

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

August 6, 2021

Company name: Sanyo Trading Co., Ltd. Listed on: Tokyo Stock Exchange 1st Section
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Filing of quarterly report (scheduled): August 10, 2021
 Start of distribution of dividends (scheduled): –
 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 Three Quarters of the Fiscal Year Ending September 30, 2021 (October 1, 2020 to June 30, 2021)

(1) Consolidated Operating Results (First Nine Months)

(% = year-on-year change)

	Net sales		Operating income		Ordinary income		Earnings attributable to owners of parent	
Three quarters ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2021	68,425	19.3	5,083	33.0	5,628	33.8	3,791	38.3
June 30, 2020	57,372	(10.5)	3,821	(22.0)	4,205	(17.5)	2,741	(20.3)

(Note) Comprehensive income: Three quarters ended June 30, 2021: 4,387 million yen (75.6% increase)
 Three quarters ended June 30, 2020: 2,498 million yen (14.7% decrease)

	Earnings per share (basic)	Earnings per share (diluted)
Three quarters ended	Yen	Yen
June 30, 2021	132.31	131.34
June 30, 2020	95.74	95.08

(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	%
June 30, 2021	50,087	34,194	67.4
September 30, 2020	47,230	31,038	64.9

(Reference) Total equity: As of June 30, 2021: 33,760 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: 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.)

	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: No

* Notes

- (1) Changes in major subsidiaries during the first nine-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. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Application of accounting processes specific to the preparation of quarterly consolidated financial statements)” on page 8 of the attached report.
- (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 June 30, 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 June 30, 2021: | 338,320 shares |
| As of September 30, 2020: | 366,320 shares |
| (iii) Average number of shares during the period (first nine months) | |
| First 3Qs, FYE ending Sep. 2021: | 28,653,138 shares |
| First 3Qs, FYE ended Sep. 2020: | 28,635,063 shares |

The Company conducted a two-for-one share split on February 1, 2020. “Number of shares issued and outstanding,” “Number of treasury stock” and “Average number of shares 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 report.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the first nine months (September 30, 2020 to June 30, 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 a recovery bolstered by the acceleration of the vaccination campaign and improvements in the overseas economy. However, the spread of COVID-19 variants led to a resurgence of cases in July and the areas subject to a state of emergency were expanded to six prefectures. The end of the pandemic is not in sight and the economic outlook remains uncertain.

Under such conditions, consolidated results for the first nine months under review were net sales of ¥68,425 million (up 19.3% year on year), operating income of ¥5,083 million (up 33.0%), ordinary income of ¥5,628 million (up 33.8%), and earnings attributable to owners of parent of ¥3,791 million (up 38.3%).

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 nine months of the previous year have been restated to reflect the new segment classification.

(i) Chemicals

Rubber merchandise attained healthy sales as demand for raw materials expanded not only for automobile applications but for all industrial applications, although the tight demand-supply situation and price increases intensified. Among chemical-related products, imported sales of mainstay raw materials for UV inks were strong, as were exports of electronic materials to South Korea and films to North America. Following the end of goodwill depreciation related to the acquisition of Sort Co., Ltd. in 2016, the depreciation burden decreased.

As a result, the Chemicals segment recorded net sales of ¥23,565 million (up 8.2% year on year) and operating income of ¥1,514 million (up 45.7% year on year).

(ii) Machinery & Industrial Products

With respect to merchandise related to industrial products, concerns about production adjustments due to a shortage of semiconductors eased, and strong sales were attained in mainstay materials around seats. As regards merchandise related to machinery and the environment, the large-scale biomass project in Tobetsu-cho in Hokkaido came into being. In association with powder, consumables and maintenance services earned brisk sales. Among the merchandise related to scientific equipment, particle dispersion testers and weathering testers attained steady sales.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥26,016 million (up 15.2% year on year) and operating income of ¥3,364 million (up 29.1% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, sales of super absorbent resins and rubber merchandise remained strong. Nonetheless, additional tariffs on auto parts made in China and an increase in SGA expenses resulted in a slight increase 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 ¥18,731 million (up 45.4% year on year) and operating income of ¥932 million (up 38.0% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased ¥2,431 million from the end of the previous fiscal year to ¥41,923 million chiefly, reflecting a rise in trade receivables such as accounts receivable - trade and electronic record receivables as well as merchandise and finished goods despite a fall in cash and deposits.

Non-current assets rose ¥425 million from the end of the previous fiscal year to ¥8,164 million, following growth in buildings and structures after completion of the Minami-Hatogaya Plant despite a decrease due to depreciation and sales of large machinery for lease.

Total assets at the end of the third quarter of the fiscal year under review stood at ¥50,087 million (an increase of ¥2,856 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities decreased ¥577 million from the end of the previous fiscal year to ¥14,282 million, resulting from progress in repayment of bank borrowings despite growth of trade payables.

Non-current liabilities increased ¥278 million from the end of the previous fiscal year to ¥1,610 million, due chiefly to an increase in long-term borrowings and a rise in deferred tax liabilities caused by the posting of valuation differences in investment securities.

Liabilities at the end of the third quarter of the fiscal year under review came to ¥15,893 million (a decrease of ¥298 million from the end of the previous fiscal year).

(Net assets)

Shareholders' equity increased, reflecting earnings attributable to owners of 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 third quarter of the fiscal year under review stood at ¥34,194 million (an increase of ¥3,155 million from the end of the previous fiscal year).

(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 not been changed from those announced on 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 three quarters of fiscal 2021 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	10,418,674	8,926,682
Notes and accounts receivable - trade	14,157,872	16,520,768
Electronic record receivables	955,911	1,322,155
Merchandise and finished goods	12,275,711	13,468,278
Work in process	6,421	3,547
Raw materials and supplies	3,071	4,193
Other	1,709,181	1,724,818
Allowance for doubtful accounts	(35,069)	(47,002)
Total current assets	39,491,774	41,923,442
Non-current assets		
Property, plant and equipment	2,675,535	3,128,810
Intangible assets		
Goodwill	723,329	557,962
Other	484,268	374,139
Total intangible assets	1,207,597	932,102
Investments and other assets		
Investment securities	2,974,820	3,131,777
Other	883,982	974,481
Allowance for doubtful accounts	(3,001)	(3,138)
Total investments and other assets	3,855,800	4,103,120
Total non-current assets	7,738,934	8,164,032
Total assets	47,230,708	50,087,475

(Thousand yen)

	Fiscal 2020 (As of September 30, 2020)	First three quarters of fiscal 2021 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,098,568	9,183,380
Short-term borrowings	4,369,188	1,942,164
Current portion of long-term borrowings	—	15,030
Income taxes payable	816,975	732,902
Provisions	51,895	518,202
Other	2,523,123	1,891,018
Total current liabilities	14,859,752	14,282,698
Non-current liabilities		
Long-term borrowings	160,000	244,970
Provisions	41,507	44,920
Retirement benefit liability	893,025	931,519
Other	237,944	389,325
Total non-current liabilities	1,332,477	1,610,735
Total liabilities	16,192,230	15,893,433
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	404,235	403,551
Retained earnings	29,058,414	31,632,257
Treasury shares	(176,221)	(162,751)
Total shareholders' equity	30,293,016	32,879,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	533,735	803,990
Foreign currency translation adjustment	(197,283)	77,037
Total accumulated other comprehensive income	336,451	881,027
Share acquisition rights	107,701	117,819
Non-controlling interests	301,309	315,550
Total net assets	31,038,478	34,194,041
Total liabilities and net assets	47,230,708	50,087,475

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

(Thousand yen)

	First nine month period ended June 30, 2020 (from October 1, 2019 to June 30, 2020)	First nine month period ended June 30, 2021 (from October 1, 2020 to June 30, 2021)
Net sales	57,372,809	68,425,583
Cost of goods sold	46,538,365	56,003,093
Gross income	10,834,443	12,422,489
Selling, general and administrative expenses	7,012,547	7,338,709
Operating income	3,821,895	5,083,779
Non-operating income		
Interest income	19,043	12,765
Dividend income	66,169	68,310
Foreign exchange gains	272,719	446,690
Other	67,613	61,853
Total non-operating income	425,546	589,619
Non-operating expenses		
Interest expenses	13,426	12,994
Sales discounts	6,871	7,110
Loss on valuation of investment securities	—	9,889
Other	21,858	14,975
Total non-operating expenses	42,157	44,969
Ordinary income	4,205,284	5,628,430
Extraordinary income		
Gain on sales of investment securities	—	15,514
Gain on sales of non-current assets	—	19,578
Surrender value of insurance policies	—	18,742
Total extraordinary income	—	53,835
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and associates	—	165,414
Total extraordinary losses	—	165,414
Earnings before income taxes	4,205,284	5,516,851
Income taxes	1,446,051	1,705,229
Earnings	2,759,233	3,811,621
Earnings attributable to non-controlling interests	17,695	20,480
Earnings attributable to owners of parent	2,741,537	3,791,140

Quarterly consolidated statement of comprehensive income
(First nine months)

	(Thousand yen)	
	First nine month period ended June 30, 2020 (from October 1, 2019 to June 30, 2020)	First nine month period ended June 30, 2021 (from October 1, 2020 to June 30, 2021)
Earnings	2,759,233	3,811,621
Other comprehensive income		
Valuation difference on available-for-sale securities	(224,423)	270,315
Foreign currency translation adjustment	(36,537)	306,022
Total other comprehensive income	(260,961)	576,338
Comprehensive income	2,498,271	4,387,960
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,481,707	4,367,416
Comprehensive income attributable to non-controlling interests	16,564	20,543

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

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 nine 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 nine months of fiscal year ended September 30, 2020 (from October 1, 2019 to June 30, 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	21,786,722	22,588,271	12,882,048	57,257,042	85,695	57,342,737	30,071	57,372,809
Intersegment internal sales and transfers	1,784,354	233,119	1,362,746	3,380,219	27,535	3,407,755	(3,407,755)	—
Total	23,571,076	22,821,391	14,244,794	60,637,261	113,231	60,750,493	(3,377,684)	57,372,809
Segment income	1,039,468	2,605,587	675,757	4,320,813	57,974	4,378,788	(556,892)	3,821,895

(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 ¥30,071 thousand is a foreign currency translation adjustment in relation to management accounting.

(2) An adjustment of segment income of -¥556,892 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥595,639 thousand and a foreign currency translation adjustment of -¥15,596 thousand in relation to management accounting.

3. Segment income is reconciled with operating income in the quarterly consolidated statement of income.

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 nine months of fiscal year ending September 30, 2021 (from October 1, 2020 to June 30, 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	23,565,985	26,016,027	18,731,695	68,313,707	91,063	68,404,770	20,812	68,425,583
Intersegment internal sales and transfers	2,693,080	475,581	1,137,665	4,306,327	24,726	4,331,054	(4,331,054)	—
Total	26,259,065	26,491,608	19,869,360	72,620,035	115,789	72,735,825	(4,310,242)	68,425,583
Segment income (loss)	1,514,197	3,364,195	932,652	5,811,046	(50,970)	5,760,075	(676,295)	5,083,779

(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 ¥20,812 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment income (loss) of ¥676,295 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of ¥666,170 thousand and a foreign currency translation adjustment of ¥127,962 thousand in relation to management accounting.

3. Segment income (loss) is reconciled with operating income in the quarterly consolidated statement of income.

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 nine 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 Chemicals segment.

During the third quarter of the fiscal year under review, the Company carried out an absorption-type merger of Global Trading Co., Ltd., which had been a non-consolidated subsidiary of the Company. As a result, goodwill increased ¥10,681 thousand in the Chemicals segment.