

# Consolidated Financial Statements for the First Half of the Fiscal Year Ending September 30, 2021 <Japan GAAP>

May 11, 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): May 12, 2021  
 Start of distribution of dividends (scheduled): June 8, 2021  
 Supplementary documents of quarterly financial results: Yes  
 Quarterly investors' meeting: Yes (for institutional investors and analysts)

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

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

## (1) Consolidated Operating Results (First Six Months)

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Earnings attributable to owners of parent	
1st half ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	45,525	11.1	3,634	23.3	4,018	26.2	2,667	26.1
March 31, 2020	40,977	(5.4)	2,947	(14.6)	3,184	(12.2)	2,114	(13.7)

(Note) Comprehensive income: 1st half ended March 31, 2021: 3,296 million yen (92.2% increase)  
 1st half ended March 31, 2020: 1,715 million yen (-19.2% decrease)

	Earnings per share (basic)		Earnings per share (diluted)	
1st half ended	Yen		Yen	
March 31, 2021	93.12		92.45	
March 31, 2020	73.87		73.36	

(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	
As of	Million yen		Million yen		%	
March 31, 2021	51,117		33,708		65.1	
March 31, 2020	47,230		31,038		64.9	

(Reference) Total equity: As of March 31, 2021: 33,277 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	—	19.00			
FYE September 2021 (estimate)			—	19.00	38.00

(Note) Revisions to the latest dividends forecast: Yes

## 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 for the year attributable to owners of the parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full fiscal year	88,000	15.7	6,000	25.2	6,300	19.5	4,200	39.4	146.59	

(Note) Revisions to the latest consolidated earnings forecast: Yes

For details, please refer to "Notice of Revision of Full-year Earnings Forecasts and Dividends of Surplus (Interim Dividend and Dividend Increase)" released today (May 11, 2021).

\* Notes

- (1) Changes in major subsidiaries during the first-six month period: None  
(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 (4) 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.
- |  |      |
|--|------|
| (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 March 31, 2021:  | 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 March 31, 2021:  | 351,920 shares    |
| As of September 30, 2020:  | 366,320 shares    |
| (iii) Average number of shares during the period (first six months)                                |                   |
| H1, FYE ending Sep. 2021:  | 28,647,042 shares |
| H1, FYE ended Sep. 2020:   | 28,631,918 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 3 of the attached material.

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of Operating Results

During the first six months (September 30, 2020, to March 31, 2021) 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 economic measures and improvements in overseas economies.

However, concerns remain over the further spread and prolonged impact of the pandemic suggested particularly by the declaration of a state of emergency for the third time in April, covering four prefectures, resulting in continued uncertainty about the future.

Under such conditions, consolidated results for the first six months under review were net sales of ¥45,525 million (up 11.1% year on year), operating income of ¥3,634 million (up 23.3% year on year), ordinary income of ¥4,018 million (up 26.2% year on year), and earnings attributable to owners of the parent of ¥2,667 million (up 26.1% year on year).

Results for each business segment are described below.

Starting in the first quarter of the fiscal year 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 six months of the previous year have been restated to reflect the new segment classification.

#### (i) Chemicals

Demand for rubber merchandise used for automobiles, office automation, medical equipment, and construction equipment recovered. Sales of a new product, functional filler for heat radiation of electronics, were strong. Among chemical-related products, sales of raw materials for UV ink such as polymerization initiators, the mainstay product, remained strong. Exports of electronic materials to South Korea and films to North America recovered.

As a result, the segment recorded net sales of ¥15,353 million (up 0.5% year on year) and operating income of ¥922 million (up 26.4% year on year).

#### (ii) Machinery & Industrial Products

As for merchandise related to industrial products, demand for materials around seats, the Company's mainstay products, grew significantly given continuously high production levels at Japanese automakers. As regards merchandise related to machinery and the environment, delivery of the mainstay product, feed granulators, increased and the levels of consumable components and maintenance service remained high. The woody biomass business enjoyed steady sales from consumables and maintenance service despite the absence of sales of main unit products. In merchandise categorized as scientific equipment, delivery that had been delayed by COVID-19 was completed and demand for inhalant evaluators related to COVID-19 infection control was active.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥17,569 million (up 3.4% year on year) and operating income of ¥2,373 million (up 15.5% year on year).

#### (iii) Overseas Subsidiaries

At Sanyo Corporation of America, sales of super absorbent resins and rubber merchandise remained strong, although this was offset by additional tariffs on auto parts made in China and an increase in SGA expenses, resulting in a slight decrease in operating income. The overall performance of Sanyo Trading (Shanghai) Co., Ltd. was very strong thanks to successful growth in sales of auto parts driven by the rapid recovery of the automotive market. Sanyo Trading Asia Co., Ltd. (Thailand) posted gains in sales and income thanks mainly to stable sales of rubber products, in addition to chemicals, and auto parts. At Sanyo Trading (Viet Nam) Co., Ltd., sales of paint and ink products were strong. At Sun Phoenix Mexico, S.A. de C.V., sales rose but income fell due to a surge in expenses for marine transportation from China despite strong sales of automobile merchandise. 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 ¥12,549 million (up 45.6% year on year) and operating income of ¥714 million (up 39.6% year on year).

## (2) Explanation of Financial Position

### (Assets)

Current assets increased ¥3,331 million from the end of the previous fiscal year, to ¥42,823 million chiefly, reflecting a significant rise in trade receivables such as accounts receivable - trade and electronic record receivables despite a fall in cash and deposits.

Non-current assets rose ¥555 million from the end of the previous fiscal year, to ¥8,294 million largely due to an increase in construction in progress associated with construction of a new plant and an increase in the valuation of shares held thanks to stock price appreciation.

Total assets at the end of the first half of the fiscal year under review stood at ¥51,117 million (an increase of ¥3,886 million from the end of the previous fiscal year).

### (Liabilities)

Current liabilities increased ¥951 million from the end of the previous fiscal year, to ¥15,811 million, mainly reflecting increases in trade payables and advances received despite a decrease in short-term borrowings through the repayment of bank borrowings.

Non-current liabilities increased ¥264 million from the end of the previous fiscal year, to ¥1,597 million, mainly due to an increase in deferred tax liabilities caused by posting valuation differences in investment securities.

Liabilities at the end of the first half of the fiscal year under review came to ¥17,408 million (an increase of ¥1,216 million from the end of the previous fiscal year).

### (Net assets)

Shareholders' equity 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 half of the fiscal year under review stood at ¥33,708 million (an increase of ¥2,670 million from the end of the previous fiscal year).

### (Consolidated cash flows)

Cash and cash equivalents at the end of the first half of the fiscal year under review have decreased ¥769 million from the end of the previous fiscal year, to ¥9,648 million.

#### (i) Cash flow from operating activities

Net cash provided by operating activities totaled ¥2,565 million (down ¥975 million year on year). This was attributable primarily to posting of earnings before income taxes and an increase in trade payables despite an increase in trade receivables and payment of Income taxes.

#### (ii) Cash flows from investing activities

Net cash used in investing activities came to ¥695 million (up ¥1,077 million year on year). This was chiefly due to cash outflows such as the payment of plant construction expenses and the acquisition of shares of non-consolidated subsidiaries.

#### (iii) Cash flows from financing activities

Net cash used in financing activities totaled ¥2,841 million (down ¥1,875 million year on year). This was a result primarily of repayment of short-term borrowings and dividend payment by the parent company.

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

The full-year consolidated earnings forecasts for the fiscal year ending September 30, 2021, have been revised from the forecasts announced in the release, "Consolidated Financial Statements for the Fiscal Year Ended September 30, 2020 [Japan GAAP]," dated November 6, 2020. For details, please refer to "Notice of Revision of Full-year Earnings Forecasts and Dividends of Surplus (Interim Dividend and Dividend Increase)" released today (May 11, 2021).

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Fiscal 2020 (As of September 30, 2020)	First half of Fiscal 2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	10,418,674	9,648,853
Notes and accounts receivable - trade	14,157,872	17,725,584
Electronic record receivables	955,911	1,360,929
Merchandise and finished goods	12,275,711	12,519,019
Work in process	6,421	758
Raw materials and supplies	3,071	3,792
Other	1,709,181	1,611,608
Allowance for doubtful accounts	(35,069)	(47,365)
Total current assets	39,491,774	42,823,181
Non-current assets		
Property, plant and equipment	2,675,535	3,030,993
Intangible assets		
Goodwill	723,329	593,021
Other	484,268	409,381
Total intangible assets	1,207,597	1,002,402
Investments and other assets		
Investment securities	2,974,820	3,354,448
Other	883,982	909,389
Allowance for doubtful accounts	(3,001)	(3,142)
Total investments and other assets	3,855,800	4,260,695
Total non-current assets	7,738,934	8,294,092
Total assets	47,230,708	51,117,273

(Thousand yen)

	Fiscal 2020 (As of September 30, 2020)	First half of Fiscal 2021 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,098,568	9,530,877
Short-term borrowings	4,369,188	2,086,651
Current portion of long-term borrowings	—	10,020
Income taxes payable	816,975	1,090,465
Provisions	51,895	314,085
Other	2,523,123	2,779,274
Total current liabilities	14,859,752	15,811,375
Non-current liabilities		
Long-term borrowings	160,000	249,980
Provisions	41,507	43,774
Retirement benefit liability	893,025	889,197
Other	237,944	414,343
Total non-current liabilities	1,332,477	1,597,295
Total liabilities	16,192,230	17,408,670
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	404,235	403,427
Retained earnings	29,058,414	31,115,191
Treasury shares	(176,221)	(169,294)
Total shareholders' equity	30,293,016	32,355,912
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	533,735	835,249
Foreign currency translation adjustment	(197,283)	86,133
Total accumulated other comprehensive income	336,451	921,382
Share acquisition rights	107,701	124,472
Non-controlling interests	301,309	306,834
Total net assets	31,038,478	33,708,602
Total liabilities and net assets	47,230,708	51,117,273

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly consolidated statement of income  
(First six months)

(Thousand yen)

	First six month period ended March 31, 2020 (from October 1, 2019 to March 31, 2020)	First six month period ended March 31, 2021 (from October 1, 2020 to March 31, 2021)
Net sales	40,977,325	45,525,943
Cost of goods sold	33,220,108	37,062,929
Gross income	7,757,217	8,463,013
Selling, general and administrative expenses	4,809,482	4,828,215
Operating income	2,947,734	3,634,798
Non-operating income		
Interest income	7,576	9,981
Dividend income	34,879	35,359
Foreign exchange gains	182,535	335,809
Other	46,359	36,529
Total non-operating income	271,351	417,679
Non-operating expenses		
Interest expenses	11,095	10,905
Sales discounts	4,637	4,610
Loss on valuation of investment securities	—	9,889
Other	18,848	8,641
Total non-operating expenses	34,582	34,046
Ordinary income	3,184,503	4,018,431
Extraordinary income		
Gain on sales of investment securities	—	15,514
Total extraordinary income	—	15,514
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and associates	—	164,982
Total extraordinary losses	—	164,982
Earnings before income taxes	3,184,503	3,868,963
Income taxes	1,060,145	1,189,580
Earnings	2,124,358	2,679,382
Earnings attributable to non-controlling interests	9,368	11,730
Earnings attributable to owners of parent	2,114,990	2,667,652



Quarterly consolidated statement of comprehensive income  
(First six months)

	(Thousand yen)	
	First six month period ended March 31, 2020 (from October 1, 2019 to March 31, 2020)	First six month period ended March 31, 2021 (from October 1, 2020 to March 31, 2021)
Earnings	2,124,358	2,679,382
Other comprehensive income		
Valuation difference on available-for-sale securities	(338,320)	301,608
Foreign currency translation adjustment	(70,657)	315,120
Total other comprehensive income	(408,977)	616,729
Comprehensive income	1,715,380	3,296,111
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,707,346	3,284,283
Comprehensive income attributable to non-controlling interests	8,034	11,828

## (3) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	First six month period ended March 31, 2020 (from October 1, 2019 to March 31, 2020)	First six month period ended March 31, 2021 (from October 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Earnings before income taxes	3,184,503	3,868,963
Depreciation	189,242	173,493
Amortization of goodwill	160,037	161,838
Share-based remuneration expenses	16,673	22,876
Increase (decrease) in allowance for doubtful accounts	(5,538)	12,098
Increase (decrease) in retirement benefit liability	(25,157)	(4,505)
Increase (decrease) in other provisions	254,193	261,773
Interest and dividend income	(42,455)	(45,340)
Interest expenses	11,095	10,905
Foreign exchange losses (gains)	33,843	(41,297)
Loss on sales of investments in capital of subsidiaries and associates	—	164,982
Decrease (increase) in trade receivables	189,375	(3,619,266)
Decrease (increase) in inventories	1,371,313	147,948
Increase (decrease) in trade payables	(362,856)	2,225,141
Increase (decrease) in advances received	(362,601)	485,519
Decrease (increase) in advance payments - trade	164,121	259,135
Other	(99,148)	(645,913)
Subtotal	4,676,642	3,438,352
Interest and dividends received	42,162	45,331
Interest paid	(11,254)	(16,242)
Income taxes paid	(1,166,740)	(901,897)
Net cash provided by (used in) operating activities	3,540,810	2,565,545
Cash flows from investing activities		
Purchase of property, plant and equipment	(390,409)	(444,859)
Purchase of intangible assets	(2,367)	(4,554)
Purchase of investment securities	(10,500)	(6,955)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,044,681)	—
Purchase of shares of subsidiaries and associates	(68,457)	(180,485)
Loss on sales of investments in capital of subsidiaries and associates	—	(17,851)
Loan advances	(233,960)	(180,000)
Collection of loans receivable	14,502	110,369
Other	(37,308)	29,096
Net cash provided by (used in) investing activities	(1,773,182)	(695,241)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(103,487)	(2,388,029)
Proceeds from long-term borrowings	—	100,000
Repayments of long-term borrowings	(246,241)	—
Dividends paid	(529,674)	(544,186)
Dividends paid to non-controlling interests	(12,093)	(6,302)
Other	(73,692)	(2,524)
Net cash provided by (used in) financing activities	(965,189)	(2,841,043)
Effect of exchange rate change on cash and cash equivalents	(7,562)	104,258
Net increase (decrease) in cash and cash equivalents	794,876	(866,480)
Cash and cash equivalents at beginning of year	4,548,545	10,418,674
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	51,716	16,878
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	79,780
Cash and cash equivalents at end of quarter	5,395,137	9,648,853

(4) 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 six months 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 six months of fiscal year ended September 30, 2020 (from October 1, 2019, to March 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	15,274,036	16,999,331	8,618,946	40,892,314	56,658	40,948,972	28,352	40,977,325
Intersegment internal sales and transfers	1,253,449	163,665	945,082	2,362,197	18,355	2,380,553	(2,380,553)	—
Total	16,527,485	17,162,996	9,564,029	43,254,511	75,013	43,329,525	(2,352,200)	40,977,325
Segment income	729,373	2,054,586	511,696	3,295,655	39,502	3,335,158	(387,424)	2,947,734

(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 ¥28,352 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment income of -¥387,424 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥415,773 thousand and a foreign currency translation adjustment of ¥3,027 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 of the fiscal year 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 six months of fiscal year ending September 30, 2021 (from October 1, 2020, to March 31, 2021)

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	15,353,645	17,569,898	12,549,991	45,473,535	57,354	45,530,890	(4,946)	45,525,943
Intersegment internal sales and transfers	1,765,499	327,044	777,586	2,870,131	16,484	2,886,615	(2,886,615)	—
Total	17,119,145	17,896,943	13,327,577	48,343,667	73,838	48,417,505	(2,891,562)	45,525,943
Segment income (loss)	922,203	2,373,777	714,336	4,010,316	(32,278)	3,978,038	(343,239)	3,634,798

(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 -¥4,946 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment income (loss) of -¥343,239 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥415,724 thousand and a foreign currency translation adjustment of -¥50,610 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 in the first quarter of the fiscal year under review in light of changes in the classification of operations for management.

The segment information for the first six 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 amount of goodwill)

During the first quarter of the fiscal year 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.