

Consolidated Financial Statements for the First Half of the Fiscal Year Ending September 30, 2022 [Japan GAAP]

May 11, 2022

Company name: Sanyo Trading Co., Ltd. Listed on: Tokyo Stock Exchange Prime Market
 Stock exchange code: 3176 URL <https://www.sanyo-trading.co.jp/>
 Representative: Masanobu Shintani, President & CEO
 Contact: Hiroshi Shirai, Director, Executive Officer & Head of Administration Divisions
 Tel. +81-3-3518-1111
 Filing of quarterly report (scheduled): May 12, 2022
 Start of distribution of dividends (scheduled): June 14, 2022
 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, 2022 (October 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results (First Six Months)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st half ended								
March 31, 2022	50,539	11.0	2,945	(19.0)	3,666	(8.8)	2,706	1.4
March 31, 2021	45,525	11.1	3,634	23.3	4,018	26.2	2,667	26.1

(Note) Comprehensive income: 1st half ended March 31, 2022: 3,260 million yen (-1.1% decrease)
 1st half ended March 31, 2021: 3,296 million yen (92.2% increase)

	Earnings per share (basic)		Earnings per share (diluted)	
	Yen		Yen	
1st half ended				
March 31, 2022	94.31		93.67	
March 31, 2021	93.12		92.45	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of						
March 31, 2022	57,336		37,604		64.8	
September 30, 2021	50,834		34,725		67.5	

(Reference) Total equity: As of March 31, 2022: 37,164 million yen
 As of September 30, 2021: 34,292 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Annual
	Yen	Yen	Yen	Yen	Yen
FYE September 2021	—	19.00	—	20.00	39.00
FYE September 2022	—	19.00			
FYE September 2022 (estimate)			—	20.00	39.00

(Note) Revisions to the latest dividends forecast: No

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 profit		Ordinary profit		Profit attributable to owners of 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) Revisions to the latest consolidated earnings forecast: No

* Notes

- (1) Changes in major subsidiaries during the first six-month period: No
(changes in specified subsidiaries accompanying changes in the scope of consolidation)
New – (Company name) , Excluding – (Company name)
- (2) Application of special accounting methods to the preparation of quarterly financial statements: Yes
(Note) For details, please refer to “2. Notes to Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of accounting processes specific to the preparation of quarterly consolidated financial statements)” on page 10 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: | Yes |
| (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, 2022: | 29,007,708 shares |
| As of September 30, 2021: | 29,007,708 shares |
| (ii) Number of treasury stock as of the fiscal period end | |
| As of March 31, 2022: | 285,120 shares |
| As of September 30, 2021: | 315,120 shares |
| (iii) Average number of shares during the period (first six months) | |
| H1, FYE ending Sep. 2022: | 28,694,236 shares |
| H1, FYE ended Sep. 2021: | 28,647,042 shares |

* 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

At the beginning of the first six months (October 1, 2021 to March 31, 2022) of the consolidated fiscal year ending September 30, 2022, the Japanese economy showed signs of a recovery in consumer spending and corporate earnings, primarily reflecting a decrease in the number of COVID-19 infections. However, since the beginning of 2022, the situation has been quite unstable because of the spread of the Omicron variant, soaring prices of energy and resources triggered by Russia's invasion of Ukraine, and the rapid depreciation of yen. The outlook remains uncertain, affected by the COVID-19 pandemic, the situation in Ukraine, financial and foreign exchange trends, and other factors, and thus it is expected that conditions will continue to be turbulent for some time.

Under these conditions, consolidated results for the first six months under review were net sales of ¥50,539 million (up 11.0% year on year), operating profit of ¥2,945 million (down 19.0% year on year), ordinary profit of ¥3,666 million (down 8.8% year on year), and profit attributable to owners of parent of ¥2,706 million (up 1.4% year on year).

The Group has applied Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020). Net sales and operating profit of the first six months of the consolidated fiscal year under review increased by ¥103 million and ¥12 million respectively, compared to net sales and operating profit calculated by the conventional method. For more information, please refer to Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies) and (Segment information, etc.) [Segment information] 2. Matters related to changes in reportable segments.

Results for each business segment are described below.

(i) Chemicals

Tight supply conditions and steep rises in purchasing prices continued for rubber merchandise. However, demand for raw materials remained strong in a range of industries, resulting in robust sales. Among chemical-related merchandise, sales of raw materials for paints, inks, and adhesives, our mainstay products, remained strong despite the impact of price hikes of the main products and tight supply. Life science-related merchandise remained strong by securing a certain volume through exports of its mainstay electronic materials and film-related merchandise, even amid the disruption of logistics.

As a result, the Chemicals segment recorded net sales of ¥18,200 million (up 18.5% year on year) and operating profit of ¥1,246 million (up 35.2% year on year).

(ii) Machinery & Industrial Products

Sales of merchandise related to industrial products were continuously affected by reductions in production at domestic auto manufacturers chiefly due to semiconductor shortages.

Merchandise related to machinery and the environment were affected by the delay in main unit projects concerning business related to feed processing machines and business related to wood biomass, while maintenance services remained strong.

Growth of merchandise related to scientific equipment was sluggish compared to usual years due to COVID-19, while the bio-related business was enhanced by the transfer of shares of Scrum Inc. In merchandise related to resource development, strong sales of geothermal development equipment were maintained and, in addition, the first order was received in a new business for equipment related to offshore wind power generation.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥16,748 million (down 4.7% year on year) and operating profit of ¥1,612 million (down 32.1% year on year).

(iii) Overseas Subsidiaries

At SANYO CORPORATION OF AMERICA, sales of highly water-absorbent resins remained firm, but operating profit fell significantly from a year earlier due to additional tariffs imposed on auto parts made in China and an increase in selling, general and administrative expenses. At SANYO TRADING (SHANGHAI) CO., LTD., certain businesses were adversely affected by semiconductor shortages, but sales of auto parts were firm, while sales of rubber materials and lithium-ion battery materials were strong. At SANYO TRADING ASIA CO., LTD. (Thailand), sales of rubber-related merchandise were very strong, but sales of auto parts were significantly affected by the depreciation of the baht and increasing costs for marine transportation, resulting in stagnant performance. At SUN PHOENIX MEXICO, S.A. de C.V., both sales and profits decreased due to soaring marine

transportation costs of auto parts imported from China, the reduced production of automobiles associated with semiconductor shortages, and other factors. At SANYO TRADING INDIA PRIVATE LIMITED, which the Company included in the scope of consolidation in the current fiscal year, strong sales of auto parts contributed to profit.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥15,522 million (up 23.7% year on year) and operating profit of ¥719 million (up 0.8% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased ¥6,801 million from the end of the previous fiscal year to ¥49,336 million chiefly reflecting a significant rise in trade receivables, merchandise and finished goods despite a fall in cash and deposits. Non-current assets decreased ¥299 million from the end of the previous fiscal year, to ¥8,000 million, reflecting falls in property, plant and equipment and intangible assets due to depreciation and a decline in market values of securities.

Total assets at the end of the first six months of the fiscal year under review stood at ¥57,336 million (an increase of ¥6,502 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities increased ¥3,485 million from the end of the previous fiscal year to ¥18,152 million yen, resulting chiefly from an increase in accounts payable associated with increased merchandise and finished goods and an increase in bank loans.

Non-current liabilities increased ¥137 million from the end of the previous fiscal year to ¥1,579 million due to increases in deferred tax liabilities and in provisions associated with the addition of Scrum Inc. to the scope of consolidation.

Liabilities at the end of the first six months of the fiscal year under review came to ¥19,732 million (an increase of ¥3,623 million from the end of the previous fiscal year).

(Net assets)

Shareholders' equity increased, reflecting profit attributable to owners of parent, and accumulated other comprehensive income also grew due to rises in foreign currency translation adjustment caused by depreciation of yen.

Net assets at the end of the first six months of the fiscal year under review stood at ¥37,604 million (an increase of ¥2,878 million from the end of the previous fiscal year).

(Consolidated cash flows)

Cash and cash equivalents at the end of the first six months of the fiscal year under review decreased ¥2,058 million from the end of the previous fiscal year, to ¥6,605 million.

(i) Cash flows from operating activities

Net cash used in operating activities totaled ¥1,219 million (down ¥3,784 million year on year). This resulted from an increase due to the posting of profit before income taxes, in addition to an increase in trade receivables, advance payments to suppliers, and the payment of income taxes.

(ii) Cash flows from investing activities

Net cash used in investing activities totaled ¥1,569 million (down ¥874 million year on year). This was attributable primarily to expenses for the acquisition of shares of Scrum Inc. (consolidated subsidiary).

(iii) Cash flows from financing activities

Cash provided by financing activities was 369 million (up 3,210 million year on year). The payment of dividends by the parent company was due to additional borrowings from financial institutions, among other factors.

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

The consolidated results forecasts for the fiscal year ending September 30, 2022 are unchanged from those announced on November 5, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Fiscal 2021 (As of September 30, 2021)	First half of Fiscal 2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	8,663,587	6,745,196
Notes and accounts receivable - trade	15,185,494	—
Notes and accounts receivable - trade, and contract assets	—	21,322,265
Electronically recorded monetary claims - operating	1,368,600	1,757,722
Merchandise and finished goods	15,668,609	17,164,092
Work in process	8,148	1,680
Raw materials and supplies	2,649	45,686
Other	1,674,528	2,357,383
Allowance for doubtful accounts	(36,982)	(57,932)
Total current assets	42,534,636	49,336,093
Non-current assets		
Property, plant and equipment	3,154,366	3,344,800
Intangible assets		
Goodwill	529,323	436,045
Other	334,679	271,455
Total intangible assets	864,002	707,500
Investments and other assets		
Investment securities	3,283,299	2,790,582
Other	1,025,682	1,187,088
Allowance for doubtful accounts	(27,337)	(29,363)
Total investments and other assets	4,281,643	3,948,307
Total non-current assets	8,300,013	8,000,608
Total assets	50,834,649	57,336,702

(Thousand yen)

	Fiscal 2021 (As of September 30, 2021)	First half of Fiscal 2022 (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,399,644	10,642,658
Short-term borrowings	2,172,004	3,609,513
Current portion of long-term borrowings	90,040	90,040
Income taxes payable	938,024	1,352,095
Provisions	73,095	451,290
Other	1,994,933	2,007,282
Total current liabilities	14,667,743	18,152,880
Non-current liabilities		
Long-term borrowings	169,960	149,525
Provisions	46,066	72,061
Retirement benefit liability	902,240	915,683
Other	323,291	442,262
Total non-current liabilities	1,441,559	1,579,533
Total liabilities	16,109,302	19,732,413
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	398,863	397,279
Retained earnings	32,097,778	34,457,289
Treasury shares	(151,591)	(137,159)
Total shareholders' equity	33,351,637	35,723,997
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	891,444	830,901
Foreign currency translation adjustment	49,860	609,581
Total accumulated other comprehensive income	941,304	1,440,482
Share acquisition rights	111,370	117,065
Non-controlling interests	321,033	322,743
Total net assets	34,725,346	37,604,289
Total liabilities and net assets	50,834,649	57,336,702

(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, 2021 (from October 1, 2020 to March 31, 2021)	First six month period ended March 31, 2022 (from October 1, 2021 to March 31, 2022)
Net sales	45,525,943	50,539,330
Cost of goods sold	37,062,929	42,236,257
Gross profit	8,463,013	8,303,073
Selling, general and administrative expenses	4,828,215	5,357,965
Operating profit	3,634,798	2,945,107
Non-operating income		
Interest income	9,981	8,569
Dividend income	35,359	38,669
Foreign exchange gains	335,809	603,327
Other	36,529	88,600
Total non-operating income	417,679	739,166
Non-operating expenses		
Interest expenses	10,905	9,712
Sales discounts	4,610	—
Loss on sales of trade receivables	3,514	4,488
Loss on valuation of investment securities	9,889	—
Other	5,126	3,965
Total non-operating expenses	34,046	18,166
Ordinary profit	4,018,431	3,666,108
Extraordinary income		
Gain on sales of investment securities	15,514	—
Gain on bargain purchase	—	360,832
Total extraordinary income	15,514	360,832
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and associates	164,982	—
Total extraordinary losses	164,982	—
Profit before income taxes	3,868,963	4,026,940
Income taxes	1,189,580	1,311,002
Profit	2,679,382	2,715,937
Profit attributable to non-controlling interests	11,730	9,812
Profit attributable to owners of parent	2,667,652	2,706,125

Quarterly consolidated statement of comprehensive income
(First six months)

	(Thousand yen)	
	First six month period ended March 31, 2021 (from October 1, 2020 to March 31, 2021)	First six month period ended March 31, 2022 (from October 1, 2021 to March 31, 2022)
Profit	2,679,382	2,715,937
Other comprehensive income		
Valuation difference on available-for-sale securities	301,608	(60,788)
Foreign currency translation adjustment	315,120	605,654
Total other comprehensive income	616,729	544,865
Comprehensive income	3,296,111	3,260,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,284,283	3,251,229
Comprehensive income attributable to non-controlling interests	11,828	9,573

(3) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	First six month period ended March 31, 2021 (from October 1, 2020 to March 31, 2021)	First six month period ended March 31, 2022 (from October 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	3,868,963	4,026,940
Depreciation	173,493	206,768
Amortization of goodwill	161,838	93,278
Share-based remuneration expenses	22,876	18,513
Increase (decrease) in allowance for doubtful accounts	12,098	(635)
Increase (decrease) in retirement benefit liability	(4,505)	(36,672)
Increase (decrease) in other provisions	261,773	312,199
Interest and dividend income	(45,340)	(47,238)
Interest expenses	10,905	9,712
Foreign exchange losses (gains)	(41,297)	(209,619)
Gain on bargain purchase	—	(360,832)
Loss on sales of investments in capital of subsidiaries and associates	164,982	—
Decrease (increase) in trade receivables	(3,619,266)	—
Decrease (increase) in trade receivables and contract assets	—	(3,848,765)
Decrease (increase) in inventories	147,948	(16,561)
Increase (decrease) in trade payables	2,225,141	376,055
Increase (decrease) in advances received	485,519	—
Increase (decrease) in contract liabilities	—	(20,433)
Decrease (increase) in advance payments to suppliers	259,135	(504,205)
Other	(645,913)	(230,535)
Subtotal	3,438,352	(232,033)
Interest and dividends received	45,331	47,316
Interest paid	(16,242)	(10,681)
Income taxes paid	(901,897)	(1,023,716)
Net cash provided by (used in) operating activities	2,565,545	(1,219,114)
Cash flows from investing activities		
Payments into time deposits	—	(96,170)
Proceeds from withdrawal of time deposits	—	65,200
Purchase of property, plant and equipment	(444,859)	(57,206)
Purchase of intangible assets	(4,554)	(1,898)
Purchase of investment securities	(6,955)	(6,489)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,504,345)
Purchase of shares of subsidiaries and associates	(180,485)	—
Loss on sales of investments in capital of subsidiaries and associates	(17,851)	—
Loan advances	(180,000)	—
Proceeds from collection of loans receivable	110,369	—
Other	29,096	31,564
Net cash provided by (used in) investing activities	(695,241)	(1,569,345)

(Thousand yen)

	First six month period ended March 31, 2021 (from October 1, 2020 to March 31, 2021)	First six month period ended March 31, 2022 (from October 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,388,029)	960,103
Proceeds from long-term borrowings	100,000	—
Repayments of long-term borrowings	—	(20,435)
Dividends paid	(544,186)	(573,851)
Dividends paid to non-controlling interests	(6,302)	(7,863)
Other	(2,524)	11,105
Net cash provided by (used in) financing activities	(2,841,043)	369,058
Effect of exchange rate change on cash and cash equivalents	104,258	240,457
Net increase (decrease) in cash and cash equivalents	(866,480)	(2,178,943)
Cash and cash equivalents at beginning of year	10,418,674	8,663,587
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	16,878	120,371
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	79,780	—
Cash and cash equivalents at end of period	9,648,853	6,605,016

(4) 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 six months under review, and multiplying earnings before income taxes by said estimated effective tax rate.

(Changes in accounting policies)

1. Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc. from the beginning of first three months of the fiscal year under review. Under the Revenue Recognition Accounting Standard, revenue is recognized when control over promised goods or services is transferred to customers, at an amount that the Company is expected to receive in exchange for the said goods or services. Applying the alternative handling prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued March 26, 2021), the Company is recognizing revenues from the domestic sale of merchandise or finished goods at the points of their shipment in cases where control over the concerned merchandise or finished goods moves to customers in a normal period after their shipment.

The principal changes resulting from the above are as follows.

- Revenue recognition for chargeable subcontracting

The Company derecognized inventories related to supplies sold to the subcontractor. However, in chargeable subcontracting where the Company is considered to effectively have repurchase obligations, the Company continues to recognize inventories and recognizes a liability related to the chargeable subcontracting for the amount equivalent to the inventories of the supplies remaining at the subcontractor at the end of the fiscal year.

- Revenue recognition for export sales

In export sales, compared to the previous method of recognizing revenue at the point of loading for shipment, the Company has changed to a method of recognizing revenue when risk burden is transferred to a customer according to trade conditions specified by Intercoms, etc.

- Revenue recognition for consideration given to customers and sales discounts

Part of the consideration given by the Company to customers, such as incentives, was accounted for as cost of goods sold. The Company has changed that and deducts the part of consideration from the transaction value. Sales discounts were accounted for as non-operating expenses. The Company has changed that and deducts the amounts of sales discounts from net sales.

- Revenue recognition for construction contracts

The Company applied the completed-contract method for construction contracts and has changed to the percentage-of-completion method for transactions in which performance obligations are deemed to be satisfied over a certain period time, and recognize revenue as the performance obligations are satisfied. The Company uses the input method to estimate progress in the fulfillment of performance obligations.

In adopting the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment stipulated in the provision of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the first three months of the fiscal year under review has been added to or subtracted from retained earnings at the beginning of the first three months of the fiscal year under review, and the new accounting policy has been applied from the said beginning balance of retained earnings.

As a result, net sales for the first six months of the fiscal year under review increased by ¥103,755 thousand, and cost of goods sold by ¥91,515 thousand. Non-operating expenses decreased by ¥5,866 thousand, ordinary profit and profit before income taxes increased by ¥18,106 thousand each. In addition, retained earnings at the beginning of the fiscal year under review declined by ¥16,975 thousand.

Because the Revenue Recognition Accounting Standard, etc. has been applied, “Notes and accounts receivable - trade,” which was included in “Current assets” in the consolidated balance sheets for the previous fiscal year, began to be included in “Notes, accounts receivable-trade and contract assets” from the first three months of the consolidated fiscal year under review. “Advances received,” which was included in “Other” in “Current liabilities” in the consolidated balance sheets for the previous fiscal year, is included in “Contract liabilities” in “Other” from the first three months of the consolidated fiscal year under review. Decrease (increase) in trade receivables and Increase (decrease) in advance received, which were shown as part of cash flows from operating activities in the quarterly consolidated statement of cash flows for the first six months of the previous consolidated fiscal year, came to be included in the Decrease (increase) in trade receivables and contract assets and Increase (decrease) in contract liabilities, respectively, from the first six months of the current consolidated fiscal year. In accordance with the transitional measures stipulated in paragraph 89-2 of the standard, the reported amounts for the previous fiscal year and for the first six months thereof have not been reclassified to conform with the current classifications. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, issued March 31, 2020), a breakdown of revenue from contracts with customers for the first six months of the previous fiscal year is omitted.

2. Application of Accounting Standard for Fair Value Measurement, etc.

We apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) at the beginning of the first three months of the fiscal year under review. Accordingly, we have decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. First six months of fiscal year ended 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

(Notes) 1. The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.

2. The adjustment consists of the following items.

- (1) An adjustment of net sales to external customers of -¥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 -¥189,809 thousand and a foreign currency translation adjustment of -¥4,347 thousand in relation to management accounting.

3. Segment income (loss) is reconciled with operating profit 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, 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.

II. First six months of fiscal year ending September 30, 2022 (from October 1, 2021 to March 31, 2022)

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	18,200,441	16,748,536	15,522,766	50,471,744	54,104	50,525,849	13,481	50,539,330
Intersegment internal sales and transfers	2,199,884	424,006	1,077,606	3,701,497	30,068	3,731,566	(3,731,566)	—
Total	20,400,326	17,172,542	16,600,373	54,173,242	84,173	54,257,416	(3,718,085)	50,539,330
Segment income (loss)	1,246,577	1,612,772	719,757	3,579,108	(87,848)	3,491,259	(546,151)	2,945,107

(Notes) 1. The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.

2. The adjustment consists of the following items.

(1) An adjustment of net sales to external customers of ¥13,481 thousand is a foreign currency translation adjustment in relation to management accounting.

(2) An adjustment of segment income (loss) of ¥546,151 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of ¥375,011 thousand and a foreign currency translation adjustment of ¥148,621 thousand in relation to management accounting.

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

2. Matters related to changes in reportable segments

As stated in Changes in accounting policies, the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the first three months of the fiscal year under review. Accordingly, the Company changed the method of calculating income and losses for its business segments.

As a result of the change, net sales in the Chemicals, Machinery & Industrial Products, Overseas Subsidiaries, and Other segments for the first six months ended March 31, 2022 were ¥84 thousand more, ¥104,257 thousand more, ¥533 thousand less, and ¥51 thousand less, respectively, than net sales calculated by the previous method. Segment income in the Chemicals, Machinery & Industrial Products, Overseas Subsidiaries, and Other segments was ¥2,759 thousand less, ¥15,621 thousand more, ¥533 thousand less, and ¥51 thousand less, respectively.

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

(Gain on bargain purchase)

Negative goodwill was posted in the Machinery & Industrial Products segment in association with the acquisition of shares of Scrum Inc. to make it a consolidated subsidiary. Negative goodwill of ¥360,832 thousand posted due to this event during the six months under review.

Because the Gain on bargain purchase belongs to Extraordinary income, it is not included in the above segment profits.

(Revenue recognition)

A breakdown of revenue generated from contracts with customers

First six months of fiscal year ending September 30, 2022 (from October 1, 2021 to March 31, 2022)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	15,229,118	14,506,186	70,384	29,805,688	54,104	—	29,859,792
Asia	2,395,491	593,359	8,214,514	11,203,364	—	—	11,203,364
North America	429,952	669,342	6,593,792	7,693,086	—	—	7,693,086
Other	145,879	979,647	644,075	1,769,601	—	—	1,769,601
Revenue from contracts with customers	18,200,441	16,748,536	15,522,766	50,471,744	54,104	—	50,525,848
Other revenue	—	—	—	—	—	13,481	13,481
Sales to external customers	18,200,441	16,748,536	15,522,766	50,471,744	54,104	13,481	50,539,330

- (Notes) 1. The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.
2. The adjustment amount is a foreign currency translation adjustment in relation to management accounting.
3. Revenue from contracts with customers is classified by country or region based on the locations of customers.