

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending September 30, 2021 [Japan GAAP]

February 5, 2021

Company name: Sanyo Trading Co., Ltd.

Listed on: Tokyo Stock Exchange 1st Section

Stock exchange code: 3176

URL <https://www.sanyo-trading.co.jp/>

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Filing of quarterly report (scheduled):

February 8, 2021

Start of distribution of dividends (scheduled):

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Supplementary documents of quarterly financial results:

No

Quarterly investors' meeting:

No

(Amounts have been rounded down to the nearest million yen.)

1. Consolidated Results for the First Quarter of the Fiscal Year Ending September 30, 2021 (October 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results (First Three Months)

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Earnings attributable to owners of parent	
Q1 ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2020	21,609	2.0	1,721	9.3	1,836	3.1	1,226	10.1
December 31, 2019	21,177	(5.9)	1,575	(12.2)	1,781	(2.2)	1,113	(7.1)

(Note) Comprehensive income:

Q1 ended December 31, 2020: 1,354 million yen (0.7% decrease)

Q1 ended December 31, 2019: 1,363 million yen (73.7% increase)

	Earnings per share (basic)	Earnings per share (diluted)
Q1 ended	Yen	Yen
December 31, 2020	42.81	42.51
December 31, 2019	38.88	38.62

(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
	Million yen	Million yen	%
As of December 31, 2020	49,095	31,744	63.8
As of September 30, 2020	47,230	31,038	64.9

(Reference) Total equity:

As of December 31, 2020:

31,337 million yen

As of September 30, 2020:

30,629 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Annual
	Yen	Yen	Yen	Yen	Yen
FYE September 2020	—	18.50	—	19.00	37.50
FYE September 2021	—				
FYE September 2021 (estimate)		18.50	—	19.00	37.50

(Note) 1. Revisions to the latest dividends forecast: No

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

(% = year-on-year change.)

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

(Note) 1. Revisions to the latest consolidated earnings forecast: No

2. 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 major subsidiaries during the first three-month period: No
(changes in specified subsidiaries accompanying changes in the scope of consolidation)
New – (Company name) , Excluding – (Company name)
- (2) Application of special accounting methods to the preparation of quarterly financial statements: Yes
(Note) For details, please refer to “2. Notes to Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Processes Specific to Preparation of Quarterly Consolidated Financial Statements)” on page 9 of the attached material.
- (3) Changes in accounting principles and accounting estimates, and restatement of prior period financial statements after error corrections.
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|--|------|
| (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 |
- (4) Number of shares issued and outstanding (common stock)
- | | |
|--|-------------------|
| (i) Number of shares issued and outstanding as of the fiscal period end (including treasury stock) | |
| As of December 31, 2020: | 29,007,708 shares |
| As of September 30, 2020: | 29,007,708 shares |
| (ii) Number of treasury stock as of the fiscal period end | |
| As of December 31, 2020: | 366,320 shares |
| As of September 30, 2020: | 366,320 shares |
| (iii) Average number of shares during the period (first three months) | |
| Q1 FYE September 2021: | 28,641,388 shares |
| Q1 FYE September 2021: | 28,631,031 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.

* These quarterly consolidated financial statements are not subject to quarterly review procedures by certified public accountants or an auditing firm.

* A Cautionary Note on Forward-Looking Statements

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational and the Company does not guarantee their achievement. 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 1. Qualitative Information on Quarterly Results (3) Explanation of Consolidated Earnings Forecasts and Other Future Predictions on page 4 of the attached material.

1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the first three months (September 30, 2020 to December 31, 2020) of the consolidated fiscal year ending September 30, 2021, the Japanese economy continued to face difficult conditions due to the effects of COVID-19 but showed signs of recovery, bolstered by the effects of various economic measures and improvement of overseas economies. However, the outlook is extremely uncertain, given factors such as the impact of the changeover of political power in the United States and the declaration of a second state of emergency in response to rising infections in Japan.

Under such conditions, consolidated results for the first three months under review were net sales of ¥21,609 million (up 2.0% year on year), operating income of ¥1,721 million (up 9.3%), ordinary income of ¥1,836 million (up 3.1%), and earnings attributable to owners of the parent of ¥1,226 million (up 10.1%).

Results for each business segment are described below.

Starting from the first quarter under review, YPTECH Co., Ltd., which was previously included in the Chemicals segment, is included in the Machinery & Industrial Products segment. Accordingly, in the year-on-year comparisons below, the figures for the first quarter of the previous year have been restated to reflect the new segment classification.

(i) Chemicals

With regard to rubber merchandise, both sales and income fell year on year, reflecting the slow pace of recovery in demand. As for chemical merchandise, sales decreased due to the transfer of livestock-related business. However, mainstay paint and ink-related businesses performed strongly and newly established SANYO LIFE MATERIAL CO., LTD. also contributed to earnings.

As a result, the Chemicals segment recorded net sales of ¥7,206 million (down 8.1% year on year) and operating income of ¥425 million (up 12.5%).

(ii) Machinery & Industrial Products

Merchandise related to industrial products performed solidly as a result of the resumption of production by Japanese automobile manufacturers. Merchandise related to machinery and the environment recorded a moderate performance, driven by consumables and maintenance services, in the absence of any large projects involving main units. COSMOS SHOJI CO., LTD. recorded strong sales of geothermal drilling equipment but its income fell short of level the previous year when large projects were recorded. YPTECH CO., LTD. saw strong sales and increased shipments of livestock feed additives but its income fell due to a combination of higher transport expenses overseas driven by container shortages and higher expenses associated with business transfer. In merchandise categorized as scientific equipment, sales increased reflecting the completion of receiving inspections delayed due to COVID-19 but income fell due to smaller profit margins. As a result, the Machinery & Industrial Products segment recorded net sales of ¥8,560 million (up 1.0% year on year) and operating income of ¥1,149 million (up 8.7% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, super absorbent resins, automobile merchandise and rubber merchandise performed strongly. Sanyo Trading (Shanghai) Co., Ltd. performed extremely strongly overall, with sharp growth in automobile merchandise driven by the rapid recovery of the automotive market offsetting a weak performance in rubber merchandise. Sanyo Trading Asia Co., Ltd. (Thailand) posted gains in sales and income thanks to solid performances in rubber, chemicals and automobile merchandise as well as lower SG&A expenses. Sun Phoenix Mexico, S.A. de C.V. achieved increased sales on the back on increased shipments of automobile merchandise but posted a year-on-year drop in operating income mainly due to higher logistics costs.

In addition, PT. Sanyo Trading Indonesia is included in the scope of consolidation starting from the current fiscal year.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥5,813 million (up 20.8% year on year) and operating income of ¥364 million (up 35.8% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased ¥1,585 million from the end of the previous fiscal year, to ¥41,077 million chiefly due to a significant rise in trade receivables because the last day of the period fell on a bank holiday, despite decreases in inventories and advances paid.

Non-current assets rose ¥279 million from the end of the previous fiscal year, to ¥8,018 million chiefly due to an increase in construction in progress associated with construction of a new plant.

Total assets at the end of the first quarter of the fiscal year under review stood at ¥49,095 million (an increase of ¥1,865 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities increased ¥1,019 million from the end of the previous fiscal year, to ¥15,879 million, mainly reflecting increases in trade payables and advances received despite a decrease in income taxes payable due to the payment of income taxes.

Non-current liabilities increased ¥139 million from the end of the previous fiscal year, to ¥1,472 million mainly due to increases in long-term borrowings and deferred tax liabilities.

Liabilities at the end of the first quarter of the fiscal year under review came to ¥17,351 million (an increase of ¥1,159 million from the end of the previous fiscal year).

(Net assets)

Retained earnings increased, reflecting earnings attributable to owners of the parent, and accumulated other comprehensive income also grew due to rises in valuation difference on available-for-sale securities and foreign currency translation adjustment.

Net assets at the end of the first quarter of the fiscal year under review stood at ¥31,744 million (an increase of ¥705 million from the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecasts and Other Future Predictions

The consolidated results forecasts for the fiscal year ending September 30, 2021 are unchanged from those announced on November 6, 2020.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousand yen)	
	Fiscal 2020 (As of September 30, 2020)	First quarter of fiscal 2021 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	10,418,674	10,554,851
Notes and accounts receivable - trade	14,157,872	16,162,363
Electronic record receivables	955,911	1,298,739
Merchandise and finished goods	12,275,711	11,662,951
Work in process	6,421	5,173
Raw materials and supplies	3,071	4,697
Other	1,709,181	1,439,572
Allowance for doubtful accounts	(35,069)	(50,652)
Total current assets	39,491,774	41,077,696
Non-current assets		
Property, plant and equipment	2,675,535	3,021,371
Intangible assets		
Goodwill	723,329	673,940
Other	484,268	445,938
Total intangible assets	1,207,597	1,119,879
Investments and other assets		
Investment securities	2,974,820	3,006,715
Other	883,982	873,092
Allowance for doubtful accounts	(3,001)	(2,935)
Total investments and other assets	3,855,800	3,876,871
Total non-current assets	7,738,934	8,018,122
Total assets	47,230,708	49,095,819

(Thousand yen)

	Fiscal 2020 (As of September 30, 2020)	First quarter of fiscal 2021 (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,098,568	7,956,419
Short-term borrowings	4,369,188	4,355,446
Current portion of long-term borrowings	—	5,010
Income taxes payable	816,975	625,274
Provisions	51,895	158,747
Other	2,523,123	2,778,605
Total current liabilities	14,859,752	15,879,502
Non-current liabilities		
Long-term borrowings	160,000	254,990
Provisions	41,507	42,598
Retirement benefit liability	893,025	895,199
Other	237,944	279,295
Total non-current liabilities	1,332,477	1,472,083
Total liabilities	16,192,230	17,351,586
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	404,235	404,235
Retained earnings	29,058,414	29,673,726
Treasury shares	(176,221)	(176,221)
Total shareholders' equity	30,293,016	30,908,327
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	533,735	587,889
Foreign currency translation adjustment	(197,283)	(158,657)
Total accumulated other comprehensive income	336,451	429,232
Share acquisition rights	107,701	107,701
Non-controlling interests	301,309	298,972
Total net assets	31,038,478	31,744,232
Total liabilities and net assets	47,230,708	49,095,819

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statement of income
(First three months)

	(Thousand yen)	
	Three-month period ended December 31, 2019 (from October 1, 2019 to December 31, 2019)	Three-month period ended December 31, 2020 (from October 1, 2020 to December 31, 2020)
Net sales	21,177,749	21,609,536
Cost of goods sold	17,065,180	17,478,660
Gross income	4,112,568	4,130,876
Selling, general and administrative expenses	2,537,527	2,409,258
Operating income	1,575,041	1,721,617
Non-operating income		
Interest income	4,297	6,251
Dividend income	24,256	23,406
Foreign exchange gains	183,279	86,916
Other	9,329	12,878
Total non-operating income	221,162	129,452
Non-operating expenses		
Interest expenses	5,564	6,929
Sales discounts	2,385	2,242
Other	7,125	5,145
Total non-operating expenses	15,074	14,318
Ordinary income	1,781,128	1,836,752
Extraordinary income		
Gain on sales of investment securities	–	15,514
Total extraordinary income	–	15,514
Earnings before income taxes	1,781,128	1,852,267
Income taxes	663,221	622,006
Earnings	1,117,907	1,230,260
Earnings attributable to non-controlling interests	4,667	4,074
Earnings attributable to owners of parent	1,113,240	1,226,186

Quarterly consolidated statement of comprehensive income
(First three months)

	(Thousand yen)	
	Three-month period ended December 31, 2019 (from October 1, 2019 to December 31, 2019)	Three-month period ended December 31, 2020 (from October 1, 2020 to December 31, 2020)
Earnings	1,117,907	1,230,260
Other comprehensive income		
Valuation difference on available-for-sale securities	127,883	54,043
Foreign currency translation adjustment	117,797	70,327
Total other comprehensive income	245,680	124,371
Comprehensive income	1,363,588	1,354,632
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,358,922	1,350,666
Comprehensive income attributable to non-controlling interests	4,666	3,965

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to going concern assumptions)

None

(Notes on significant fluctuations in shareholders' equity)

None

(Application of accounting processes specific to the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of deferred tax accounting on earnings before income taxes in the consolidated fiscal year including the first quarter under review, and multiplying earnings before income taxes by said estimated effective tax rate.

(Additional information)

(Impact of COVID-19)

There are no major changes in assumptions on the future spread of COVID-19, the timescale for its containment and other matters described in (Additional Information) (Effects of COVID-19 Pandemic) in the annual securities report for the previous consolidated fiscal year.

(Segment information, etc.)

[Segment information]

I. First three months of fiscal year ended September 30, 2020 (from October 1, 2019 to December 31, 2019)

1. Information related to net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statement of income (Note 3)
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total				
Net sales								
Sales to external customers	7,842,928	8,479,309	4,813,224	21,135,462	28,603	21,164,065	13,683	21,177,749
Intersegment internal sales and transfers	623,263	90,856	533,763	1,247,882	9,175	1,257,057	(1,257,057)	—
Total	8,466,191	8,570,165	5,346,987	22,383,345	37,778	22,421,123	(1,243,374)	21,177,749
Segment income	378,589	1,057,357	268,480	1,704,428	19,965	1,724,393	(149,352)	1,575,041

(Note) 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 ¥13,683 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment income of -¥149,352 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥192,587 thousand and a foreign currency translation adjustment of -¥23,813 thousand in relation to management accounting.

3. Segment income is reconciled with operating income in the quarterly consolidated financial statements.

2. Information on impairment loss in non-current assets and goodwill by reportable segment

(Significant changes in amount of goodwill)

During the first quarter under review, the Company made YPTECH Co., Ltd. into a consolidated subsidiary through the acquisition of shares, resulting in the recording of goodwill of ¥757,004 thousand in the Machinery & Industrial Products segment.

II. First three months of fiscal year ending September 30, 2021 (from October 1, 2020 to December 31, 2020)

1. Information related to net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statement of income (Note 3)
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total				
Net sales								
Sales to external customers	7,206,070	8,560,627	5,813,986	21,580,684	28,997	21,609,681	(144)	21,609,536
Intersegment internal sales and transfers	903,732	154,782	329,568	1,388,082	8,242	1,396,325	(1,396,325)	—
Total	8,109,803	8,715,409	6,143,554	22,968,766	37,239	23,006,006	(1,396,469)	21,609,536
Segment income (loss)	425,870	1,149,443	364,690	1,940,004	(35,373)	1,904,630	(183,012)	1,721,617

- (Note) 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 -¥144 thousand is a foreign currency translation adjustment in relation to management accounting.
 - (2) An adjustment of segment income (loss) of -¥183,012 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥189,809 thousand and a foreign currency translation adjustment of -¥4,347 thousand in relation to management accounting.
3. Segment income (loss) is reconciled with operating income in the quarterly consolidated financial statements.

2. Matters related to changes in reportable segments

Business related to YPTECH Co., Ltd., which was previously included in the Chemicals segment, is included in the Machinery & Industrial Products segment starting from the first quarter under review in light of changes in the classification of operations for management.

The segment information for the first three months of the previous fiscal year has been recalculated accordingly.

3. Information on impairment loss in non-current assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

During the first quarter under review, SANYO LIFE MATERIAL CO., LTD., which is a consolidated subsidiary of the Company, acquired NKS Corporation by way of absorption-type merger. As a result, goodwill increased ¥27,736 thousand in the “Chemical” segment.