHP) · Supplying geothermal development machines
Contribution for acquiring scarce resources	· Contributing to establish technologies for lifting and recovery of rare-earth elements	· Procuring and supplying of pipes for lifting and recovery, and buoyancy bodies for demonstration experiment of lifting and recovery of rare-earth elements.
Enhancing workplace environment	· Improving education systems and workplace environments even further	· Overseas training system · Establishing a system for remote work · Universal Manners Test
Reinforcing corporate governance	· Reinforcing corporate governance systems	· Establishing a corporate governance system · Increase ratio of Outside Directors to all Directors to more than one third · Establishing the Nomination and Compensation Committee

Effects on the business of our group

We evaluated the effects on the business of our group by considering the management mission of our group, solutions of our business units, our long-term business plan “VISION2023” and our environmental objectives for ISO 14001.



Business Unit	Business Mission
Rubber Business Unit	With the trust that we have won and the results that we have achieved over the course of our history as our foundation, we will contribute to the development of the global rubber industry through a pioneering spirit and timely service.
Chemical Business Unit	Through the provision of the best solutions based on wide-ranging technological knowledge and the handling of niche specialty products, in addition to the active pursuit of investment initiatives, we will contribute to the development of the fine chemicals field.
Industrial Products Business Unit No.1 & No.2	Working agilely and with sure knowledge, through our just-in-time system we will deliver advanced technologies able to transform society to our customers, contributing to the development of society with a focus on the mobility field.
Machinery & Environmental Business Unit	We will contribute to food safety and the advancement of renewable energies by seeking out and supplying the best technologies and equipment from around the world in the powder processing and woody biomass fields.
Scientific Instruments Business Unit	We will contribute to the evolution of science and the realization of increased health through the provision of instruments that aid the development of science, medicine, and industry.

Transition to Environmentally Friendly Materials



Initiatives for environmental load reduction with new products

We started from import and sales of synthetic rubbers and chemicals, and over the history of 70 years, we have expanded the realm of our business. We will continue work as a complex and specialized trading company, with materials as our main business field.

Chemical materials can improve convenience around the world, but at the same time is considered a cause of

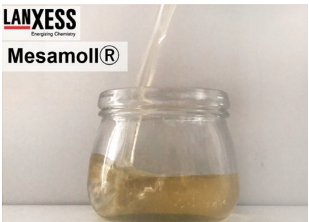
environmental issues, and regulations against them have been becoming tighter every year. Our company must adapt to such situations. We are actively working on transition from petroleum-derived materials to their substitutes such as environmentally-friendly materials and naturally-derived materials, and aim to contribute to reducing environmental load with new products.

Examples of our environmentally-friendly products

Our products	Characteristics	Existing products
Mesamoll	Safe plasticizer without issues related to endocrine disruptors. Can be applied to a variety of applications, including automobile parts, household consumer products and medical supplies.	Plasticizer with phthalic acid, which has concerns as an endocrine disruptor
Carbon neat (Carbon black derived from biomass)	By utilizing its properties such as high carbon purity, low specific gravity and being fine particles, we market this product for rubber reinforcement, black pigment, ink, metal reducing agents and substitute for charcoal.	Carbon black derived from petroleum
PTFE wax	Wax with less than 25ppb of PFOA. Additive used for printing ink and coating agents.	Wax with dozens of ppm of PFOA
Materials for UV ink/UV coating	UV-cured paint can be cured with less energy in comparison with thermosetting paint, thus contributing to reducing CO ₂ . Does not emit VOC, a hazardous substance.	Paint with volatile solvents
Epoxidized natural rubber	Can apply functions such as low resilience resilient, heat-resistance, abrasion-resistance and adhesiveness. We market this product for various applications including tires, hoses and synthetic leather.	Synthetic rubbers
Cellulose fiber	Naturally-derived cellulose product made from wood. Can be used as a thickener of water-based paint and adhesives, etc.	Additive derived from petroleum
Surfactants	Environmentally friendly surfactant with excellent biodegradability. Can be used for detergents which require environmentally-friendliness.	Surfactant derived from petroleum and with low biodegradability
Aluminum hydroxide Magnesium hydroxide (flame retardant)	Can apply flame retardant properties to rubber and resin. When burnt, it does not emit harmful halogen gas, so it can be applied for automobile parts, electrical wires and cables, etc.	Flame retardant with halogens such as bromine compound and chlorine compound

Solve issues related to endocrine disruptors with Mesamoll

Plasticizer adds flexibility to rubber and synthetic resin, etc. Many plasticizers are phthalic acid type and considered as containing endocrine disruptors. Our Mesamoll is a safe plasticizer without phthalic acid, and we have been working hard on expanding its sales. This product contributes to reducing endocrine disruptors in automobile parts, household consumer products and medical supplies.



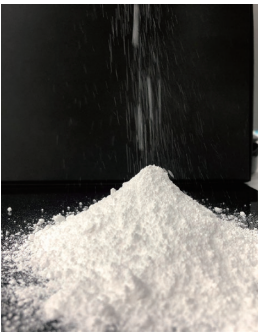
Reduce environmental burden with carbon black derived from biomass

Our carbon black derived from bio-mass is made only from the core of pine trees with the bark stripped off. The carbon black is produced by carbonizing these pine tree cores with low temperatures and over a long time. While this can reduce the environmental burden, it also has unique properties such as high carbon purity, low specific gravity and fine particles. With these properties, it is expected to become a raw material substituting existing carbon black derived from petroleum and coal, and be used for a variety of applications including rubber reinforcement, black pigment and ink, as well as metal reducing agents and substitute for charcoal.



New PTFE wax contributes to reducing PFOA

PFOA stands for perfluorooctanoic acid, and is used as a surfactant for various products. However, people are concerned about its persistence in the environment, and its bio-accumulation potential, and regulations against it will become tighter globally, so it is expected that import, production and use of PFOA will be restricted in future. Our existing PTFE contains PFOA as an impurity. We will develop new, fine powder PTFE wax with considerably less PFOA in it, and start its import and sales to contribute to reducing environmental burden and making ecosystems sustainable.



Materials for UV ink/UV coating contributes to reducing VOC

VOC stands for Volatile Organic Compounds, and is used in paints for automobiles, construction and building materials, as well as solvents (organic solvents) for printing ink etc. This organic solvent was the most common to be used for paint and ink. However, due to environmental concerns, VOC is now restricted. Our company sells photopolymerization initiators for UV ink/UV coating that can contribute to reducing VOC.



Establishing a Recycling-based Society by Using Domestic Wood Pellets



Our initiatives for wood bio-mass

Recently, spread of renewable energy is considered to be pressing as a measure against global warming. Our company is working on spreading “wood pellet gasifiers with combined heat and power plants (CHP)”, which create electricity and thermal energy from wood pellets.

Many countries in Europe efficiently utilize wood bio-mass as a source of renewable energy. We have received high reputation for introducing equipment of Burkhardt GmbH (Germany), the most trusted manufacturer of “wood pellet gasifiers with CHP” in Europe, to Japan.



Equipment of Burkhardt GmbH in Europe

Meaning of initiatives for wood biomass

Fossil fuels such as coal and petroleum, which promote global warming, are imported from overseas. Meanwhile, if we turn our eyes to Japan, we can find abundant environmentally-friendly forest resources.

Recently, there is a trend of importing biomass material from overseas, but we stick to the idea of utilizing domestic resources. In Japan, where 70% of its land is covered in forest, thinned woods have not been fully utilized for a long time, and left abandoned in many cases. We are working on spreading a system that can generate energy from them in Japan.

“Wood pellet gasifiers with CHP” we introduce are not large power generators. We aim to achieve local production of energy for local consumption by utilizing local forest resources, thus establishing a recycling society and revitalizing local economy in towns and villages.

“We want to propose an idea that energy should not be something to be procured from outside of the local community, but something that can be generated within it, by people who live there. We also want to make a contribution to maintenance of forests and development of local economies with environmentally friendly systems.”

We would like to achieve these wishes.



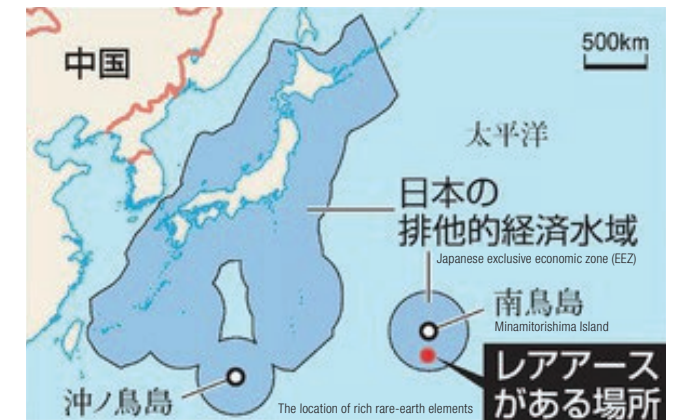
Power generation facility in Shimokawa Town, Hokkaido

Mining and Lifting and Recovery of Rare-Earth Elements from the Deep Ocean



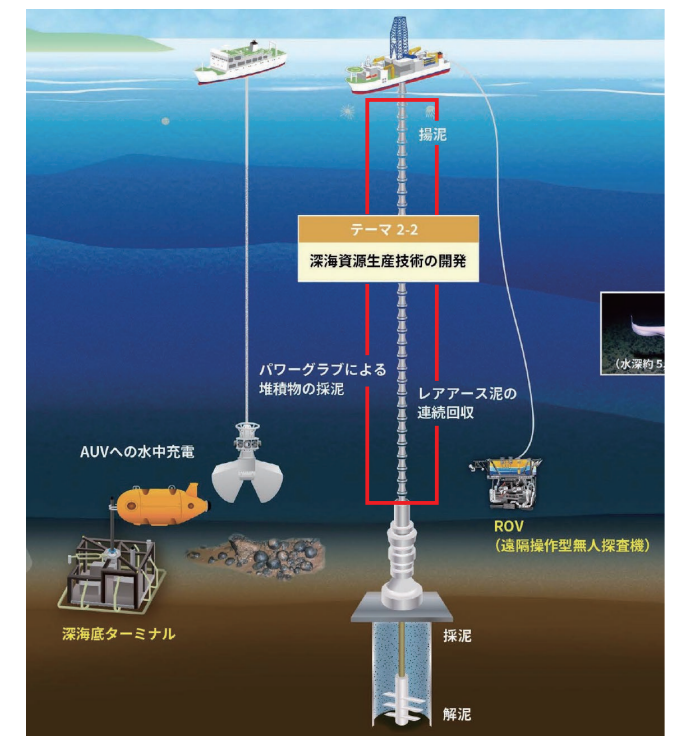
Initiatives of our subsidiary Cosmos Shoji Co., Ltd. for developing marine resources

On the sea bottom at a depth of 6,000m, located within the exclusive economic zone (EEZ) around Minamitorishima Island, the existence of rich rare-earth elements has been confirmed, and “the Cross-ministerial Strategic Innovation Promotion Program” led by the Cabinet Office aims to establish the technology for lifting and recovery of these elements. Our subsidiary company Cosmos Shoji Co., Ltd., has supplied mining equipment for Deep Earth Exploration’s scientific Drilling Vessel “Chikyu” in the past, and for the demonstration experiment of lifting and recovery of rare earth elements using the same vessel, the company procures and supplies 3,000m of pipes for lifting and recovery of rare-earth elements.



Meaning of lifting and recovery of rare-earth elements

Amount of rare-earth elements in the 2,500km²-wide sea bottom around Minamitorishima Island is evaluated as more than 16 million tons, which is the equivalent of global demand for such elements for the next few hundreds years. Rare-earth elements are essential for cutting-edge technologies such as strong magnets used for hybrid cars, electric cars and wind turbine generators, fluorescent material for LED, and strong solid lasers. However, its supply has been very much dependent on China, which is considered as a problem. Therefore, if lifting and recovery of rare-earth elements from near Japan’s EEZ Japan succeeds, that can not only contribute to the progress of deep sea resources development technologies and development of cutting edge industries such as electronics and medical equipment, but also greatly contribute to the resource security of our country by resolving the issue of supply instability due to dependency on a particular country.



Working on Social Issues

Initiatives for employees

As a trading company, we treasure each of our employees as a most valuable asset. In order to make sure that all of our employees can continuously advance their careers and work at ease, we focus on establishing various education systems and improving working environments.

Education system

New employee training

New employees take 2 weeks of training after entering the company. The training includes understanding the overall picture of Sanyo Trading such as its vision and roles of each business unit, and learning basic business manners including business card exchange and how to answer phone calls. New employees are also sent to places where products are actually handled, such as customs and warehouses, in order to deepen their understanding about import and export.



Overseas training system

We send young employees on the managerial track to our offices in USA, China, Thailand and Vietnam, etc. to have training for a year. Members are chosen from applicants of in-house recruit system. In 2019, 2 members were sent to China (Shanghai). During their stay overseas, they work in our foreign office, and are given strong support from us to fully utilize their 1 year period for developing themselves, such as taking classes in language schools as necessary.

Short-term training in New York.

We select several people from applicants from employees on the managerial track to take a 3-month training in New York. They take language training and work in the local office to learn language skills and business acumen, in order to become an international player.

Outside training and e-learning

We invite professionals of various fields from outside of our company to provide training to our employees. For instance, we invited a former national soccer player to give a lecture. We also provide more than 100 e-learning programs so that employees can learn a skill they want.

Stratified training

We continue supporting our new employees even after the 2nd year of their career. We provide stratified training for them to learn skills and mind required for their respective length of service and position, such as leadership and management skills.

Working conditions in Sanyo Trading data

We have created a working environment where every employee can work without forcing oneself, regardless of occupation or gender.

Here is the data of working conditions in Sanyo Trading.



Benefit system

Refresh leave

Employees who are in their 10th, 20th and 30th year in the company can take this leave. These employees can take 5 consecutive days paid leave in addition to their annual paid leave.

In-house club activities

In-house clubs such as baseball, futsal, tennis, running and golf are actively doing their activities.

Employee stock ownership association

This association supports employees to acquire shares in our company in order to assist their asset accumulation.

Right to use membership resort hotels

Employees can use resort hotels of Tokyu Harvest Club at membership discount pricing.

Initiatives for the society

We conducted an examination of the Universal Manners Test in our company on July, 2020, and more than half of our employees acquired Grade 3 of the test. Our company also supports children of orphanages who are trying to start lives of their own. We will continue working on such social contribution activities.

Universal Manners Test



Universal Manners Test is actually a lecture conducted by Japan Universal Manners Association for learning “mind and actions (=universal manner) for communicating with people different from oneself”, such as elderly people, disabled people, people who push strollers, and foreigners etc. The curriculum of the lecture is supervised by the Japan Universal Manners Association so that people who takes the lecture can understand more about perspectives and thoughts of those who are communicated to in the universal manner. Although in the year of the Covid-19 pandemic, we provided our employees with training about how to work on social contribution activities by organizing seminars using

means such as online seminar etc., and teaching them with examples related to mind and actions, such as ways of thinking and attitudes concerning universal manners, and how to communicate with various people.

Members of our group vary in gender, nationality and age, and they are also people with different backgrounds and values. As diversification and globalization of our businesses progresses, in order to achieve the mission of Sanyo Trading, which is “With an unwavering and enterprising spirit and a free and open corporate culture, we will supply the best solutions in a flexible and timely fashion, working to realize a process of “co-creation” by which we contribute both to the sustainable development of the international community and the happiness of our employees”, it is required that various employees respect each other’s values, and perform at one’s full potential.

As a trading company, we treasure each of our employee as the most valuable asset, and we consider cherishing diversity as an important corporate strategy.

In order to make sure that all of our employees can continuously advance in their careers and work at ease, our group continues to focus on establishing various education systems and improving working environments.

Bridge for Smile



Our company has been making donation to Bridge for Smile, a specified nonprofit corporation which supports children of orphanages trying to start lives of their own. We agree with their idea of “It is a responsibility of the entire society to create an environment where children can start their own lives in our society easily, and live with dream, hope and smiles”, and make donations to children who are a treasured part of our society.

Our donations are used as a supporting fund for children who participate in “Sudachi (leaving the nest) Project” to start their lives independently. “Sudachi (leaving the nest) Project” is an activity to support children by providing them with what they need after leaving an orphanage so they can live independently in society, including opportunities to learn knowledge and skills needed for living alone, and daily essentials. If children can have bare minimum of what they need even in the period when they lose support from an orphanage and tend to become unstable, they can feel supported and reassured. As such, our company actively working on social contribution through supporting children of orphanages who are trying to start lives of their own.

Reinforcing Corporate Governance

Our corporate philosophy is “Aim to be a company that has an international perspective, creates new value and contributes to society, using our strong information gathering and technological capabilities.” To achieve this mission and thus improve our corporate value, we work hard on improving and reinforcing our corporate governance.

Business execution and supervision structure

Board of Directors

The Board of Directors consists of six Directors who are not members of the Audit and Supervisory Committee, including one Outside Director, and three Directors who are also members of the Audit and Supervisory Committee, including two Outside Directors. The Board of Directors makes decisions on important matters in Group management. It also audits and supervises business execution. The Board of Directors holds a regular monthly meeting, as well as extraordinary meetings for any urgent matters. The term of office of Directors who are not members of the Audit and Supervisory Committee is one year. The term of office of Directors who are also members of the Audit and Supervisory Committee is two years.

Committee of Executive Officers

The Company introduced an executive officer system in 2003. The committee currently consists of nine members (including five Directors). The Committee of Executive Officers meets monthly to share information. Each Executive Officer strives to improve day-to-day operations in their area of responsibility. Representatives of domestic and overseas subsidiaries participate in meetings of the committee and report on their respective situations.

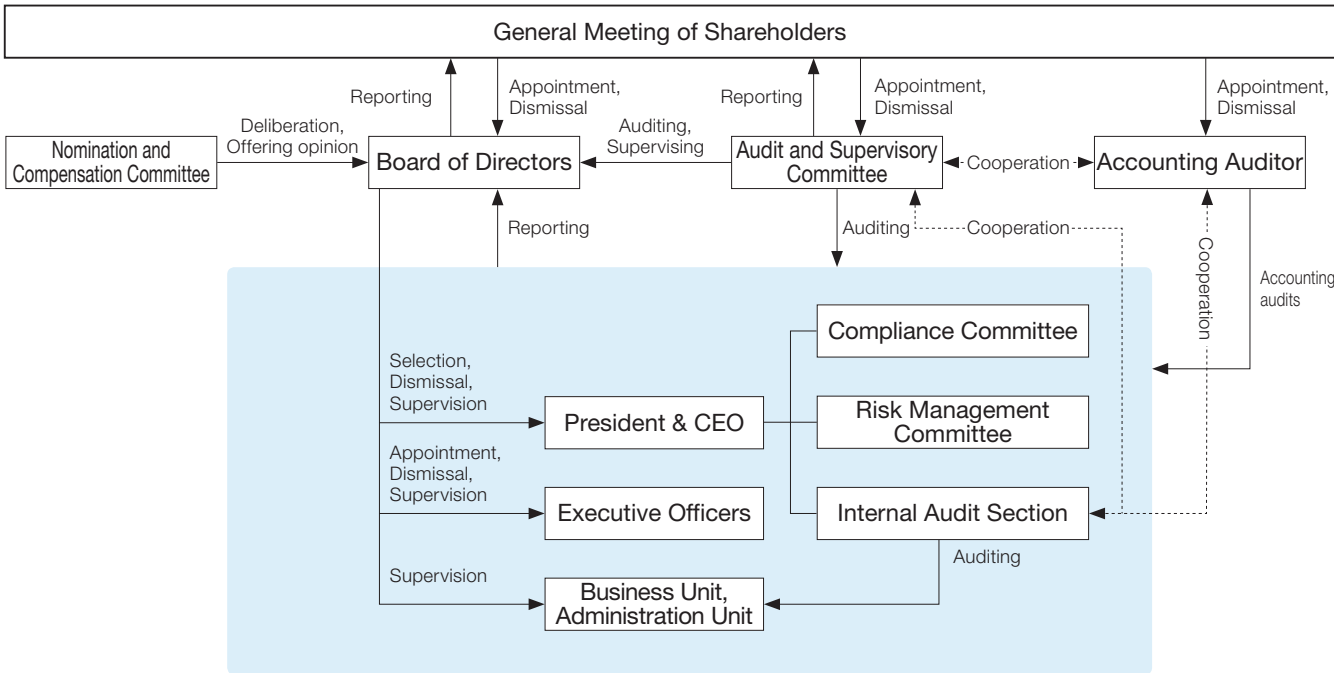
Audit and Supervisory Committee

The Company has established an audit and supervisory committee to strengthen its functions to audit and supervise the Board of Director's execution of duties, and to increase agility and speed in decision making by separating auditing and supervision from business execution. The committee consisted of three Directors (a full-time Director and two Outside Directors). These Directors audit and supervise the legality and adequacy of the execution of duties of the Directors who are not members of the Audit and Supervisory Committee. Each member of the Audit and Supervisory Committee follows the policies set by the committee and requests Directors etc. who are not members of the Audit and Supervisory Committee to provide reports and conduct investigations as needed. They audit and supervise management in cooperation with the Internal Audit Section and accounting auditor.

Nomination and Compensation Committee

We established the Nomination and Compensation Committee, in which more than half of its members are independent Outside Directors, in order to reinforce independence, objectiveness and accountability of functions of the Board of Directors related to appointment and dismissal of CEO and Directors with special titles, and adequacy of reward of Directors etc.

Structure of our Corporate Governance



Compliance

The Company has established Sanyo Trading Group's Code of Conduct Manual, a code specifying how the officers and employees of the Company and its subsidiaries should act in accordance with the Group's mission and in compliance with laws and regulations and the Articles of Incorporation. To ensure the effectiveness of the manual, the President appoints a Director responsible for compliance. In addition, the Company has established the Compliance Committee under its Compliance Regulations and has built a system where the committee supervises compliance company-wide. The committee periodically reports the status of compliance to the Board of Directors.

The Group has a system where the subsidiaries report their situation periodically to the Board of Directors and the divisions in charge, and may report their situation regularly by participating in meetings of the Committee of Executive Officers or by other means under the Subsidiary Management Regulations and the Standards for Decision-Making Authority. Depending on the matters stipulated by related regulations, the Company guarantees compliance by making a final decision at the headquarters' Board of Directors.

The Internal Audit Section audits whether the business activities of the Company and its subsidiaries are efficient and comply with laws and regulations, internal regulations and trade practices etc., and reports the audit results to the Board of Directors.

Regarding whistleblower hotlines for reporting acts that violate laws and regulations or social norms, or acts at risk of violating them, the Company has an internal Compliance Committee and external third party (lawyer) externally. The Company has established internal regulations to prohibit the unfair treatment of informants and protect them.

Risk Management

The Company identifies, as much as possible, a variety of risks caused by business execution using standards that are consistent, and aims to have a comprehensive risk management while ensuring sound management and maximizing shareholder value.

Specifically, under the Risk Management Regulations, the Company clarifies its risk management system, specifying the divisions responsible for different types of risks and managing risks exhaustively and comprehensively. The President appoints a Director responsible for risk management. The Company has the Risk Management Committee, which monitors various risks attributable to the Company's operations and risks that the Company should avoid for business continuity, and promptly responds to changes. The committee regularly provides to the Board of Directors an

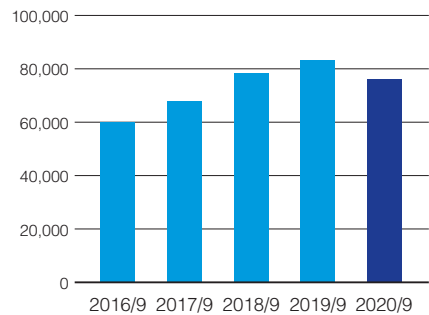
overview of risk management, including countermeasures to be taken if risks to be avoided occur. The Company has established a system where it prepares for losses at its subsidiaries through interviews with the representatives of the subsidiaries etc. as needed, under the Risk Management Regulations.

Highlights of Financial Information

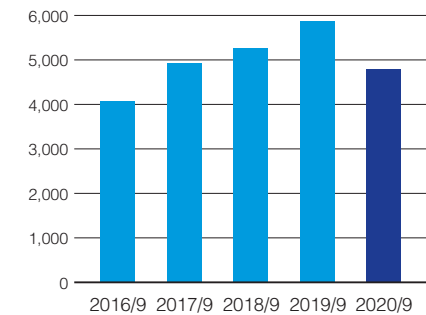
	Fiscal year ended in September, 2016	Fiscal year ended in September, 2017	Fiscal year ended in September, 2018	Fiscal year ended in September, 2019	Fiscal year ended in September, 2020
● Fiscal Year (millions of yen)					
Net sales	59,908	67,738	78,450	83,230	76,087
Gross income	10,017	12,264	13,410	14,883	14,206
Operating income	4,052	4,938	5,263	5,871	4,791
Ordinary income	4,274	5,270	5,575	6,075	5,271
Profit attributable to parent company shareholders	2,757	3,351	3,635	4,018	3,013
● Financial indicators (%)					
Ordinary income to net sales ratio	7.1	7.8	7.1	7.3	6.9
ROE	14.1	15.2	14.5	14.5	10.1
ROA	13.6	14.8	13.9	14.2	11.6
Equity ratio	62.7	61.1	63.5	66.2	64.9
● Per share (yen)					
Profit per share	96.40	117.10	127.00	140.37	105.22
Net assets per share	711.17	831.88	922.67	1,011.32	1,069.41
Yearly dividend per share	24.5	29.5	32.0	37.0	37.5
● End of fiscal year (millions of yen)					
Total assets	32,455	38,987	41,606	43,731	47,230
Non-current assets	6,165	7,586	7,694	7,355	7,738
Interest-bearing debt	844	1,655	1,906	1,309	4,543
Net assets	20,954	24,600	26,756	29,343	31,038

Value per share is calculated after considering the effect of the 2-for-1 stock split conducted on February 1, 2020.

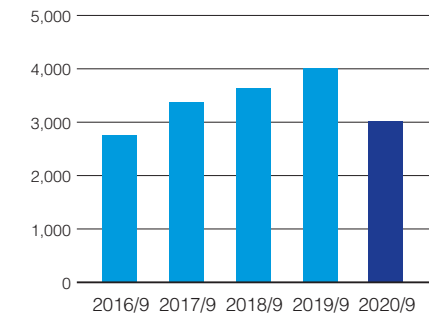
Net sales (millions of yen)



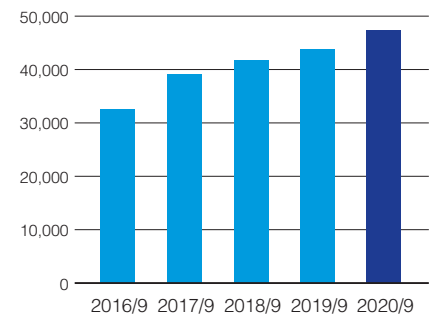
Operating income (millions of yen)



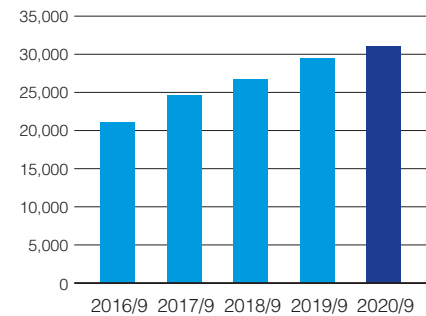
Profit attributable to parent company shareholders (millions of yen)



Total assets (millions of yen)



Net assets (millions of yen)



Corporate Data

Corporate date (as of September 30, 2020)

Company Name: Sanyo Trading Co., Ltd.
Establishment: May 28, 1947
Head Office: 2-11, Kanda Nishiki-cho, Chiyoda-ku Tokyo,
101-0054 Japan
TEL: 81-3-3518-1111
Capital: ¥1,006,587,450
Employees: 413

Board of Directors (as of December 22, 2020)

● Directors (excluding members of the Audit and Supervisory Committee)

President & CEO	Masanobu Shintani
Director & Executive Officer	Hiroto Nakamura
Director & Executive Officer	Hiroshi Shirai
Director & Executive Officer	Kenichi Shindo
Director & Executive Officer	Toshiaki Mizusawa
Outside Director	Yukio Miyajima

● Directors who are also members of the Audit and Supervisory Committee

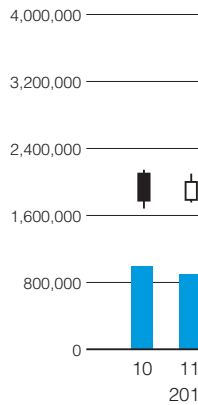
Director & Audit and Supervisory Committee Member	Yasuhiko Nishimura
Outside Director & Audit and Supervisory Committee Member	Yonosuke Yamada
Outside Director & Audit and Supervisory Committee Member	Asako Hasegawa

● Executive Officers

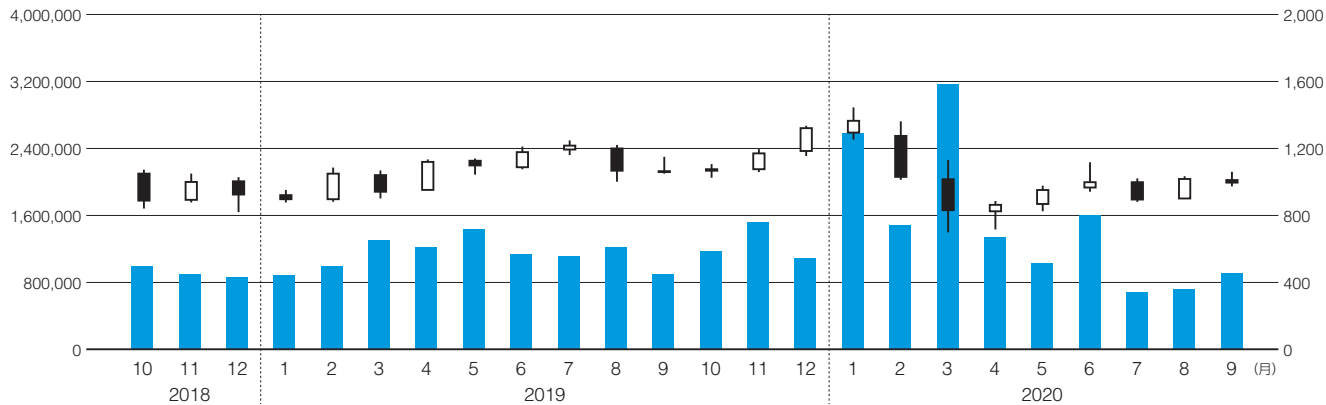
Senior Executive Officer	Mitsuyasu Hirasawa
Executive Officer	Kunihiko Hama
Executive Officer	Masahide Horiuchi
Executive Officer	Yasushi Komiya

Stock price changes

Share turnover (share)



Stock price changes (yen)

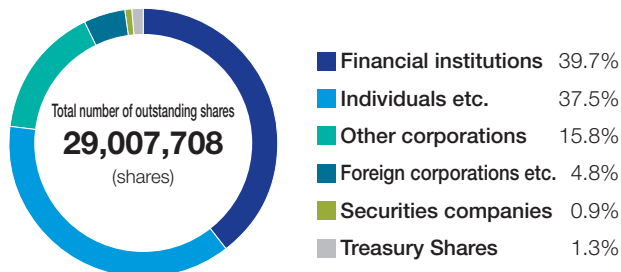


*The Company conducted 2-for-1 stock split of common shares on February 1, 2020. Changes of stock price and share turnover are retrospectively revised by considering the effect of the stock split.

Stock status (as of September 30, 2020)

Stock Listing: First Section of the Tokyo Stock Exchange
Security code: 3176
Shareholder registry administrator: Tokyo Securities Transfer Agent Co., Ltd.
Total number of authorized shares: 40,000,000
Total number of outstanding shares: 29,007,708
Total number of stockholders: 4,834

Breakdown of Stocks by Type of Stockholder



Major Stockholders

Name of stockholders	number of stocks held (Thousand shares)	Shareholding ratio (%)
Custody Bank of Japan, Ltd. (Trust account)	3,004	10.49
Toagosei Co., Ltd.	1,497	5.23
The Master Trust Bank of Japan, Ltd. (trust account)	1,409	4.92
Susumu Tamaki	1,150	4.02
MUFG Bank, Ltd.	1,137	3.97
Sumitomo Mitsui Banking Corporation	1,137	3.97
Sumitomo Mitsui Trust Bank, Limited	1,136	3.97
BOT Lease Co., Ltd.	1,128	3.94
Mitsui Sumitomo Insurance Co., Ltd.	849	2.97
Meiji Yasuda Life Insurance Company	675	2.36

(Note) The shareholding ratio is calculated by subtracting the treasury shares (366,320).



Sanyo Trading Co., Ltd.

2-11, Kanda Nishiki-cho, Chiyoda-ku Tokyo, 101-0054 Japan

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www.sanyo-trading.co.jp

Date of issue: December 22, 2020



JPX-NIKKEI Mid Small

Selected for FY 2020