

Consolidated Financial Statements for the Fiscal Year Ended September 30, 2020 [Japan GAAP]

November 6, 2020

Company name:	Sanyo Trading Co., Ltd.	Listed on: Tokyo Stock Exchange 1st Section	
Stock exchange code:	3176	URL http://www.sanyo-trading.co.jp/	
Representative:	Masanobu Shintani, President & CEO		
Contact:	Hiroshi Shirai, Director, Executive Officer & Head of Administration Divisions		Tel. +81-3-3518-1111
Annual general meeting of stockholders (scheduled):	December 22, 2020		
Start of distribution of dividends (scheduled):	December 2, 2020		
Filing of securities report (scheduled):	December 22, 2020		
Supplementary documents:	Yes		
Investors' meeting:	Yes (for institutional investors and analysts)		

1. Consolidated Results for the Fiscal Year Ended September 30, 2020 (October 1, 2019 to September 30, 2020)

(1) Consolidated Operating Results (% = year-on-year change)

	Net sales		Operating income		Ordinary income		Earnings attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE September 2020	76,087	(8.6)	4,791	(18.4)	5,271	(13.2)	3,013	(25.0)
FYE September 2019	83,230	6.1	5,871	11.6	6,075	9.0	4,018	10.5

(Note) Comprehensive income: FYE September 2020: 2,758 million yen (22.2% decrease)
FYE September 2019: 3,545 million yen (3.7% decrease)

	Earnings per share (basic)	Earnings per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	Yen	Yen	%	%	%
FYE September 2020	105.22	104.49	10.1	11.6	6.3
FYE September 2019	140.36	139.49	14.5	14.2	7.1

(Reference) Equity in earnings of affiliates: FYE September 2020: – million yen
FYE September 2019: – million yen

(Note) The Company conducted a two-for-one share split on February 1, 2020. "Earnings per share (basic)" and "Earnings per share (diluted)" are calculated on the assumption that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FYE September 2020	47,230	31,038	64.9	1,069.41
FYE September 2019	43,731	29,343	66.2	1,011.31

(Reference) Total equity: FYE September 2020: 30,629 million yen
FYE September 2019: 28,955 million yen

(Note) The Company conducted a two-for-one share split on February 1, 2020. "Net assets per share" is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Million yen	Million yen	Million yen	Million yen
FYE September 2020	6,186	(2,189)	1,834	10,418
FYE September 2019	5,088	(1,057)	(1,957)	4,548

2. Dividends

	Annual dividends per share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q-end	2Q-end	3Q-end	4Q-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FYE September 2019	–	37.00	–	37.00	74.00	1,059	26.4	3.8
FYE September 2020	–	18.50	–	19.00	37.50	1,074	35.6	3.6
FYE September 2021 (estimate)	–	18.50	–	19.00	37.50		39.8	

(Note) The Company conducted a two-for-one share split on February 1, 2020. For the fiscal year ending September 30, 2019, the actual amount of annual dividends before the share split is stated.

3. Forecast of Consolidated Results for the Fiscal Year Ending September 30, 2021 (October 1, 2020 to September 30, 2021)

(%) = year-on-year change.)

	Net sales		Operating income		Ordinary income		Earnings attributable to owners of the parent		Earnings per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	82,000	7.8	4,000	(16.5)	4,200	(20.3)	2,700	(10.4)	94.27

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

* Notes

(1) Changes in important subsidiaries during the period: None

(Changes in specified subsidiaries accompanying changes in the scope of consolidation)

New: – (Company name:)

Excluded: – (Company name:)

(2) Changes in accounting principles and accounting estimates, and restatement of prior period financial statements after error corrections.

(i) Changes in accordance with revisions to accounting and other standards: None

(ii) Changes in items other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements after error corrections: None

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

June 30, 2020: 29,007,708 shares

September 30, 2019: 29,007,708 shares

(ii) Number of treasury stock as of the fiscal period end

June 30, 2020: 366,320 shares

September 30, 2019: 376,628 shares

(iii) Average number of shares during the period

September 30, 2020: 28,635,063 shares

September 30, 2019: 28,631,281 shares

The Company conducted a two-for-one share split on February 1, 2020. "Number of shares issued and outstanding," "Number of treasury stocks" and "Average number of shares issued and outstanding during the period" are calculated on the assumption that the share split was conducted at the beginning of the previous fiscal year.

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended September 30, 2020 (October 1, 2019 to September 30, 2020)

(1) Non-Consolidated Operating Results

(%) = year-on-year change.)

	Net sales		Operating income		Ordinary income		Net Earnings for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE September 2020	52,349	(14.5)	3,406	(21.0)	4,272	(14.3)	2,376	(31.3)
FYE September 2019	61,216	10.3	4,313	16.8	4,987	5.8	3,459	4.4

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
FYE September 2020	82.99	82.41
FYE September 2019	120.84	120.08

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FYE September 2020	39,853	26,262	65.6	913.17
FYE September 2019	38,205	25,113	65.5	873.82

(Reference) Total equity:

FYE September 2020: 26,154 million yen

FYE September 2019: 25,018 million yen

* These consolidated financial statements are not subject to the auditing procedure

* A Cautionary Note on Forward-Looking Statements

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts. For details about the assumptions in the earnings forecasts, notes on the use of the earnings forecasts, and other matters, please refer to (4) Outlook, 1. Overview of Business Results, Etc. on page 5 of this document.

1. Business Performance, Etc.

(1) Review of Business Performance

At the beginning of the fiscal year under review, the Japanese economy was experiencing a moderate recovery, but it has since faced harsh conditions with the economic environment sharply deteriorating due to the impact of the COVID-19 pandemic. The outlook remains uncertain because it is unknown when the COVID-19 pandemic will come to an end, although the economy is expected to pick up going forward with the return of socioeconomic activities in stages.

In this business environment, the Group has been making a group-wide effort to improve its business performance by pursuing and deepening higher value-added businesses, leveraging its strengths along with its long-term plan, VISION2023, and striving to develop new businesses, accelerate the global expansion and promote new investments. The Group has also been addressing COVID-19, giving priority to business continuation, while ensuring the safety of employees and making sure that funds on hand are fully prepared.

In terms of new investments, the Company acquired YPTECH Co., Ltd., a trading company that imports functional livestock feed materials and feed additives, to maximize synergy with existing businesses in the livestock business, as well as NKS Corporation, which engages in import and sale of food additives and industrial chemicals, to strengthen earnings power in the life science field. Consolidated results were net sales of ¥76,087 million (down 8.6% year on year), operating income of ¥4,791 million (down 18.4%), ordinary income of ¥5,271 million (down 13.2%), and earnings attributable to owners of the parent of ¥3,013 million (down 25.0%).

Results for each business segment are described below.

To reflect the financial results of reportable segments more fully, the Group reviewed the allocation standards for the amortization of goodwill and allocated it to each business segment, starting from the fiscal year under review.

Segment information for the previous fiscal year is prepared based on the calculation method after the change.

(i) Chemicals

With regard to rubber merchandise, shipments of synthetic rubber and indirect materials for home appliances and information equipment remained weak, and exports also declined. As for chemical merchandise, high value-added additives related to paint and ink, our mainstay products, were strong in the first half but sluggish from summer onwards. Merchandise related to semiconductors and adhesives grew at a sluggish pace, and exports to Asia were also weak. While YPTECH Co., Ltd., which recently became a consolidated subsidiary, contributed to earnings, segment income fell below the year-ago level partly due to the temporary posting of acquisition expenses.

As a result, the Chemicals segment recorded net sales of ¥30,508 million (down 1.9% year on year) and operating income of ¥1,353 million (down 14.2%).

(ii) Machinery & Industrial Products

Of merchandise categorized as industrial products, sales of interior parts for automobiles were affected by a sharp fall in production activities of automobile manufacturers in Japan. In merchandise related to machinery and the environment, results of merchandise related to feed processing equipment were strong, but results of woody biomass business fell below the year-ago level due to the absence of posting of new large projects. Of merchandise categorized as scientific equipment, results of equipment related to biotechnology were strong, but element analytical and particle dispersion equipment performed weakly. Of merchandise related to resource development, results fell as a backlash to large projects posted in the previous fiscal year in ocean development, but results of geothermal development equipment were firm.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥27,205 million (down 17.5% year on year) and operating income of ¥3,333 million (down 17.1% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, rubber and film merchandise was sluggish, but sales of highly functional resins remained strong. At Sanyo Trading (Shanghai) Co., Ltd., the COVID-19 had an impact, but automobile merchandise and rubber merchandise were strong due to the early recovery of economic activities. At Sanyo Trading Asia Co., Ltd. (Thailand), results of interior parts for automobiles and rubber merchandise declined, reflecting the sluggish performance of the automobile industry. At Sanyo Trading (Viet Nam) Co., Ltd., results of chemicals and automobile merchandise were weak. At Sun Phoenix Mexico, S.A. de C.V., sales of automobile merchandise were trending weaker.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥18,227 million (down 3.8% year on year) and operating income of ¥839 million (down 4.7% year on year).

(2) Review of Financial Position

(Assets)

Current assets increased ¥3,115 million from the end of the previous fiscal year, to ¥39,491 million chiefly due to a significant rise in cash and deposits, despite a decrease in trade receivables associated with the fall in sales.

Non-current assets rose ¥383 million from the end of the previous fiscal year, to ¥7,738 million chiefly due to the acquisition of a site for factory construction and the posting of goodwill associated with the acquisition of YPTECH Co., Ltd., which offset decreases due to a fall in the valuation of investments in the capital of non-consolidated subsidiaries and the impairment of non-current assets.

Total assets in the fiscal year under review stood at ¥47,230 million (an increase of ¥3,499 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities increased ¥1,631 million from the end of the previous fiscal year, to ¥14,859 million, mainly reflecting a rise in borrowings from financial institutions.

Non-current liabilities increased ¥173 million from the end of the previous fiscal year, to ¥1,332 million mainly due to increases in long-term borrowings and retirement benefit liability and the posting of provision for retirement benefits for directors of consolidated subsidiaries.

Liabilities at the end of the fiscal year under review came to ¥16,192 million (an increase of ¥1,804 million from the end of the previous fiscal year).

(Net assets)

Retained earnings increased, reflecting earnings attributable to owners of the 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 ¥31,038 million (an increase of ¥1,695 million from the end of the previous fiscal year).

(3) Review of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review have increased ¥5,870 million from the end of the previous fiscal year, to ¥10,418 million (up 129.1% from the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities stood at ¥6,186 million (a year-on-year increase of ¥1,097 million).

This was mainly due to a significant decrease in trade receivables and the posting of earnings before income taxes, which offset cash outflows such as a decrease in trade payables and income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥2,189 million (a year-on-year increase in cash outflows of ¥1,131 million). This was chiefly due to cash outflows such as the acquisition of a site for a factory, the payment of construction expenses and the acquisition of shares of consolidated subsidiaries.

(Cash flows from financing activities)

Net cash provided by financing activities stood at ¥1,834 million (a year-on-year increase of ¥3,791 million). This was mainly due to an increase in borrowings from financial institutions.

(Reference) Cash flow-related indicators

	September 30, 2016	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020
Shareholders' equity ratio	62.7	61.1	63.5	66.2	64.9
Equity ratio based on market value (%)	54.9	96.0	73.2	69.7	60.3
Interest-bearing debt/cash flow ratio (years)	0.3	9.3	1.2	0.3	0.7
Interest coverage ratio (times)	194.9	10.8	44.2	218.2	401.3

Shareholders' 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

Given that prospects for the settlement of the COVID-19 are still nowhere in sight, it is feared that its impact on the global economy and the Japanese economy will continue. The Company is also unable to eliminate uncertainty over the falling utilization rates and sluggish production activities of its customers, including automobile manufacturers and material-related manufacturers, and thinks that it will take time for the business environment for overseas subsidiaries involved in the Industrial Products and other related businesses, in particular, to change or recover.

Given these circumstances, the Group is building a corporate structure to take on the challenge of providing optimal solutions, reinforcing the corporate structure and investing in human resources for the purpose of strengthening the corporate foundation, which is the first basic strategy under VISION2023, our long-term management plan. In addition, the Group is also focusing on pursuing and deepening the business domains where it operates, developing new businesses, accelerating globalization and promoting new investment projects for the purpose of strengthening its earnings base, which is the second basic strategy.

We forecast that the Group's net sales in the fiscal year ending September 30, 2021 will be ¥82,000 million (up 7.8% year on year). The Group anticipates large projects in the machinery & environment-related merchandise and expects that sales of water-absorption resins, etc. will increase in the U.S.

Operating income is forecast to be ¥4,000 million (down 16.5% year on year). In the Industrial Products Business, which is pursuing global expansion, the business environment of the Company is increasingly uncertain because the pressure to lower costs to gain an edge in global competition is strong amid the fierce business environment facing automobile manufacturers, our customers. Given that the impact of additional tariffs on auto parts from China imposed by the U.S. is also a concern, the Company expects that operating income will decline.

Ordinary income is forecast to be ¥4,200 million (down 20.3% 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.

Earnings attributable to owners of the parent is forecast to be ¥2,700 million (down 10.4% 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 earnings 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 strengthening our management structure and thereby bolstering our ability to generate 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 19 yen per share. Combined with the interim dividend of 18.50 yen per share already paid on June 9, 2020, this will bring the annual dividend to 37.50 yen per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥37.5 per share, an interim dividend ¥18.5 and a year-end dividend of ¥19, which is calculated based on a forecast consolidated earnings of ¥2,700 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 year ended September 30, 2019	Fiscal year ended September 30, 2020
Assets		
Current assets		
Cash and deposits	4,548,545	10,418,674
Notes and accounts receivable - trade	16,440,959	14,157,872
Electronic record receivables	1,038,506	955,911
Merchandise and finished goods	12,807,508	12,275,711
Work in process	9,567	6,421
Raw materials and supplies	2,944	3,071
Other	1,560,079	1,709,181
Allowance for doubtful accounts	(31,961)	(35,069)
Total current assets	36,376,150	39,491,774
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,556,203	2,598,034
Accumulated depreciation	(1,245,400)	(1,327,410)
Buildings and structures, net	1,310,802	1,270,623
Machinery, equipment and vehicles	447,189	601,102
Accumulated depreciation	(316,826)	(363,156)
Machinery, equipment and vehicles, net	130,362	237,946
Land	414,678	747,930
Other	700,322	693,433
Accumulated depreciation	(360,787)	(274,398)
Other, net	339,534	419,034
Total property, plant and equipment	2,195,378	2,675,535
Intangible assets		
Goodwill	269,804	723,329
Other	621,233	484,268
Total intangible assets	891,038	1,207,597
Investments and other assets		
Investment securities	3,261,750	2,974,820
Long-term loans receivable	3,507	—
Deferred tax assets	98,340	114,129
Other	905,957	769,852
Allowance for doubtful accounts	(876)	(3,001)
Total investments and other assets	4,268,678	3,855,800
Total non-current assets	7,355,095	7,738,934
Total assets	43,731,246	47,230,708

(Thousand yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,348,338	7,098,568
Short-term borrowings	1,189,283	4,369,188
Current portion of long-term borrowings	50,000	—
Accounts payable - other	414,407	543,348
Income taxes payable	1,103,870	816,975
Provision for bonuses	21,669	51,895
Other	2,100,753	1,979,775
Total current liabilities	13,228,323	14,859,752
Non-current liabilities		
Long-term borrowings	70,000	160,000
Deferred tax liabilities	104,865	79,686
Provision for retirement benefits for directors (and other officers)	—	41,507
Retirement benefit liability	847,580	893,025
Long-term deposits received	100,712	119,827
Other	36,299	38,430
Total non-current liabilities	1,159,458	1,332,477
Total liabilities	14,387,782	16,192,230
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	405,231	404,235
Retained earnings	27,113,375	29,058,414
Treasury shares	(181,115)	(176,221)
Total shareholders' equity	28,344,078	30,293,016
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	721,055	533,735
Foreign currency translation adjustment	(110,093)	(197,283)
Total accumulated other comprehensive income	610,961	336,451
Share acquisition rights	95,023	107,701
Non-controlling interests	293,400	301,309
Total net assets	29,343,463	31,038,478
Total liabilities and net assets	43,731,246	47,230,708

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

Consolidated statement of income

(Thousand yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net sales	83,230,247	76,087,314
Cost of goods sold	68,346,647	61,880,925
Gross income	14,883,600	14,206,389
Selling, general and administrative expenses		
Transportation costs	518,808	616,084
Storage costs	725,908	851,327
Remuneration, salaries and allowances	3,330,403	3,609,424
Retirement benefit expenses	122,514	128,573
Welfare expenses	572,293	582,079
Entertainment expenses	350,692	212,784
Travel and transportation expenses	609,411	324,066
Rent expenses on land and buildings	309,111	356,181
Depreciation	281,417	289,029
Amortization of goodwill	162,546	320,074
Other	2,028,639	2,125,139
Total selling, general and administrative expenses	9,011,747	9,414,765
Operating income	5,871,852	4,791,623
Non-operating income		
Interest income	11,699	22,013
Dividend income	76,838	82,222
Foreign exchange gains	106,402	322,383
Other	74,529	115,318
Total non-operating income	269,469	541,937
Non-operating expenses		
Interest expenses	23,029	20,096
Sales discounts	9,920	8,872
Other	32,642	32,817
Total non-operating expenses	65,591	61,786
Ordinary income	6,075,730	5,271,774
Extraordinary income		
Gain on sales of investment securities	686	1,463
Compensation income	17,641	—
Total extraordinary income	18,327	1,463
Extraordinary losses		
Impairment loss	—	127,818
Loss on valuation of investments in capital of subsidiaries and associates	—	255,447
Loss on disaster	30,551	—
Total extraordinary losses	30,551	383,265
Earnings for the year before income taxes	6,063,506	4,889,972
Income taxes - current	1,981,019	1,809,219
Income taxes - deferred	23,685	46,848
Total income taxes	2,004,704	1,856,067
Earnings for the year	4,058,801	3,033,904
Earnings for the year attributable to non-controlling interests	40,037	20,647
Earnings for the year attributable to owners of the parent	4,018,764	3,013,257

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Earnings for the year	4,058,801	3,033,904
Other comprehensive income		
Valuation difference on available-for-sale securities	(328,468)	(187,961)
Foreign currency translation adjustment	(184,991)	(87,192)
Total other comprehensive income	(513,459)	(275,154)
Comprehensive income	3,545,342	2,758,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,506,053	2,738,747
Comprehensive income attributable to non-controlling interests	39,288	20,002

(3) Consolidated statement of changes in equity
The Fiscal Year ended September 30, 2019

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	1,006,587	405,231	24,033,101	(180,813)	25,264,106
Changes during the year					
Dividends payment			(1,016,412)		(1,016,412)
Earnings for the year attributable to owners of the parent			4,018,764		4,018,764
Purchase of treasury shares				(302)	(302)
Disposal of treasury shares					—
Change in scope of consolidation			77,921		77,921
Net changes in items other than shareholders' equity					
Total changes during the year	—	—	3,080,274	(302)	3,079,971
Balance at end of year	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 year	1,048,774	104,439	1,153,214	72,911	266,176	26,756,409
Changes during the year						
Dividends payment						(1,016,412)
Earnings for the year attributable to owners of the parent						4,018,764
Purchase of treasury shares						(302)
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 the year	(327,719)	(214,533)	(542,253)	22,112	27,223	2,587,054
Balance at end of year	721,055	(110,093)	610,961	95,023	293,400	29,343,463

Th Fiscal Year ended September 30, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	1,006,587	405,231	27,113,375	(181,115)	28,344,078
Changes during the year					
Dividends payment			(1,059,540)		(1,059,540)
Earnings for the year attributable to owners of the parent			3,013,257		3,013,257
Purchase of treasury shares				(108)	(108)
Disposal of treasury shares		(996)		5,003	4,006
Change in scope of consolidation			(8,677)		(8,677)
Net changes in items other than shareholders' equity					
Total changes during the year	—	(996)	1,945,039	4,894	1,948,937
Balance at end of year	1,006,587	404,235	29,058,414	(176,221)	30,293,016

	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 year	721,055	(110,093)	610,961	95,023	293,400	29,343,463
Changes during the year						
Dividends payment						(1,059,540)
Earnings for the year attributable to owners of the parent						3,013,257
Purchase of treasury shares						(108)
Disposal of treasury shares						4,006
Change in scope of consolidation						(8,677)
Net changes in items other than shareholders' equity	(187,319)	(87,189)	(274,509)	12,677	7,908	(253,923)
Total changes during the year	(187,319)	(87,189)	(274,509)	12,677	7,908	1,695,014
Balance at end of year	533,735	(197,283)	336,451	107,701	301,309	31,038,478

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Cash flows from operating activities		
Earnings for the year before income taxes	6,063,506	4,889,972
Depreciation	352,423	383,464
Impairment loss	—	127,818
Amortization of goodwill	162,546	320,074
Share-based remuneration expenses	22,112	16,673
Increase (decrease) in allowance for doubtful accounts	(20,698)	333
Increase (decrease) in retirement benefit liability	82,372	17,270
Increase (decrease) in other provisions	(716)	43,215
Interest and dividend income	(88,537)	(104,235)
Interest expenses	23,029	20,096
Foreign exchange losses (gains)	34,627	30,770
Loss on valuation of investments in capital of subsidiaries and associates	—	255,447
Decrease (increase) in trade receivables	498,419	2,882,092
Decrease (increase) in inventories	(924,933)	788,961
Increase (decrease) in trade payables	46,851	(1,467,084)
Increase (decrease) in advances received	(108,883)	(115,167)
Decrease (increase) in advance payments - trade	509,514	(145,976)
Other	182,964	329,332
Subtotal	6,834,599	8,273,058
Interest and dividends received	87,550	104,793
Interest paid	(23,319)	(15,413)
Income taxes paid	(1,810,601)	(2,176,248)
Net cash provided by (used in) operating activities	5,088,229	6,186,189
Cash flows from investing activities		
Purchase of property, plant and equipment	(262,185)	(801,921)
Purchase of intangible assets	(92,713)	(16,143)
Purchase of investment securities	(24,265)	(20,928)
Proceeds from sales of investment securities	878	20,181
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,044,681)
Purchase of shares of subsidiaries and associates	(276,249)	(68,457)
Payments for investments in capital of subsidiaries and associates	(224,147)	—
Loan advances	(235,016)	(265,500)
Collection of loans receivable	51,509	46,498
Payments of leasehold and guarantee deposits	(10,144)	(56,950)
Proceeds from refund of leasehold and guarantee deposits	22,870	14,336
Other	(7,874)	4,536
Net cash provided by (used in) investing activities	(1,057,339)	(2,189,028)

(Thousand yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(942,114)	3,189,089
Proceeds from long-term borrowings	70,000	90,000
Repayments of long-term borrowings	(50,000)	(296,241)
Dividends paid	(1,016,412)	(1,059,540)
Dividends paid to non-controlling interests	(12,065)	(12,093)
Other	(7,199)	(77,209)
Net cash provided by (used in) financing activities	(1,957,791)	1,834,004
Effect of exchange rate change on cash and cash equivalents	(49,845)	(12,752)
Net increase (decrease) in cash and cash equivalents	2,023,252	5,818,413
Cash and cash equivalents at beginning of year	2,468,514	4,548,545
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	56,778	51,716
Cash and cash equivalents at end of year	4,548,545	10,418,674

(5) Notes to consolidated financial statements

(Notes related to going concern assumptions)

None

(Changes in presentation method)

(Consolidated statement of cash flows)

"Gain on sales of investment securities," which was included in cash flows from operating activities in the previous fiscal year, is presented in "Other" in the fiscal year under review because its amount has become immaterial. To reflect this change in the presentation method, the Company rearranged its financial statements for the previous fiscal year.

As a result, ¥686 thousand presented in "Gain on sales of investment securities" of "Cash flows from operating activities" in the consolidated statement of cash flows for the previous fiscal year has been reclassified into "Other."

(Additional information)

(Impact of COVID-19)

Amid restrictions on economic activities on an unprecedented scale in many countries due to the impact of COVID-19 (hereinafter the "Coronavirus Disease"), the Group also sees that its customers such as automobile manufacturers and material-related manufacturers are affected in the form of falling utilization rates and sluggish production activities. The Coronavirus Disease is an event that will have an extensive influence on corporate activities, and it is very difficult to predict how much it will spread in the future and when it will come to an end. Therefore, the Company makes an accounting estimate of the collectability of deferred tax assets, the impairment of non-current assets and the valuation of securities, etc. on the assumption that the impact will continue for a certain period in the next fiscal year based on information available to the Company as of the end of the fiscal year under review.

(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)

To reflect the financial results of reportable segments more appropriately, the Group reviewed the allocation standards for the amortization of goodwill in the fiscal year under review and has allocated it to each business segment.

Segment information for the previous fiscal year is prepared based on the calculation method after the change.

2. Methods for calculating sales, earnings (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. Earnings in each reportable segment is based on operating income (before the amortization of goodwill). Inter-segment revenues and transfers are based on prevailing market prices.

3. Segment Information

Fiscal year ended September 30, 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 income	1,577,540	4,019,630	880,469	6,477,640	65,040	6,542,680	(670,828)	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	19,536	–	162,546	–	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 ¥71,692 thousand is a foreign currency translation adjustment in relation to management accounting.
 - (2) An adjustment of segment income of -¥670,828 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥814,161 thousand and a foreign currency translation adjustment of ¥7,224 thousand in relation to management accounting.
3. Segment income has been adjusted to operating income 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 year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(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	30,508,912	27,205,136	18,227,944	75,941,993	114,546	76,056,540	30,774	76,087,314
Intersegment internal sales and transfers	2,172,552	337,463	1,593,714	4,103,730	36,716	4,140,447	(4,140,447)	–
Total	32,681,464	27,542,600	19,821,659	80,045,724	151,263	80,196,987	(4,109,673)	76,087,314
Segment income	1,353,892	3,333,592	839,502	5,526,987	72,868	5,599,856	(808,232)	4,791,623
Other items								
Depreciation	57,050	178,102	24,254	259,408	105,209	364,618	18,845	383,464
Amortization of goodwill	300,537	19,536	–	320,074	–	320,074	–	320,074

(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 ¥30,774 thousand is a foreign currency translation adjustment in relation to management accounting.
 - (2) An adjustment of segment income of -¥808,232 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥916,793 thousand and a foreign currency translation adjustment of -¥3,018 thousand in relation to management accounting.
3. Segment income has been adjusted to operating income 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 year ended September 30, 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.

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

1. Information by product/service

(Thousand yen)

	Rubber merchandise	Chemical merchandise	Machinery and environment-related merchandise	Industrial merchandise	Other	Total
Sales to external customers	16,192,349	24,998,061	6,089,819	26,382,274	2,424,810	76,087,314

2. Information by region

(1) Net sales

(Thousand yen)

Japan	U.S.	China	Other	Total
49,834,142	8,781,854	7,880,313	9,591,004	76,087,314

(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]

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

There are no applicable matters.

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Impairment loss	–	127,818	–	127,818	–	–	127,818

[Information on amortization of goodwill and unamortized balance by reporting segment]

Fiscal year ended September 30, 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)							
Amortization in current period	143,009	19,536	–	162,546	–	–	162,546
Balance at end of period	214,513	55,290	–	269,804	–	–	269,804

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
(Goodwill)							
Amortization in current period	300,537	19,536	–	320,074	–	–	320,074
Balance at end of period	690,895	32,433	–	723,329	–	–	723,329

(Notes) In the fiscal year under review, the Company posted goodwill of ¥757,004 thousand in the Chemicals segment as a result of acquiring shares of YPTECH Co., Ltd. and making it a consolidated subsidiary and posted goodwill of ¥19,914 thousand in the Chemicals segment as a result of making Azzurro Corporation Ltd. a consolidated subsidiary due to an increase in its significance.

In the Machinery & Industrial Products segment, the Company posted an impairment loss of ¥3,319 thousand.

[Information on gain on bargain purchase by reporting segment]

There are no applicable matters.

(Per share information)

(Yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net assets per share	1,011.31	1,069.41
Basic earnings per share	140.36	105.22
Diluted earnings per share	139.49	104.49

(Note) 1. The Company conducted a share split at a rate of two shares for each common share on February 1, 2020. Associated with this, net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the share split was conducted at the beginning of the previous fiscal year.

(Note) 2. The basis for calculating net assets per share is as follows.

Item	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Total net assets (thousand yen)	29,343,463	31,038,478
Amount deducted from total net assets (thousand yen)	388,424	409,010
(Of which stock acquisition rights) (thousand yen)	(95,023)	(107,701)
(Of which non-controlling interests) (thousand yen)	(293,400)	(301,309)
Net assets at end of year available for common stock (thousand yen)	28,955,039	30,629,467
Number of shares of common stock at end of year used for calculating net assets per share (thousand shares)	28,631	28,641

(Notes) 3. Earnings per share and diluted Earnings per share are calculated based on the following factors.

Item	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Basic earnings per share		
Earnings for the year attributable to owners of the parent (thousand yen)	4,018,764	3,013,257
Amount not attributable to common shareholders (thousand yen)	—	—
Earnings for the year attributable to owners of the parent related to common shares (thousand yen)	4,018,764	3,013,257
Average number of common shares outstanding during the fiscal year (thousand shares)	28,631	28,636
Diluted earnings per share		
Adjustment of earnings for the year attributable to owners of the parent (thousand yen)	—	—
Increase in the number of common shares (thousand shares)	180	201
(Of which stock acquisition rights) (thousand shares)	(180)	(201)
Outline of potential shares that are not included in the calculation of the diluted earnings per share because they do not have any diluting effects	—	—

(Significant subsequent events)

None