

Consolidated Financial Results for the Fiscal Year Ended September 30, 2019

[Japan GAAP]

November 6, 2019

Name of listed company: Sanyo Trading Co., Ltd.

Stock code: 3176

Representative: Masanobu Shintani, President & CEO

Contact: Hiroshi Shirai, Director, Executive Officer & Head of Administration Divisions

Scheduled date to hold the ordinary general meeting of shareholders: December 19, 2019

Scheduled date to start dividends distribution: November 29, 2019

Scheduled date for filing annual financial report: December 19, 2019

Supplementary materials prepared: Yes

Results information meeting held: Yes (for institutional investors and analysts)

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(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the year ended September 30, 2019 (October 1, 2018 – September 30, 2019)

(1) Consolidated operating results

(Percentage figures represent changes from same period of previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2019	83,230	6.1	5,871	11.6	6,075	9.0	4,018	10.5
September 30, 2018	78,450	15.8	5,263	6.6	5,575	5.8	3,635	8.5

(Note) Comprehensive income:

Year ended September 30, 2019: 3,545 million yen (-3.7%)

Year ended September 30, 2018: 3,681 million yen (-17.0%)

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Year ended	Yen	Yen	%	%	%
September 30, 2019	280.73	278.97	14.5	14.2	7.1
September 30, 2018	253.99	252.58	14.5	13.9	6.7

(Reference) Equity-method investment profit (loss):

Year ended September 30, 2019: – million yen

Year ended September 30, 2018: – million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2019	43,731	29,343	66.2	2,022.63
As of September 30, 2018	41,606	26,756	63.5	1,845.34

(Reference) Equity capital:

Year ended September 30, 2019: 28,955 million yen

Year ended September 30, 2018: 26,417 million yen

(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
Year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2019	5,088	(1,057)	(1,957)	4,548
September 30, 2018	1,583	(408)	(1,297)	2,468

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
September 30, 2018	–	30.00	–	34.00	64.00	916	25.2	3.6
September 30, 2019	–	37.00	–	37.00	74.00	1,059	26.4	3.8
Year ending September 30, 2020 (forecasts)	–	37.00	–	38.00	75.00		25.6	

3. Forecast of consolidated financial results for the year ending September 30, 2020 (October 1, 2019 – September 30, 2020)

(Percentage figures represent changes from same period of previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	94,500	13.5	6,000	2.2	6,200	2.0	4,200	4.5	293.39

(Note) The Company formulates a management plan and evaluates results annually, and does not make a consolidated earnings forecast for the first half.

* Notes

- (1) Changes in subsidiaries during the fiscal year
(Changes in specified subsidiaries resulting in changes in scope of consolidation): None
New – (Company name) , Excluding – (Company name)
- (2) Changes in accounting policies, changes of accounting estimates and restatement
(i) Changes in accounting policies due to revisions of accounting standards, etc.: None
(ii) Changes in accounting policies due to reasons other than those stated in (i): None
(iii) Changes in accounting estimates: None
(iv) Restatement: None
- (3) Number of shares outstanding (common stock):
(i) Number of shares issued and outstanding (including treasury shares)
As of September 30, 2019: 14,503,854 shares
As of September 30, 2018: 14,503,854 shares
(ii) Number of treasury shares
As of September 30, 2019: 188,314 shares
As of September 30, 2018: 188,174 shares
(iii) Average number of shares issued and outstanding in each period
Year ended September 30, 2019: 14,315,615 shares
Year ended September 30, 2018: 14,313,288 shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended September 30, 2019 (October 1, 2018 – September 30, 2019)

(1) Non-consolidated operating results (Percentage figures represent changes from previous year.)

	Net sales		Operating profit		Ordinary profit		Profit	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2019	61,216	10.3	4,313	16.8	4,987	5.8	3,459	4.4
September 30, 2018	55,483	13.5	3,692	4.7	4,714	12.0	3,313	12.5

	Profit per share (basic)	Profit per share (diluted)
Year ended	Yen	Yen
September 30, 2019	241.67	240.16
September 30, 2018	231.51	230.23

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2019	38,205	25,113	65.5	1,747.65
As of September 30, 2018	36,231	22,973	63.2	1,599.67

(Reference) Equity capital: As of September 30, 2019: 25,018 million yen
As of September 30, 2018: 22,900 million yen

* Summaries of financial results are not subject to audit.

* Explanation concerning the appropriate use of financial result forecasts and other special notes

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions that are regarded as legitimate. Actual results may differ from these forecasts due to various factors. For details about the assumptions in the earnings forecasts, notes on the use of the earnings forecasts, and other matters, refer to (4) Outlook, 1. Overview of Business Results, Etc., etc. on page 4 of the Accompanying Materials.

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1. Overview of Business Results, Etc.

(1) Overview of business results in the fiscal year under review

In the fiscal year under review, the Japanese economy continued to recover moderately despite weakness seen in exports and capital expenditures in certain sectors. There were signs of recovery in consumer spending as the employment and income environment continued to improve. Meanwhile, uncertainty over the future increased, reflecting the U.S.-China trade friction, trends in the Chinese economy, Brexit and the effects of the consumption tax hike last October.

In this business environment, the Group sought to expand earnings in the business field where it is strong, the manufacturing of chemicals, machinery and industrial products, among other products and made a group-wide effort to improve results under its new long-term plan, VISION2023, by actively investing in promising fields, focusing on new fields, including life science and renewable energy, and promoting overseas operations.

Among the new investments were acquisitions of two companies, Shin-Toyo Kikai Kogyo Co., Ltd., which manufactures, sells and maintains corrosion-resistant pumps, and YPTECH Co., Ltd., a trading company that imports functional livestock feed materials and feed additives, for business expansion through synergy with the existing businesses.

Consolidated results were net sales of ¥83,230 million (up 6.1% year on year), operating profit of ¥5,871 million (up 11.6%), ordinary profit of ¥6,075 million (up 9.0%), and profit attributable to owners of parent of ¥4,018 million (up 10.5%).

Results for each business segment are described below.

The reportable segments have changed. From the fiscal year under review, results in the new reportable segments are reported. Cosmos Shoji Co., Ltd. and Chem-Inter Corporation constituted the Domestic Subsidiaries segment, but the segment no longer exists in the fiscal year under review. Cosmos Shoji Co., Ltd. is included in the Machinery & Industrial Products segment, and Chem-Inter Corporation is included in the Chemicals segment. The year-on-year comparisons and the analysis of results in the fiscal year under review are based on the reportable segments after the change.

(i) Chemicals

With regard to rubber merchandise, the results of mainstay synthetic rubber were firm. Meanwhile, the results of indirect materials for home appliances and information equipment and exports were weak from the second quarter chiefly due to rising purchasing prices and the slowdown in the economies in Asia because of the U.S.-China trade friction. As for chemical merchandise, dye and exports to Asia performed well, but the results of high value-added products related to paint and ink, mainstay products, were weak due to environmental regulations in China.

Results in the Chemicals segment were net sales of ¥31,092 million (up 1.3% year on year) and operating profit of ¥1,577 million (down 20.2%).

(ii) Machinery & Industrial Products

Of merchandise categorized as industrial products, sales of interior parts for automobiles were strong. Members of automobile seats performed well as in the previous fiscal year due to increasing numbers of types of vehicle that have highly functional parts reflecting increasing aspirations for comfort. Of merchandise related to machinery and the environment, results of equipment for granulating and handling granulated materials were firm. As for woody biomass facilities, large woody biomass cogeneration facilities went into full-scale operation in Hokkaido in May. Of merchandise categorized as scientific equipment, results of friction and wear testers and equipment related to biotechnology, the mainstay products, were weak. Results of merchandise related to resource development were firm. Ocean development and petroleum gas projects were the driving force.

Results in this segment were net sales of ¥32,993 million (up 18.0% year on year) and operating profit of ¥4,039 million (up 29.2% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, highly functional resins performed well, but film merchandise was weak. At Sanyo Trading (Shanghai) Co., Ltd., sales of automotive interior parts were strong. At Sanyo Trading Asia Co., Ltd. (Thailand), sales of automotive interior parts and rubber merchandise were strong. Results at Sanyo Trading (Viet Nam) Co., Ltd. were weak. Results of merchandise related to building materials were less than expected. At Sun Phoenix Mexico S.A. de C.V., sales of automotive interior parts were firm.

Results in the Overseas Subsidiaries segment were net sales of ¥18,950 million (down 3.4% year on year) and operating profit of ¥880 million (up 0.1% year on year).

(2) Overview of financial position for the fiscal year under review

(Assets)

Current assets increased ¥2,463 million from the end of the previous fiscal year, to ¥36,376 million chiefly due to rises in cash and deposits and merchandise and finished goods, which offset a decrease in trade receivables.

Non-current assets fell ¥339 million from the end of the previous fiscal year, to ¥7,355 million chiefly due to the revaluation of investment securities, the depreciation of non-current assets and the amortization of goodwill, which offset investment in non-consolidated subsidiaries and an increase in construction in progress.

Total assets in the fiscal year under review stood at ¥43,731 million (an increase of ¥2,124 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities decreased ¥399 million from the end of the previous fiscal year, to ¥13,228 million, reflecting a significant decrease in borrowings from financial institutions.

Non-current liabilities fell ¥63 million from the end of the previous fiscal year, to ¥1,159 million mainly due to a decrease in deferred tax liabilities resulting from the revaluation of investment securities.

Liabilities at the end of the fiscal year under review came to ¥14,387 million (a decrease of ¥462 million from the end of the previous fiscal year).

(Net assets)

Retained earnings increased, reflecting profit attributable to owners of parent, which offset a decrease in accumulated other comprehensive income resulting from declines in valuation difference on available-for-sale securities and foreign currency translation adjustment.

Resulting net assets at the end of the fiscal year under review stood at ¥29,343 million (an increase of ¥2,587 million from the end of the previous fiscal year).

(3) Overview of cash flows in the fiscal year under review

Cash and cash equivalents at the end of the fiscal year under review have increased ¥2,080 million from the end of the previous fiscal year, to ¥4,548 million (up 84.3% from the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities stood at ¥5,088 million (a year-on-year increase of ¥3,504 million).

Cash outflows, including an increase in inventories and income taxes paid, were more than offset by profit before income taxes and other cash inflows.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥1,057 million (a year-on-year increase in cash outflows of ¥648 million). The cash outflows chiefly resulted from purchases of property, plant and equipment and intangible assets, shares of subsidiaries and associates, and loans to non-consolidated subsidiaries.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,957 million (a year-on-year increase in cash outflows of ¥660 million). This is chiefly due to dividends paid by the parent company and repayments of borrowings.

(Reference)

	As of September 30, 2015	As of September 30, 2016	As of September 30, 2017	As of September 30, 2018	As of September 30, 2019
Equity ratio	62.1	62.7	61.1	63.5	66.2
Equity ratio based on market value (%)	72.3	54.9	96.0	73.2	69.7
Interest-bearing debt/cash flow ratio (years)	1.2	0.3	9.3	1.2	0.3
Interest coverage ratio (times)	20.6	194.9	10.8	44.2	218.20

Equity ratio: equity/total assets

Equity ratio based on market value: market capitalization/total assets

Interest-bearing debt/cash flow ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows/paid interest

(Note 1) Each indicator is calculated based on consolidated financial figures.

(Note 2) Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares (excluding treasury shares) as of that date.

(Note 3) Cash flow is net cash provided by (used in) operating activities on the consolidated statement of cash flows.

(Note 4) Interest-bearing debt is all liabilities requiring the payment of interest under the liabilities section of the consolidated balance sheet.

(Note 5) Interest payments equal the amount of interest paid on the consolidated statement of cash flows.

(Note 6) The Group adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) at the beginning of the fiscal year ended September 30, 2019, and the indicators for the fiscal year ended September 30, 2018 reflect the retroactive application of this standard.

(4) Outlook

The Japanese economy is continuing to recover moderately despite weakness seen in exports and capital expenditures in certain sectors. There are signs of recovery in consumer spending as the employment and income environment continues to improve. Meanwhile, uncertainty over the future is increasing, reflecting the U.S.-China trade friction, trends in the Chinese economy, Brexit and the effects of the consumption tax hike last October.

In this environment, the Group will build a corporate structure to rise to the challenge of providing optimal solutions, will strengthen the corporate foundation, and will invest in human resources under the first basic strategy, reinforcing the corporate structure, in VISION2023, the long-term management plan formulated in 2018.

Meanwhile, the Group will reinforce its operations in the business domains where it operates, will develop new businesses, will accelerate globalization and will promote new investments under the second basic strategy, strengthening the earnings base.

We forecast that the Group’s net sales in the fiscal year ending September 30, 2020 will be ¥94,500 million (up 13.5% year on year). We expect an improvement in the earnings environment in the Chemicals segment, where there were issues in the previous fiscal year, including environmental regulations in China, new consolidated subsidiaries’ contributions to earnings, and business expansion at overseas affiliates primarily in the United States and Southeast Asia.

Operating profit is forecast to be ¥6,000 million (up 2.2% year on year). Gross profit is expected to rise, reflecting an increase in net sales.

Ordinary profit is forecast to be ¥6,200 million (up 2.0% year on year). Non-operating income and expenses are expected to include foreign exchange losses or gains, dividend income and interest expenses as in the past.

Profit attributable to owners of parent is forecast to be ¥4,200 million (up 4.5% year on year). No extraordinary income or extraordinary losses are expected.

(5) Basic policy for dividends and dividends for the fiscal year under review and the next fiscal year

The Company recognizes the return of profits to shareholders as one of management's highest priorities. Our fundamental policy is to pay shareholders a stable dividend over the long term and we will work to achieve continuous enhancement of corporate value, aiming to increase dividend per share by further strengthening our management structure and thereby bolstering our ability to generate stable earnings.

Meanwhile, we plan to use our internal reserves to make strategic investments in growth areas and expand our overseas business in the future.

The Company plans to pay a year-end dividend for the fiscal year under review of ¥37 per share. Combined with the interim dividend of ¥37 yen per share already paid on June 11, 2019, this will bring the annual dividend to ¥74 per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥75 per share, an interim dividend ¥37 and a year-end dividend of ¥38, which is calculated based on a forecast consolidated profit of ¥4,200 million.

2. Basic Approach to Selection of Accounting Standards

The Group prepares consolidated financial statements, following the Japanese GAAP.

The Group will appropriately determine the timing for the application of the International Financial Reporting Standards (IFRS) while considering circumstances in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Thousand yen)

	Fiscal 2018 (As of September 30, 2018)	Fiscal 2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	2,468,514	4,548,545
Notes and accounts receivable - trade	17,133,083	16,440,959
Electronically recorded monetary claims - operating	880,147	1,038,506
Merchandise and finished goods	11,637,104	12,807,508
Work in process	1,757	9,567
Raw materials and supplies	2,251	2,944
Other	1,844,530	1,560,079
Allowance for doubtful accounts	(54,743)	(31,961)
Total current assets	33,912,645	36,376,150
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,541,400	2,556,203
Accumulated depreciation	(1,163,386)	(1,245,400)
Buildings and structures, net	1,378,013	1,310,802
Machinery, equipment and vehicles	437,288	447,189
Accumulated depreciation	(285,119)	(316,826)
Machinery, equipment and vehicles, net	152,169	130,362
Land	414,678	414,678
Other	492,033	700,322
Accumulated depreciation	(293,596)	(360,787)
Other, net	198,437	339,534
Total property, plant and equipment	2,143,298	2,195,378
Intangible assets		
Goodwill	432,350	269,804
Other	743,396	621,233
Total intangible assets	1,175,747	891,038
Investments and other assets		
Investment securities	3,527,796	3,261,750
Long-term loans receivable	36,140	3,507
Deferred tax assets	146,540	98,340
Other	664,740	905,957
Allowance for doubtful accounts	(22)	(876)
Total investments and other assets	4,375,194	4,268,678
Total non-current assets	7,694,240	7,355,095
Total assets	41,606,886	43,731,246

(Thousand yen)

	Fiscal 2018 (As of September 30, 2018)	Fiscal 2019 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,357,749	8,348,338
Short-term borrowings	1,806,177	1,189,283
Current portion of long-term borrowings	50,000	50,000
Accounts payable - other	554,053	414,407
Income taxes payable	897,773	1,103,870
Provision for bonuses	22,386	21,669
Other	1,939,751	2,100,753
Total current liabilities	13,627,891	13,228,323
Non-current liabilities		
Long-term borrowings	50,000	70,000
Deferred tax liabilities	270,254	104,865
Retirement benefit liability	765,205	847,580
Long-term deposits received	97,853	100,712
Other	39,270	36,299
Total non-current liabilities	1,222,584	1,159,458
Total liabilities	14,850,476	14,387,782
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	405,231	405,231
Retained earnings	24,033,101	27,113,375
Treasury shares	(180,813)	(181,115)
Total shareholders' equity	25,264,106	28,344,078
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,048,774	721,055
Foreign currency translation adjustment	104,439	(110,093)
Total accumulated other comprehensive income	1,153,214	610,961
Share acquisition rights	72,911	95,023
Non-controlling interests	266,176	293,400
Total net assets	26,756,409	29,343,463
Total liabilities and net assets	41,606,886	43,731,246

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousand yen)

	Fiscal 2018 (from October 1, 2017 to September 30, 2018)	Fiscal 2019 (from October 1, 2018 to September 30, 2019)
Net sales	78,450,034	83,230,247
Cost of sales	65,039,422	68,346,647
Gross profit	13,410,612	14,883,600
Selling, general and administrative expenses		
Transportation costs	514,619	518,808
Storage costs	639,169	725,908
Remuneration, salaries and allowances	3,138,349	3,330,403
Retirement benefit expenses	100,139	122,514
Welfare expenses	512,463	572,293
Entertainment expenses	299,205	350,692
Travel and transportation expenses	540,269	609,411
Rent expenses on land and buildings	279,218	309,111
Depreciation	121,853	281,417
Amortization of goodwill	162,546	162,546
Other	1,839,489	2,028,639
Total selling, general and administrative expenses	8,147,324	9,011,747
Operating profit	5,263,287	5,871,852
Non-operating income		
Interest income	9,741	11,699
Dividend income	67,494	76,838
Foreign exchange gains	186,200	106,402
Other	118,376	74,529
Total non-operating income	381,812	269,469
Non-operating expenses		
Interest expenses	36,278	23,029
Sales discounts	11,773	9,920
Other	21,221	32,642
Total non-operating expenses	69,274	65,591
Ordinary profit	5,575,826	6,075,730
Extraordinary income		
Income equivalent to expenses for restoration to original condition	130,000	—
Gain on sales of investment securities	235,200	686
Compensation income	—	17,641
Total extraordinary income	365,200	18,327
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	52,255	—
Loss on valuation of investments in capital of subsidiaries and associates	106,996	—
Loss on valuation of golf club membership	12,120	—
Loss on disaster	—	30,551
Total extraordinary losses	171,371	30,551
Profit before income taxes	5,769,654	6,063,506
Income taxes - current	1,883,459	1,981,019
Income taxes - deferred	57,109	23,685
Total income taxes	1,940,568	2,004,704
Profit	3,829,085	4,058,801
Profit attributable to non-controlling interests	193,692	40,037
Profit attributable to owners of parent	3,635,393	4,018,764

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal 2018 (from October 1, 2017 to September 30, 2018)	Fiscal 2019 (from October 1, 2018 to September 30, 2019)
Profit	3,829,085	4,058,801
Other comprehensive income		
Valuation difference on available-for-sale securities	(125,911)	(328,468)
Foreign currency translation adjustment	(21,491)	(184,991)
Total other comprehensive income	(147,403)	(513,459)
Comprehensive income	3,681,682	3,545,342
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,498,337	3,506,053
Comprehensive income attributable to non-controlling interests	183,345	39,288

(3) Consolidated statement of changes in equity

Fiscal 2018 (from October 1, 2017 to September 30, 2018)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,006,587	426,143	21,270,764	(186,820)	22,516,675
Changes during period					
Dividends of surplus			(873,057)		(873,057)
Profit attributable to owners of parent			3,635,393		3,635,393
Purchase of treasury shares				(332)	(332)
Acquisitions of additional shares in subsidiaries		(19,353)			(19,353)
Disposal of treasury shares		(1,558)		6,339	4,781
Change in scope of consolidation					—
Net changes in items other than shareholders' equity					
Total changes during period	—	(20,911)	2,762,336	6,007	2,747,431
Balance at end of period	1,006,587	405,231	24,033,101	(180,813)	25,264,106

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,174,829	115,440	1,290,270	64,123	729,058	24,600,127
Changes during period						
Dividends of surplus						(873,057)
Profit attributable to owners of parent						3,635,393
Purchase of treasury shares						(332)
Acquisitions of additional shares in subsidiaries						(19,353)
Disposal of treasury shares						4,781
Change in scope of consolidation						—
Net changes in items other than shareholders' equity	(126,054)	(11,001)	(137,056)	8,787	(462,881)	(591,149)
Total changes during period	(126,054)	(11,001)	(137,056)	8,787	(462,881)	2,156,281
Balance at end of period	1,048,774	104,439	1,153,214	72,911	266,176	26,756,409

Fiscal 2019 (from October 1, 2018 to September 30, 2019)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,006,587	405,231	24,033,101	(180,813)	25,264,106
Changes during period					
Dividends of surplus			(1,016,412)		(1,016,412)
Profit attributable to owners of parent			4,018,764		4,018,764
Purchase of treasury shares				(302)	(302)
Acquisitions of additional shares in subsidiaries					—
Disposal of treasury shares					—
Change in scope of consolidation			77,921		77,921
Net changes in items other than shareholders' equity					
Total changes during period	—	—	3,080,274	(302)	3,079,971
Balance at end of period	1,006,587	405,231	27,113,375	(181,115)	28,344,078

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,048,774	104,439	1,153,214	72,911	266,176	26,756,409
Changes during period						
Dividends of surplus						(1,016,412)
Profit attributable to owners of parent						4,018,764
Purchase of treasury shares						(302)
Acquisitions of additional shares in subsidiaries						—
Disposal of treasury shares						—
Change in scope of consolidation						77,921
Net changes in items other than shareholders' equity	(327,719)	(214,533)	(542,253)	22,112	27,223	(492,917)
Total changes during period	(327,719)	(214,533)	(542,253)	22,112	27,223	2,587,054
Balance at end of period	721,055	(110,093)	610,961	95,023	293,400	29,343,463

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal 2018 (from October 1, 2017 to September 30, 2018)	Fiscal 2019 (from October 1, 2018 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	5,769,654	6,063,506
Depreciation	191,951	352,423
Amortization of goodwill	162,546	162,546
Share-based remuneration expenses	13,562	22,112
Increase (decrease) in allowance for doubtful accounts	4,028	(20,698)
Increase (decrease) in retirement benefit liability	(2,847)	82,372
Increase (decrease) in other provisions	(11,959)	(716)
Interest and dividend income	(77,272)	(88,537)
Interest expenses	36,278	23,029
Loss on valuation of membership	12,120	—
Loss on valuation of investments in capital of subsidiaries and associates	106,996	—
Loss on valuation of shares of subsidiaries and associates	52,255	—
Income equivalent to expenses for restoration to original condition	(130,000)	—
Loss (gain) on sales of investment securities	(234,800)	(686)
Foreign exchange losses (gains)	(22,207)	34,627
Decrease (increase) in trade receivables	(1,126,425)	498,419
Decrease (increase) in inventories	(1,135,506)	(924,933)
Increase (decrease) in trade payables	190,535	46,851
Increase (decrease) in advances received	141,585	(108,883)
Decrease (increase) in advance payments - trade	(459,304)	509,514
Other	(228,896)	183,650
Subtotal	3,252,294	6,834,599
Interest and dividends received	77,207	87,550
Interest paid	(35,852)	(23,319)
Equivalent of expenses for restoration to original condition received	130,000	—
Income taxes paid	(1,839,722)	(1,810,601)
Net cash provided by (used in) operating activities	1,583,927	5,088,229
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	20,000	—
Purchase of property, plant and equipment	(308,619)	(262,185)
Purchase of intangible assets	(144,270)	(92,713)
Purchase of investment securities	(23,289)	(24,265)
Proceeds from sales of investment securities	263,130	878
Proceeds from redemption of investment securities	20,000	—
Purchase of shares of subsidiaries and associates	(235,685)	(276,249)
Payments for investments in capital of subsidiaries and associates	(2,000)	(224,147)
Loan advances	(36,140)	(235,016)
Collection of loans receivable	40,000	51,509
Payments of leasehold and guarantee deposits	(22,420)	(10,144)
Proceeds from refund of leasehold and guarantee deposits	9,984	22,870
Other	10,510	(7,874)
Net cash provided by (used in) investing activities	(408,801)	(1,057,339)

(Thousand yen)

	Fiscal 2018 (from October 1, 2017 to September 30, 2018)	Fiscal 2019 (from October 1, 2018 to September 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	246,585	(942,114)
Proceeds from long-term borrowings	—	70,000
Repayments of long-term borrowings	—	(50,000)
Dividends paid	(873,057)	(1,016,412)
Dividends paid to non-controlling interests	(467,092)	(12,065)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(198,493)	—
Other	(5,258)	(7,199)
Net cash provided by (used in) financing activities	(1,297,316)	(1,957,791)
Effect of exchange rate change on cash and cash equivalents	(11,053)	(49,845)
Net increase (decrease) in cash and cash equivalents	(133,244)	2,023,252
Cash and cash equivalents at beginning of period	2,601,758	2,468,514
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	56,778
Cash and cash equivalents at end of period	2,468,514	4,548,545

(5) Notes to consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters.

(Changes in presentation method)

(Changes as a result of application of Partial Amendments of Accounting Standard for Tax Effect Accounting)

The Group adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) at the beginning of the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

As a result, on the consolidated balance sheet for the previous consolidated fiscal year, “Deferred tax assets” in “Current assets” decreased by ¥154,794,000, while “Deferred tax assets” in “Investments and other assets” increased by ¥42,584,000. “Deferred tax liabilities” in “Non-current liabilities” fell ¥112,212,000.

(Segment information, etc.)

[Segment information]

1. Description of reporting segments

The Group’s reportable segments are components of the Group for which discrete financial information is available, and that are reviewed on a regular basis by the Board of Directors to determine the allocation of corporate resources and assess business performance.

The Company has business units that are responsible for different categories of merchandise. Each business unit formulates a comprehensive strategy for its merchandise in Japan and overseas and operates business activities. The Company and the domestic subsidiaries are responsible for domestic operations. The overseas subsidiaries are primarily responsible for operations in different regions overseas, including Asia and the United States.

The Company consists of segments responsible for different categories of merchandise, based on business units. At each overseas subsidiary, an independent management unit, the Board of Directors makes decisions on the allocation of management resources and evaluates results. Considering the structure, the Group has three reportable segments: Chemicals, Machinery & Industrial Products, and Overseas Subsidiaries.

The Chemicals segment sells synthetic rubber and a variety of chemicals. The Machinery & Industrial Products segment sells automotive interior parts, granulating machines for feed and related equipment, and scientific equipment, among other products. The Overseas Subsidiaries segment sells synthetic rubber, a range of chemicals and automotive interior parts, among other products.

(Matters related to changes in reportable segments)

The Domestic Subsidiaries segment, which was reported until the previous fiscal year, no longer exists in the fiscal year under review because of a reduction in its relative importance in financial terms and for clarifying the classification of business operations. In the fiscal year under review, operations that belonged to the Domestic Subsidiaries segment are included in the Chemicals segment or the Machinery & Industrial Products segment.

The segment information for the previous fiscal year is prepared in accordance with the reportable segments after the change.

2. Methods for calculating sales, profit (loss), assets, liabilities and other items by reportable segment

Accounting methods for the reported business segments are almost the same as those used for the preparation of consolidated financial statements. Profit in each reportable segment is based on operating profit (before the amortization of goodwill). Inter-segment revenues and transfers are based on prevailing market prices.

3. Information regarding sales, profit (loss), assets, liabilities and other items for each reportable business segment
Fiscal 2018 (from October 1, 2017 to September 30, 2018)

(Thousand yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amounts in consolidated financial statements (Note 3)
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total				
Net sales								
Sales to external customers	30,702,544	27,955,287	19,610,974	78,268,806	145,391	78,414,198	35,836	78,450,034
Intersegment internal sales and transfers	3,179,493	384,914	1,500,140	5,064,548	29,999	5,094,547	(5,094,547)	–
Total	33,882,038	28,340,202	21,111,114	83,333,355	175,390	83,508,746	(5,058,711)	78,450,034
Segment profit	1,976,468	3,125,777	879,754	5,982,000	7,499	5,989,500	(726,212)	5,263,287
Other items								
Depreciation	8,843	89,278	13,919	112,042	78,156	190,198	1,752	191,951
Amortization of goodwill	–	–	–	–	–	–	162,546	162,546

(Notes)

1. The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.
2. The adjustment consists of the following items.
 - (1) An adjustment of net sales to external customers of ¥35,836,000 is a foreign currency translation adjustment in relation to management accounting.
 - (2) An adjustment of segment profit of -¥726,212,000 includes selling, general and administrative expenses that are not allocated to reportable segments of -¥696,907,000 and a foreign currency translation adjustment of -¥12,562,000 in relation to management accounting.
3. Segment profit has been adjusted to operating profit stated in the consolidated statement of income.
4. Assets and liabilities in each reportable segment are not stated because they are not allocated to each reportable segment.

Fiscal 2019 (from October 1, 2018 to September 30, 2019)

(Thousand yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amounts in consolidated financial statements (Note 3)
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total				
Net sales								
Sales to external customers	31,092,653	32,993,587	18,950,013	83,036,253	122,301	83,158,554	71,692	83,230,247
Intersegment internal sales and transfers	2,558,770	408,693	1,572,309	4,539,774	26,816	4,566,590	(4,566,590)	–
Total	33,651,424	33,402,280	20,522,323	87,576,028	149,117	87,725,145	(4,494,898)	83,230,247
Segment profit	1,577,540	4,039,167	880,469	6,497,176	65,040	6,562,217	(690,365)	5,871,852
Other items								
Depreciation	54,402	149,746	24,797	228,946	109,170	338,116	14,306	352,423
Amortization of goodwill	143,009	–	–	143,009	–	143,009	19,536	162,546

(Notes)

1. The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.
2. The adjustment consists of the following items.
 - (1) An adjustment of net sales to external customers of ¥71,692,000 is a foreign currency translation adjustment in relation to management accounting.
 - (2) An adjustment of segment profit of -¥690,365,000 includes selling, general and administrative expenses that are not allocated to reportable segments of -¥814,161,000 and a foreign currency translation adjustment of -¥7,224,000 in relation to management accounting.
3. Segment profit has been adjusted to operating profit stated in the consolidated statement of income.
4. Assets and liabilities in each reportable segment are not stated because they are not allocated to each reportable segment.

[Related information]

Fiscal 2018 (from October 1, 2017 to September 30, 2018)

1. Information by product/service

(Thousand yen)

	Rubber merchandise	Chemical merchandise	Machinery and environment-related merchandise	Industrial merchandise	Other	Total
Sales to external customers	18,627,766	21,621,668	6,587,695	28,847,651	2,765,253	78,450,034

2. Information by region

(1) Net sales

(Thousand yen)

Japan	U.S.	China	Other	Total
48,648,261	8,348,451	9,835,053	11,618,267	78,450,034

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

No information is presented because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statement of income.

Fiscal 2019 (from October 1, 2018 to September 30, 2019)

1. Information by product/service

(Thousand yen)

	Rubber merchandise	Chemical merchandise	Machinery and environment-related merchandise	Industrial merchandise	Other	Total
Sales to external customers	18,915,942	21,757,116	7,527,979	32,443,030	2,586,178	83,230,247

2. Information by region

(1) Net sales

(Thousand yen)

Japan	U.S.	China	Other	Total
54,622,711	8,002,885	8,332,070	12,272,580	83,230,247

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

No information is presented because net sales to any particular outside customer do not account for 10% or more of net sales on the consolidated statement of income.

[Information on impairment loss in non-current assets by reporting segment]

There are no applicable matters.

[Information on amortization of goodwill and unamortized balance by reporting segment]
Fiscal 2018 (from October 1, 2017 to September 30, 2018)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas subsidiaries	Total			
(Goodwill)							
Depreciation in current period	143,009	19,536	—	162,546	—	—	162,546
Balance at end of period	357,523	74,827	—	432,350	—	—	432,350

Fiscal 2019 (from October 1, 2018 to September 30, 2019)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas subsidiaries	Total			
(Goodwill)							
Depreciation in current period	143,009	19,536	—	162,546	—	—	162,546
Balance at end of period	214,513	55,290	—	269,804	—	—	269,804

[Information on gain on bargain purchase by reporting segment]

There are no applicable matters.

(Per share information)

(Yen)

	Fiscal 2018 (from October 1, 2017 to September 30, 2018)	Fiscal 2019 (from October 1, 2018 to September 30, 2019)
Net assets per share	1,845.34	2,022.63
Profit per share	253.99	280.73
Diluted profit per share	252.58	278.97

(Notes) 1. The basis for calculating net assets per share is as follows.

Item	Fiscal 2018 (As of September 30, 2018)	Fiscal 2019 (As of September 30, 2019)
Total net assets (thousand yen)	26,756,409	29,343,463
Amount deducted from total net assets (thousand yen)	339,088	388,424
(Of the increase, the number of share acquisition rights) (thousand yen)	72,911	95,023
(Of which non-controlling interests) (thousand yen)	266,176	293,400
Net assets at end of year available for common stock (thousand yen)	26,417,321	28,955,039
Number of shares of common stock at end of year used for calculating net assets per share (thousand shares)	14,315	14,315

(Notes) 2. Profit per share and diluted profit per share are calculated based on the following factors.

Item	Fiscal 2018 (from October 1, 2017 to September 30, 2018)	Fiscal 2019 (from October 1, 2018 to September 30, 2019)
Profit per share		
Profit attributable to owners of parent (thousand yen)	3,635,393	4,018,764
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common shares (thousand yen)	3,635,393	4,018,764
Average number of common shares outstanding during the fiscal year (thousand shares)	14,313	14,315
Diluted profit per share		
Adjustment of profit attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (thousand shares)	79	90
(Of the increase, the number of share acquisition rights) (thousand shares)	(79)	(90)
Outline of potential shares that are not included in the calculation of the diluted profit per share because they do not have any diluting effects	—	

(Significant subsequent events)

(Business combination by acquisition)

The Company acquired all shares in YPTECH Co., Ltd. (“YPTECH”) on October 31, 2019, and made YPTECH its subsidiary.

1. Outline of Business Combination

(1) Name of the acquired company and the acquired business

Name of the acquired company: YPTECH Co., Ltd.

Business Summary: Import and sale of functional livestock feed materials and feed additives

(2) Main reason for business combination

YPTECH is a specialized trading company that imports and sells functional livestock feed materials and feed additives. The company has strong technical sales capabilities and excels at providing high value-added products in a highly specialized niche. We predict synergy effects between the company and our livestock business in the Chemical Business Unit. The livestock business is a priority field in VISION2023, the Group’s long-term management plan. We believe that the acquisition of shares is a strategic move in line with the management plan and will contribute to enhancing the corporate value.

(3) Name of the company from which the shares were acquired

Yoshimoto Pole Co., Ltd.

(4) Date of business combination

October 31, 2019

(5) Legal form of business combination

Cash acquisition of shares

(6) Name of company after business combination

The company name has not changed.

(7) Percentage share of voting rights acquired

100%

(8) Main reason for determining the acquiring company

The Company acquired all shares in cash.

2. Costs of acquisition of acquired company and breakdown by type of consideration

These are not disclosed under an agreement between the parties.

3. Details and amount of major acquisition-related costs

They were not determined when this report was prepared.

4. Goodwill that has occurred, reason for the goodwill, amortization method and amortization period

They were not determined when this report was prepared.

5. Assets accepted and liabilities assumed on the date of business combination and the main items

They were not determined when this report was prepared.