

Consolidated Financial Statements for the Fiscal Year Ended September 30, 2021 [Japan GAAP]

November 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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 Annual general meeting of stockholders (scheduled): December 22, 2021
 Start of distribution of dividends (scheduled): December 2, 2021
 Filing of securities report (scheduled): December 22, 2021
 Supplementary documents of quarterly financial results: Yes
 Investors' meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the Fiscal Year Ended September 30, 2021 (October 1, 2020 to September 30, 2021)

(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 2021	89,788	18.0	5,506	14.9	6,190	17.4	4,256	41.3
FYE September 2020	76,087	(8.6)	4,791	(18.4)	5,271	(13.2)	3,013	(25.0)

(Note) Comprehensive income: FYE September 2021: 4,919 million yen (78.3%)
 FYE September 2020: 2,758 million yen (-22.2%)

	Earnings per share (basic)	Earnings per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	Yen	Yen	%	%	%
FYE September 2021	148.52	147.44	13.1	12.6	6.1
FYE September 2020	105.22	104.49	10.1	11.6	6.3

(Reference) Equity in earnings of affiliates: FYE September 2021: – million yen
 FYE September 2020: – 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
As of September 2021	50,834	34,725	67.5	1,195.18
As of September 2020	47,230	31,038	64.9	1,069.41

(Reference) Total equity: As of September 2021: 34,292 million yen
 As of September 2020: 30,629 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Million yen	Million yen	Million yen	Million yen
FYE September 2021	2,253	(1,009)	(3,301)	8,663
FYE September 2020	6,186	(2,189)	1,834	10,418

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 2020	–	18.50	–	19.00	37.50	1,074	35.6	3.6
FYE September 2021	–	19.00	–	20.00	39.00	1,118	26.3	3.4
FYE September 2022 (estimate)	–	19.00	–	20.00	39.00		26.6	

(Note) The Company conducted a two-for-one share split on February 1, 2020.

3. Forecast of Consolidated Results for the Fiscal Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

(% = 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	94,000	4.7	5,800	5.3	6,300	1.8	4,200 (1.3)	146.38

(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)

As of September 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 September 30, 2021: 315,120 shares

As of September 30, 2020: 366,320 shares

(iii) Average number of shares during the period

FYE ended Sep. 2021: 28,660,157 shares

FYE ended Sep. 2020: 28,636,653 shares

The Company conducted a two-for-one share split on February 1, 2020. “Number of shares issued and outstanding as of the fiscal period end,” “Number of treasury stock as of the fiscal period end” 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.

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended September 30, 2021 (October 1, 2020 to September 30, 2021)

(1) Non-Consolidated Operating Results

(% = year-on-year change.)

	Net sales		Operating income		Ordinary income		Earnings for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE September 2021	58,550	11.8	3,731	9.5	4,909	14.9	3,526	48.4
FYE September 2020	52,349	(14.5)	3,406	(21.0)	4,272	(14.3)	2,376	(31.3)

	Earnings per share (basic)	Earnings per share (diluted)
	Yen	Yen
FYE September 2021	123.05	122.16
FYE September 2020	82.99	82.41

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 2021	41,396	29,080	70.0	1,009.65
As of September 2020	39,853	26,262	65.6	913.17

(Reference) Total equity: As of September 2021: 28,969 million yen
As of September 2020: 26,154 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. Business Performance, Etc. on page 4 of this document.

○ Table of Contents of Attached Report

1. Business Performance, Etc.	2
(1) Review of business performance	2
(2) Review of financial position.....	3
(3) Review of cash flows.....	3
(4) Outlook	4
(5) Basic policy for dividends and dividends for the fiscal year under review and the next fiscal year	5
2. Basic Approach to Selection of Accounting Standards.....	5
3. Consolidated Financial Statements and Major Notes	6
(1) Consolidated balance sheet.....	6
(2) Consolidated statement of income and consolidated statement of comprehensive income	8
(3) Consolidated statement of changes in equity.....	10
(4) Consolidated statement of cash flows	12
(5) Notes to consolidated financial statements.....	14
(Notes related to the going concern assumption).....	14
(Changes in presentation method)	14
(Segment information, etc.).....	14
(Per share information)	18
(Significant subsequent events).....	18

1. Business Performance, Etc.

(1) Review of business performance

In the fiscal year under review, the Japanese economy continued to face difficult conditions due to the effects of COVID-19. However, there were signs of improvement, including the lifting of a state of emergency at the end of September in response to a rising vaccination rate and a falling number of newly infected persons.

Meanwhile, automobile production decreased due to a semiconductor supply shortage. The Chinese economy slowed down. There is concern that COVID-19 may start spreading again toward the end of 2021. The outlook for the Japanese economy remains uncertain due to those factors.

In this business environment, Sanyo Trading Co., Ltd. and its consolidated subsidiaries (the “Group”) united in their efforts to improve operating results, continuing to pursue and bolster high value-added businesses by taking advantage of their strengths, develop new businesses, accelerate global operations, and promote new investment based on the long-term management plan, VISION2023, adopting employees’ safety as the top priority.

To strengthen personnel training, build a Group-wide system for new business development, and enhance the efficiency of global logistics functions, Sanyo Trading Co., Ltd. (the “Company”) established the Human Resources Department, the New Business Development Department and the Logistics Strategy Department. The Company also set up the **Sanyo Technical Center** to unify design, development, manufacturing, sales and maintenance services within the Group. For global operations, the Company opened an office in Alabama as the third base in the United States and another one in Laem Chabang as the second base in Thailand. As investment strategies, the Company sold Sanyo-Touchi (Shanghai) Rubber Co., Ltd. and acquired **Global Trading Co., Ltd.** to strengthen its operations in the field of life science.

Consolidated results were net sales of ¥89,788 million (up 18.0% year on year), operating income of ¥5,506 million (up 14.9% year on year), ordinary income of ¥6,190 million (up 17.4% year on year), and earnings attributable to owners of the parent of ¥4,256 million (up 41.3% year on year).

Results for each business segment are described below.

YPTECH CO., LTD., which was previously included in the Chemicals segment, is included in the Machinery & Industrial Products segment from the fiscal year under review due to changes in business management classifications.

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

(i) Chemicals

Tight supply conditions and steep rises in purchasing prices surfaced for rubber merchandise. However, sales remained firm for synthetic rubber and indirect materials for automobiles, home appliances and information equipment. In chemical-related products, sales expanded for new products on which the Company had worked for years. Moreover, the export of electric materials and the export of film-related products were favorable, in addition to the import and sales of mainstay raw materials for paints and inks.

As a result, the Chemicals segment recorded net sales of ¥31,534 million (up 14.5% year on year) and operating income of ¥2,017 million (up 56.9% year on year).

(ii) Machinery & Industrial Products

Production adjustments by automobile manufacturers in response to a shortage of semiconductors and parts affected merchandise related to industrial products toward the end of the fiscal year under review. However, sales for the merchandise were strong on a full-year basis, supported by a recovery in automobile production. In merchandise related to machinery and the environment, sales remained strong for merchandise related to feed processing machines, their nondurable parts and maintenance services. Sales were favorable for wood biomass-related businesses, too, mainly due to large projects posted. In merchandise categorized as scientific equipment, elementary analysis equipment and weathering testers performed strongly. In merchandise related to resource development, ocean development equipment and geothermal development equipment achieved strong sales.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥33,414 million (up 10.7% year on year) and operating income of ¥3,665 million (up 7.7% year on year).

(iii) Overseas Subsidiaries

At SANYO CORPORATION OF AMERICA, sales remained firm for super absorbent resins, films and rubber merchandise, even though additional tariffs imposed on auto parts made in China produced effects. At SANYO TRADING (SHANGHAI) CO., LTD., automobile- and rubber-related products achieved strong sales, backed by a rapid automobile market recovery. Sales for battery materials expanded substantially, too. At SANYO TRADING ASIA CO., LTD. (in Thailand), sales stayed strong for rubber products, chemicals and auto parts. At SANYO TRADING (VIET NAM) CO., LTD., paint and ink products achieved favorable sales. At SUN PHOENIX MEXICO S.A. de C.V., sales for automobile-related parts were strong, in spite of the effects of a steep

rise in marine transportation expenses. At PT. SANYO TRADING INDONESIA, which the Company included in the scope of consolidation in the current fiscal year, rubber products achieved favorable sales.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥24,689 million (up 35.4% year on year) and operating income of ¥978 million (up 16.5% year on year).

(2) Review of financial position

(Assets)

Current assets increased ¥3,042 million from the end of the previous fiscal year to ¥42,534 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 ¥561 million from the end of the previous fiscal year to ¥8,300 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 in the fiscal year under review stood at ¥50,834 million (an increase of ¥3,603 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities decreased ¥192 million from the end of the previous fiscal year to ¥14,667 million, resulting from progress in repayment of bank borrowings despite growth of trade payables.

Non-current liabilities increased ¥109 million from the end of the previous fiscal year, to ¥1,441 million, due to an increase in deferred tax liabilities caused by posting valuation differences in investment securities.

Liabilities at the end of the fiscal year under review came to ¥16,109 million (an decrease of ¥82 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.

Resulting net assets at the end of the fiscal year under review stood at ¥34,725 million (an increase of ¥3,686 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 decreased ¥1,755 million from the end of the previous fiscal year, to ¥8,663 million (down 16.8% from the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities stood at ¥2,253 million (a year-on-year decrease of ¥3,932 million). The result was mainly due to an increase in trade payables and earnings before income taxes posted, which offset cash outflows due to causes such as increases in trade receivables and inventories, and income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥1,009 million (a year-on-year increase in cash outflows of ¥1,179 million). The result was chiefly attributable to cash outflows due to causes including the construction of the Minami-Hatogaya Plant and the purchase of shares in subsidiaries and associates.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥3,301 million (a year-on-year decrease in cash outflows of ¥5,135 million). The result primarily reflected dividends paid by the Company and borrowings repaid to financial institutions.

(Reference) Cash flow-related indicators

	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020	September 30, 2021
Shareholders' equity ratio	61.1	63.5	66.2	64.9	67.5
Equity ratio based on market value (%)	96.0	73.2	69.7	60.3	66.2
Interest-bearing debt/cash flow ratio (years)	9.3	1.2	0.3	0.7	1.1
Interest coverage ratio (times)	10.8	44.2	218.2	401.3	92.7

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

In the Japanese economy, positive signs related to COVID-19 were observed, including the lifting of a state of emergency at the end of September 2021, following a climb in the vaccination rate and a decrease in the number of newly infected persons. Meanwhile, automobile production declined due to the reduced supply of semiconductors. There are also concerns over China's economic slowdown, which arose from financial difficulties faced by a leading real estate company in China. The sixth wave of COVID-19 is expected to hit Japan toward the end of 2021, too. The future for the Japanese economy remains uncertain due to these factors.

Under these circumstances, the Group posted record ordinary income in the fiscal year ended September 30, 2021, backed by strong demand for raw materials and the like in a broad range of industries including automobile. With this result, the targets set in the VISION2023 long-term management plan covering the period through the fiscal year ending September 30, 2023 now appear in sight. Based on this, the Group prepared a new medium-term management plan covering a two-year period from the fiscal year ending September 30, 2022 to the fiscal year ending September 30, 2023, which caps the VISION2023 plan.

Through the new medium-term management plan, the Group will pursue seven basic strategies aimed at strengthening the corporate structure and its earnings base further forward, maintaining the approach adopted under the VISION2023 plan. Specifically, the Group will pursue and deepen business domains by specializing in four key markets, namely, (1) mobility, (2) fine chemicals, (3) sustainability and (4) life science. At the same time, the Group will step up efforts to develop new businesses, globalize operations, expand eco-friendly product lines, address climate change and promote new investment projects.

The Group will also invest in personnel from medium- and long-term viewpoints to steadily train employees able to assume responsibility for its growth, and will actively prepare conditions that allow Group employees to demonstrate their abilities.

We forecast that the Group's net sales in the fiscal year ending September 30, 2022 will be ¥94,000 million (up 4.7% year on year). The Company bases the forecast on sustained strength in demand for raw materials for chemicals among major customers, and business expansion expected at subsidiaries centered on those in Asian countries such as China and Thailand.

Operating income is forecast to be ¥5,800 million (up 5.3% year on year). The Company expects operating income to stay roughly at the previous year's level based on an increased sense of uncertainty about operating conditions for the Group. The sense of uncertainty reflects factors, such as the forecast that automobile production will remain reduced for some time due to a shortage of supply of semiconductors for merchandise related to industrial products and steep rises in logistics expenses mainly attributable to a tight chemicals supply and prolonged maritime transport confusion.

Ordinary income is forecast to be ¥6,300 million (up 1.8% year on year). The Company expects foreign exchange losses or gains,

and dividend income to arise as non-operating expenses or income.

Earnings attributable to owners of the parent is forecast to be ¥4,200 million (down 1.3% 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 20 yen per share. Combined with the interim dividend of 19 yen per share already paid on June 8, 2021, this will bring the annual dividend to 39 yen per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥39 per share, an interim dividend ¥19 and a year-end dividend of ¥20, which is calculated based on a forecast consolidated earnings of ¥4,200 million.

2. Basic Approach to Selection of Accounting Standards

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

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

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal 2021 ended September 30, 2021
Assets		
Current assets		
Cash and deposits	10,418,674	8,663,587
Notes and accounts receivable - trade	14,157,872	15,185,494
Electronic record receivables	955,911	1,368,600
Merchandise and finished goods	12,275,711	15,668,609
Work in process	6,421	8,148
Raw materials and supplies	3,071	2,649
Other	1,709,181	1,674,528
Allowance for doubtful accounts	(35,069)	(36,982)
Total current assets	39,491,774	42,534,636
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,598,034	3,472,361
Accumulated depreciation	(1,327,410)	(1,424,470)
Buildings and structures, net	1,270,623	2,047,890
Machinery, equipment and vehicles	601,102	402,416
Accumulated depreciation	(363,156)	(316,490)
Machinery, equipment and vehicles, net	237,946	85,925
Land	747,930	781,761
Other	693,433	574,483
Accumulated depreciation	(274,398)	(335,695)
Other, net	419,034	238,788
Total property, plant and equipment	2,675,535	3,154,366
Intangible assets		
Goodwill	723,329	529,323
Other	484,268	334,679
Total intangible assets	1,207,597	864,002
Investments and other assets		
Investment securities	2,974,820	3,283,299
Deferred tax assets	114,129	140,406
Other	769,852	885,275
Allowance for doubtful accounts	(3,001)	(27,337)
Total investments and other assets	3,855,800	4,281,643
Total non-current assets	7,738,934	8,300,013
Total assets	47,230,708	50,834,649

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal 2021 ended September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,098,568	9,399,644
Short-term borrowings	4,369,188	2,172,004
Current portion of long-term borrowings	—	90,040
Accounts payable - other	543,348	652,116
Income taxes payable	816,975	938,024
Provision for bonuses	51,895	73,095
Other	1,979,775	1,342,817
Total current liabilities	14,859,752	14,667,743
Non-current liabilities		
Long-term borrowings	160,000	169,960
Deferred tax liabilities	79,686	197,103
Provision for retirement benefits for directors (and other officers)	41,507	46,066
Retirement benefit liability	893,025	902,240
Long-term deposits received	119,827	86,124
Other	38,430	40,064
Total non-current liabilities	1,332,477	1,441,559
Total liabilities	16,192,230	16,109,302
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	404,235	398,863
Retained earnings	29,058,414	32,097,778
Treasury shares	(176,221)	(151,591)
Total shareholders' equity	30,293,016	33,351,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	533,735	891,444
Foreign currency translation adjustment	(197,283)	49,860
Total accumulated other comprehensive income	336,451	941,304
Share acquisition rights	107,701	111,370
Non-controlling interests	301,309	321,033
Total net assets	31,038,478	34,725,346
Total liabilities and net assets	47,230,708	50,834,649

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

Consolidated statement of income

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net sales	76,087,314	89,788,976
Cost of goods sold	61,880,925	74,278,731
Gross income	14,206,389	15,510,245
Selling, general and administrative expenses		
Transportation costs	616,084	782,034
Storage costs	851,327	843,761
Remuneration, salaries and allowances	3,609,424	3,962,029
Retirement benefit expenses	128,573	130,063
Welfare expenses	582,079	644,263
Entertainment expenses	212,784	159,158
Travel and transportation expenses	324,066	219,820
Rent expenses on land and buildings	356,181	400,289
Depreciation	289,029	290,342
Amortization of goodwill	320,074	254,216
Other	2,125,139	2,317,837
Total selling, general and administrative expenses	9,414,765	10,003,818
Operating income	4,791,623	5,506,427
Non-operating income		
Interest income	22,013	18,684
Dividend income	82,222	82,734
Foreign exchange gains	322,383	540,820
Other	115,318	102,472
Total non-operating income	541,937	744,712
Non-operating expenses		
Interest expenses	20,096	19,300
Sales discounts	8,872	9,625
Loss on valuation of investment securities	—	9,889
Other	32,817	22,190
Total non-operating expenses	61,786	61,006
Ordinary income	5,271,774	6,190,133
Extraordinary income		
Gain on sales of investment securities	1,463	15,514
Gain on sales of non-current assets	—	19,578
Surrender value of insurance policies	—	18,742
Penalty income	—	15,269
Total extraordinary income	1,463	69,105
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and associates	—	158,291
Impairment loss	127,818	—
Loss on valuation of investments in capital of subsidiaries and associates	255,447	—
Total extraordinary losses	383,265	158,291
Earnings for the year before income taxes	4,889,972	6,100,947
Income taxes - current	1,809,219	1,877,532
Income taxes - deferred	46,848	(59,402)
Total income taxes	1,856,067	1,818,129
Earnings for the year	3,033,904	4,282,817
Earnings for the year attributable to non-controlling interests	20,647	26,156
Earnings for the year attributable to owners of the parent	3,013,257	4,256,661

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Earnings for the year	3,033,904	4,282,817
Other comprehensive income		
Valuation difference on available-for-sale securities	(187,961)	357,580
Foreign currency translation adjustment	(87,192)	278,843
Total other comprehensive income	(275,154)	636,423
Comprehensive income	2,758,750	4,919,241
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,738,747	4,893,214
Comprehensive income attributable to non-controlling interests	20,002	26,027

(3) Consolidated statement of changes in equity
The 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
Increase or decrease due to merger with a non-consolidated subsidiary					—
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
Increase or decrease due to merger with a non-consolidated subsidiary						—
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

The Fiscal Year ended September 30, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	1,006,587	404,235	29,058,414	(176,221)	30,293,016
Changes during the year					
Dividends payment			(1,088,646)		(1,088,646)
Earnings for the year attributable to owners of the parent			4,256,661		4,256,661
Purchase of treasury shares					—
Disposal of treasury shares		(5,371)		24,630	19,258
Increase or decrease due to merger with a non-consolidated subsidiary			(73,577)		(73,577)
Change in scope of consolidation			(55,074)		(55,074)
Net changes in items other than shareholders' equity					
Total changes during the year	—	(5,371)	3,039,363	24,630	3,058,621
Balance at end of year	1,006,587	398,863	32,097,778	(151,591)	33,351,637

	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	533,735	(197,283)	336,451	107,701	301,309	31,038,478
Changes during the year						
Dividends payment						(1,088,646)
Earnings for the year attributable to owners of the parent						4,256,661
Purchase of treasury shares						—
Disposal of treasury shares						19,258
Increase or decrease due to merger with a non-consolidated subsidiary						(73,577)
Change in scope of consolidation						(55,074)
Net changes in items other than shareholders' equity	357,708	247,144	604,853	3,669	19,724	628,246
Total changes during the year	357,708	247,144	604,853	3,669	19,724	3,686,868
Balance at end of year	891,444	49,860	941,304	111,370	321,033	34,725,346

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flows from operating activities		
Earnings for the year before income taxes	4,889,972	6,100,947
Depreciation	383,464	364,655
Impairment loss	127,818	—
Amortization of goodwill	320,074	254,216
Share-based remuneration expenses	16,673	22,876
Increase (decrease) in allowance for doubtful accounts	333	25,809
Increase (decrease) in retirement benefit liability	17,270	(14,484)
Increase (decrease) in other provisions	43,215	22,126
Interest and dividend income	(104,235)	(101,419)
Interest expenses	20,096	19,300
Foreign exchange losses (gains)	30,770	(35,551)
Loss on sales of investments in capital of subsidiaries and associates	—	158,291
Loss on valuation of investments in capital of subsidiaries and associates	255,447	—
Decrease (increase) in trade receivables	2,882,092	(1,053,550)
Decrease (increase) in inventories	788,961	(3,016,231)
Increase (decrease) in trade payables	(1,467,084)	2,061,284
Increase (decrease) in advances received	(115,167)	(509,926)
Decrease (increase) in advance payments - trade	(145,976)	86,963
Other	329,332	(407,364)
Subtotal	8,273,058	3,977,945
Interest and dividends received	104,793	101,658
Interest paid	(15,413)	(24,318)
Income taxes paid	(2,176,248)	(1,801,460)
Net cash provided by (used in) operating activities	6,186,189	2,253,824
Cash flows from investing activities		
Purchase of property, plant and equipment	(801,921)	(876,310)
Proceeds from sale of property, plant and equipment	2,036	142,847
Purchase of intangible assets	(16,143)	(5,849)
Purchase of investment securities	(20,928)	(14,662)
Proceeds from sales of investment securities	20,181	29,252
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,044,681)	—
Purchase of shares of subsidiaries and associates	(68,457)	(205,485)
Loss on sales of investments in capital of subsidiaries and associates	—	(61,671)
Loan advances	(265,500)	(180,000)
Collection of loans receivable	46,498	181,864
Payments of leasehold and guarantee deposits	(56,950)	(7,355)
Proceeds from refund of leasehold and guarantee deposits	14,336	6,420
Other	2,500	(18,744)
Net cash provided by (used in) investing activities	(2,189,028)	(1,009,694)

(Thousand yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,189,089	(2,301,666)
Proceeds from long-term borrowings	90,000	100,000
Repayments of long-term borrowings	(296,241)	–
Dividends paid	(1,059,540)	(1,088,646)
Dividends paid to non-controlling interests	(12,093)	(6,302)
Other	(77,209)	(4,960)
Net cash provided by (used in) financing activities	1,834,004	(3,301,576)
Effect of exchange rate change on cash and cash equivalents	(12,752)	68,628
Net increase (decrease) in cash and cash equivalents	5,818,413	(1,988,817)
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	–	216,852
Cash and cash equivalents at end of year	10,418,674	8,663,587

(5) Notes to consolidated financial statements

(Notes related to going concern assumptions)

None

(Changes in presentation method)

(Consolidated statement of cash flows)

From the fiscal year under review, the Company independently states proceeds from the sale of property, plant and equipment, which had been included in Other under cash flows from investing activities in the previous fiscal year, in light of their increased importance in terms of value. To reflect this change in the presentation method, the Company rearranged its financial statements for the previous fiscal year.

As a result, ¥4,536 thousand stated as Other under cash flows from investing activities in the consolidated statement of cash flows for the previous fiscal year is rearranged as proceeds from the sale of property, plant and equipment of ¥2,036 thousand and Other of ¥2,500 thousand in the consolidated statement of cash flows for 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)

The Company reclassified businesses related to YPTECH Co., Ltd., which had been previously classified in the Chemicals segment, into the Machinery & Industrial Products segment from the fiscal year under review, in accordance with changes in business management classifications.

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. Income or loss for reportable segments is based on operating income. Inter-segment revenues and transfers are based on prevailing market prices.

3. Information related to net sales, income (loss), assets, liabilities and other items by 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	27,535,700	30,178,348	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	29,708,252	30,515,812	19,821,659	80,045,724	151,263	80,196,987	(4,109,673)	76,087,314
Segment income	1,285,684	3,401,800	839,502	5,526,987	72,868	5,599,856	(808,232)	4,791,623
Other items								
Depreciation	52,559	182,593	24,254	259,408	105,209	364,618	18,845	383,464
Amortization of goodwill	149,136	170,937	–	320,074	–	320,074	–	320,074

(Notes)

- The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.
- The adjustment consists of the following items.
 - An adjustment of net sales to external customers of ¥30,774 thousand is a foreign currency translation adjustment in relation to management accounting.
 - 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.
- Segment income has been adjusted to operating income stated in the consolidated statement of income.
- Assets and liabilities in each reportable segment are not stated because they are not allocated to each reportable segment.

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(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	31,534,367	33,414,708	24,689,272	89,638,348	124,904	89,763,252	25,724	89,788,976
Intersegment internal sales and transfers	3,437,924	616,066	1,599,144	5,653,135	32,073	5,685,209	(5,685,209)	–
Total	34,972,292	34,030,774	26,288,417	95,291,484	156,977	95,448,461	(5,659,485)	89,788,976
Segment income (loss)	2,017,660	3,665,420	978,204	6,661,285	(124,098)	6,537,186	(1,030,759)	5,506,427
Other items								
Depreciation	49,493	153,060	25,132	227,685	120,068	347,754	16,900	364,655
Amortization of goodwill	85,699	168,517	–	254,216	–	254,216	–	254,216

(Notes)

- The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.
- The adjustment consists of the following items.
 - An adjustment of net sales to external customers of ¥25,724 thousand is a foreign currency translation adjustment in relation to management accounting.
 - An adjustment of segment income (loss) of -¥1,030,759 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥904,492 thousand and a foreign currency translation adjustment of -¥194,527 thousand in relation to management accounting.
- Segment income (loss) is adjusted to operating income in the consolidated statement of income.
- 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, 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	22,024,849	9,063,031	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.

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

1. Information by product/service

(Thousand yen)

	Rubber merchandise	Chemical merchandise	Machinery and environment-related merchandise	Industrial merchandise	Other	Total
Sales to external customers	19,916,829	27,139,511	10,593,372	29,166,960	2,972,302	89,788,976

2. Information by region

(1) Net sales

(Thousand yen)

Japan	U.S.	China	Other	Total
55,819,298	11,688,442	9,964,047	12,317,189	89,788,976

(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, 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

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

There are no applicable matters.

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

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	149,136	170,937	–	320,074	–	–	320,074
Balance at end of period	85,291	638,037	–	723,329	–	–	723,329

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
(Goodwill)							
Amortization in current period	85,699	168,517	–	254,216	–	–	254,216
Balance at end of period	41,804	487,519	–	529,323	–	–	529,323

(Notes) SANYO LIFE MATERIAL CO., LTD., a consolidated subsidiary of the Company, acquired NKS CORPORATION LTD., a non-consolidated subsidiary of the Company, through absorption-type merger in the fiscal year under review. As a result, goodwill increased ¥27,736 thousand in the Chemicals segment. 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.

Further, Central Techno Corporation transferred its businesses to YPTECH CO., LTD., a consolidated subsidiary of the Company. As a result, goodwill increased ¥18,000 thousand in the Machinery & Industrial Products segment.

[Information on gain on bargain purchase by reporting segment]

There are no applicable matters.

(Per share information)

(Yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net assets per share	1,069.41	1,195.18
Basic earnings per share	105.22	148.52
Diluted earnings per share	104.49	147.44

(Notes) 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.

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

Item	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Total net assets (thousand yen)	31,038,478	34,725,346
Amount deducted from total net assets (thousand yen)	409,010	432,403
(Of which stock acquisition rights) (thousand yen)	(107,701)	(111,370)
(Of which non-controlling interests) (thousand yen)	(301,309)	(321,033)
Net assets at end of year available for common stock (thousand yen)	30,629,467	34,292,942
Number of shares of common stock at end of year used for calculating net assets per share (thousand shares)	28,641	28,692

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

Item	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Basic earnings per share		
Earnings for the year attributable to owners of the parent (thousand yen)	3,013,257	4,256,661
Amount not attributable to common shareholders (thousand yen)	—	—
Earnings for the year attributable to owners of the parent related to common shares (thousand yen)	3,013,257	4,256,661
Average number of common shares outstanding during the fiscal year (thousand shares)	28,636	28,660
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)	201	209
(Of which stock acquisition rights) (thousand shares)	(201)	(209)
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