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# **First Half of Fiscal Year Ending September 30, 2022 Results Presentation**

**May 25, 2022**

**Sanyo Trading Co., Ltd. (Stock exchange code: 3176)  
Masanobu Shintani, President & CEO**



1. Results in First Half of Fiscal Year  
Ending September 30, 2022
2. Forecasts for Fiscal Year Ending September 30, 2022
3. Our Strengths and Direction of Business Growth



# 1. Results in First Half of Fiscal Year Ending September 30, 2022

## Key Points of Results in First Half of Fiscal Year Ending September 30, 2022



- ① The Chemicals segment achieved a record profit on brisk demand for raw materials.
- ② The Overseas subsidiaries segment continued record positive growth.
- ③ The impact of the reduced production of automobiles persisted, attributed in part to semiconductor shortages.

# Consolidated Results



- In the first half, progress was made according to the full-year plan.
- The overall gross profit ratio declined due to rising logistics expenses in addition to growth in Chemicals and a decrease in sales of Machinery & Industrial Products, which were strong in the same period of the previous fiscal year.
- Selling, general and administrative expenses increased due to business expansion.

(Million yen)	FYE September 2021	FYE September 2022				
	H1	H1			Full fiscal year	
	Result (A)	Result (B)	Year on year (B)/(A)	% of sales	Full fiscal year plan (C) (announced on Nov. 5, 2021)	Rate of progress (B)/(C)
<b>Net sales</b>	45,525	<b>50,539</b>	<b>+11.0%</b>	100.0%	94,000	53.8%
<b>Gross profit</b>	8,463	<b>8,303</b>	<b>-1.9%</b>	16.4%		
(Gross profit ratio)	18.6%	16.4%	-	-		
<b>Selling, general and administrative expenses</b>	4,828	<b>5,357</b>	<b>+11.0%</b>	10.6%		
<b>Operating profit</b>	3,634	<b>2,945</b>	<b>-19.0%</b>	5.8%	5,800	50.8%
<b>Ordinary profit</b>	4,018	<b>3,666</b>	<b>-8.8%</b>	7.3%	6,300	58.2%
(Ordinary profit ratio)	8.8%	7.3%	-	-	6.7%	-
<b>Profit attributable to owners of parent</b>	2,667	<b>2,706</b>	<b>+1.4%</b>	5.4%	4,200	64.4%
<b>EPS (yen)</b>	93.12	<b>94.31</b>	-	-	146.38	-

## Impact of the Situation in Russia and Ukraine on Results

At present, there is no major impact on full-year forecasts.

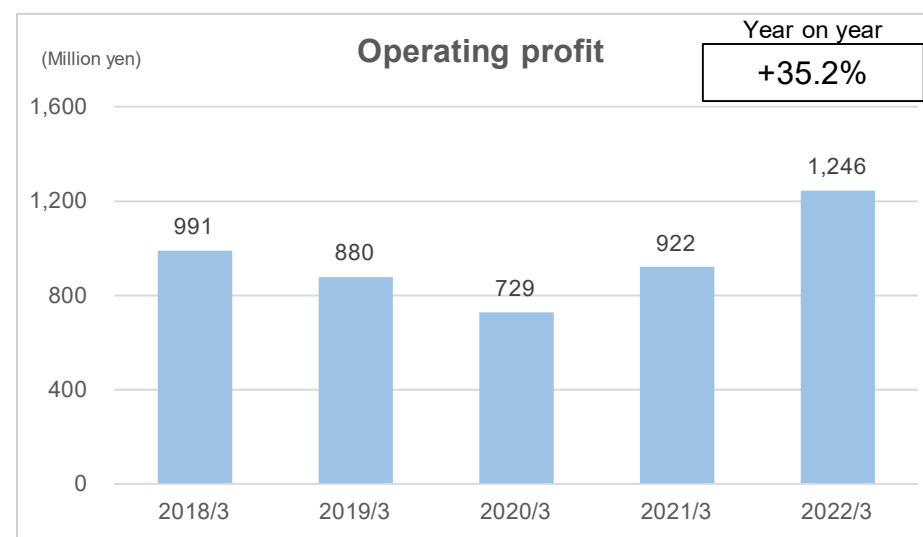
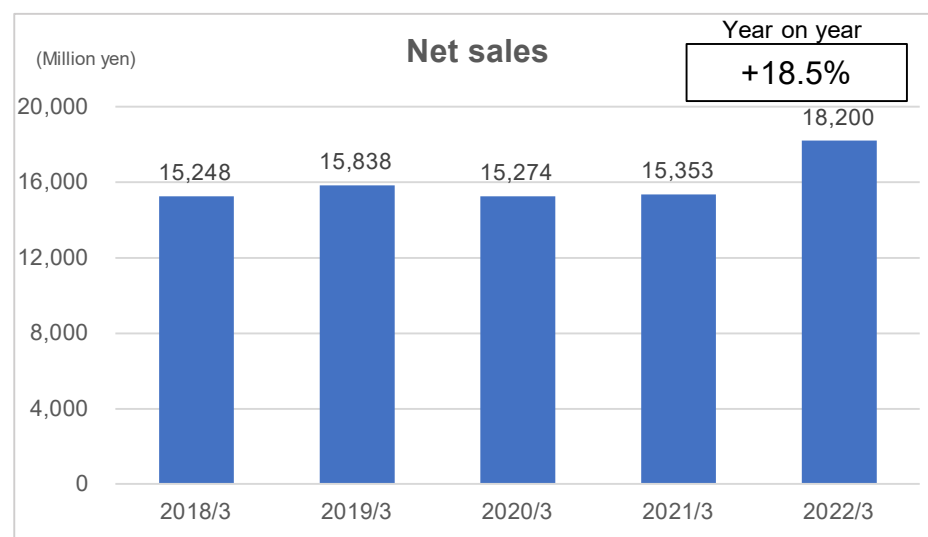
- None of the products we sell is imported directly from Russia or Ukraine.
- Regarding our exports, we assume indirect impacts, for instance on delivery of parts to some customers and repercussions from the ongoing disruption of logistics. At present, however, we do not expect these impacts to be significant.
- We will make announcements promptly if the situation changes.

# Chemicals Segment

[Rubber Business Unit, Chemical Business Unit, Life Science Business Unit (Material Solutions: MS), and subsidiaries)



Business Unit	Situations in the First Half
Rubber	<ul style="list-style-type: none"> <li>• Demand for raw materials remained strong in a wide range of industries, including those related to automobiles.</li> <li>• While responding to rising purchase prices, we focused our efforts on inventory management and stable supply in accordance with supply-demand trends.</li> <li>• We drove development and sales expansion of strategic/next-generation products.</li> </ul>
Chemicals	<ul style="list-style-type: none"> <li>• Preparations were completed for full-scale operation for a new environmentally friendly material.</li> <li>• Amid the ongoing supply shortage, we continued responding to requests for price increases from suppliers.</li> </ul>
Life Science (MS)	<ul style="list-style-type: none"> <li>• Despite the impact of the logistics disruption, electronic materials, films, and other mainstay products remained strong. Exports of taurine were also strong.</li> <li>• Multiple next-generation projects are being developed.</li> </ul>

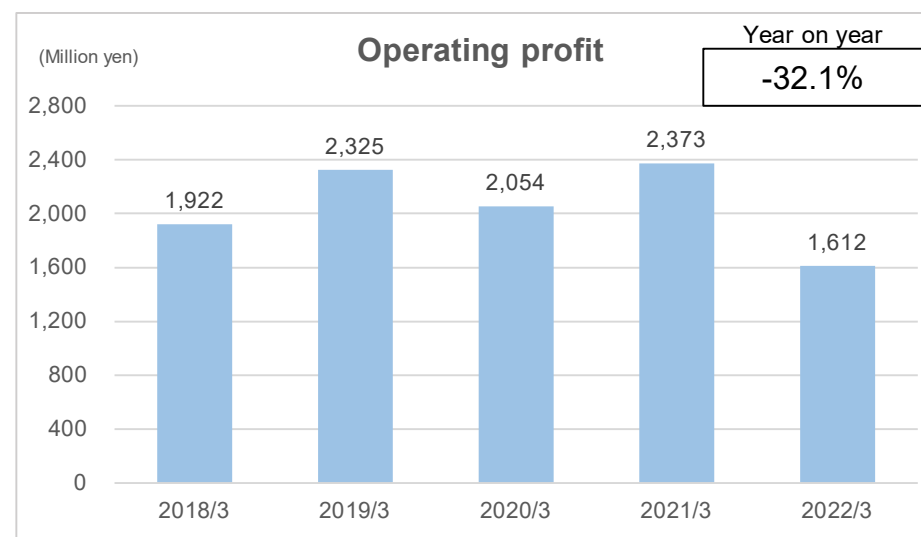
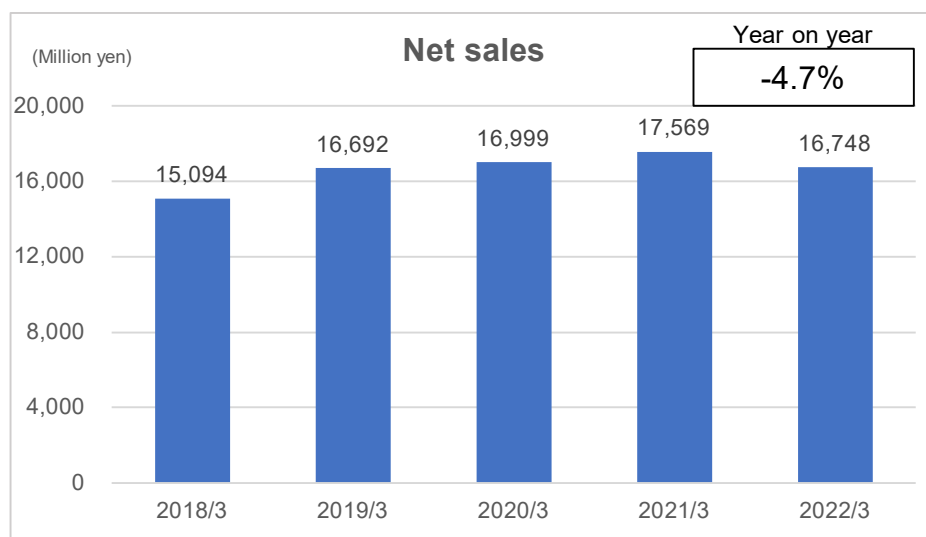


# Machinery & Industrial Products Segment

[Industrial Products No.1 Business Unit, Industrial Products No.2 Business Unit, Machinery & Environmental Business Unit, Life Science Business Unit (Scientific Instruments), and subsidiaries]



Business Unit	Situations in the First Half
Industrial Materials	<ul style="list-style-type: none"> <li>The impact of reductions in production linked in part to semiconductor shortages continued to affect Japanese auto manufacturers.</li> <li>A recovery in automotive production is expected from June.</li> </ul>
Machinery & Environment	<ul style="list-style-type: none"> <li>Feed processing machines: Orders for main units were received steadily.</li> <li>Wood biomass: Sales and profit from three projects on related equipment were posted. Two main units, for which orders have been received, will be carried over to the next term, but the number of inquiries for large-scale projects increased.</li> <li>Cosmos Shoji: Geothermal projects remained brisk. Sales and profit from ocean development projects (related to rare earth projects) are planned to be posted in 3Q.</li> </ul>
Life Science (Scientific Instruments)	<ul style="list-style-type: none"> <li>Usually, March is a peak period. This year, however, orders were dispersed due to COVID-19.</li> <li>We acquired Scrum Inc. to strengthen the bio-related business.</li> </ul>



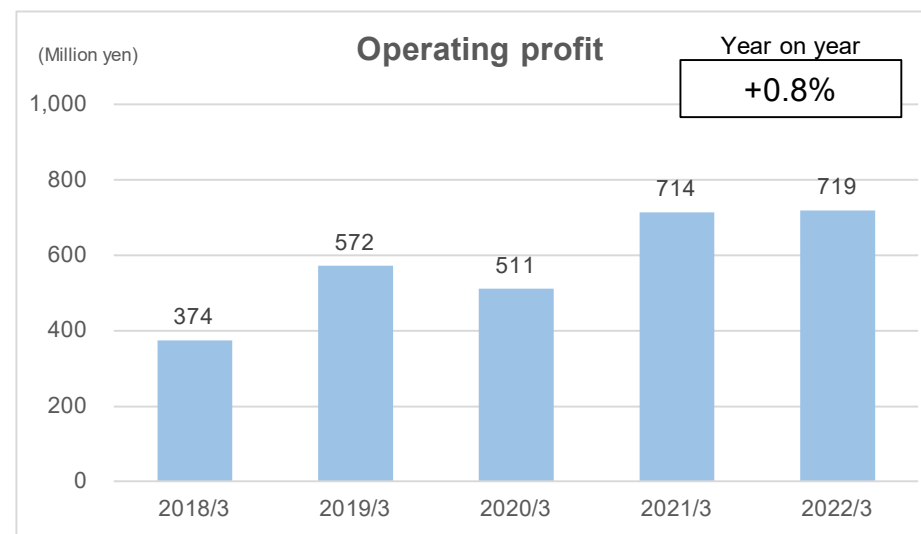
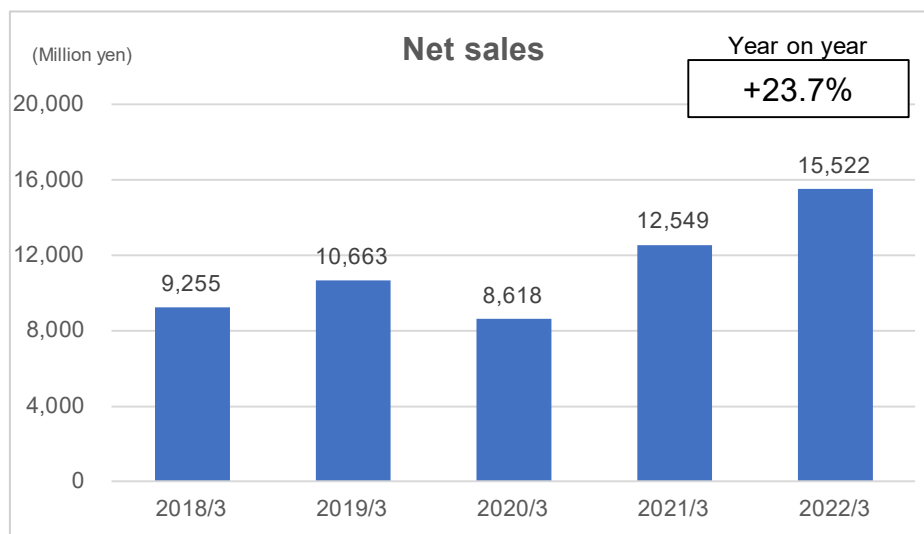


# Overseas Subsidiaries Segment

[USA, China, Thailand, Vietnam, Mexico, Indonesia, and India]

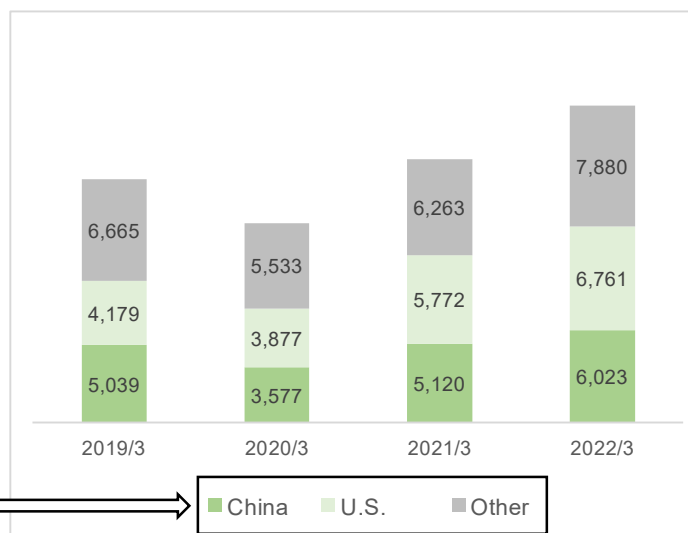
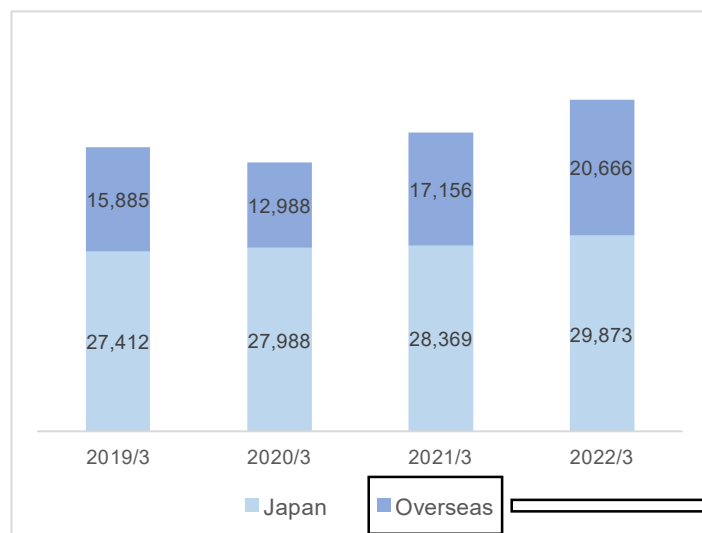


Business Unit	Situations in the First Half	
Overseas Subsidiaries	<ul style="list-style-type: none"> <li>• USA</li> <li>• China</li> <li>• Thailand</li> <li>• Others</li> </ul>	<p>Mass production and delivery started in Alabama.</p> <p>The impacts of additional tariffs imposed on auto parts made in China remained.</p> <p>Business in this country led the overseas segment, with strong results of rubber-related products.</p> <p>Auto parts were also steady, with semiconductor shortages having a limited impact.</p> <p>Rubber was the leading force. Auto parts also showed signs of recovery and were strong in 2Q.</p> <p>Rubber remained strong in Indonesia.</p>



# Net Sales by Destination Country

■ Overseas sales continued growing.



First Half of Fiscal Year Ending September 30, 2022 Net Sales in Each Region			
	Amount (Million yen)	Year on year	% of sales
Japan	29,873	+5.3%	59.1%
China	6,023	+17.6%	11.9%
U.S.	6,761	+17.1%	13.4%
Other	7,880	+25.8%	15.6%
<b>Total</b>	<b>50,539</b>	<b>+11.0%</b>	<b>100.0%</b>

## Factors for changes

### Japan

- Demand for raw materials for chemicals was brisk in a wide range of industries.

### China

- Rubber-related products were strong.
- Auto parts were also steady, with semiconductor shortages having a limited impact.
- Lithium-ion battery materials were also strong.

### U.S.

- Mass production and delivery started in Alabama.
- High-performance resins were strong.
- The performance of films was firm.

### Other

- Rubber demand in Thailand was the driving force.
- Sales of auto parts slowed, mainly reflecting a decline in production.



## 2. Forecasts for Fiscal Year Ending September 30, 2022

# Full-Year Forecasts for Fiscal Year Ending September 30, 2022



- Despite the impact of a reduction in automobile production, full-year forecasts remain unchanged as chemicals and other products have remained strong.
- Despite uncertain factors such as the situation in Ukraine and the lockdown in Shanghai, their impacts on results are likely to be minor at present.

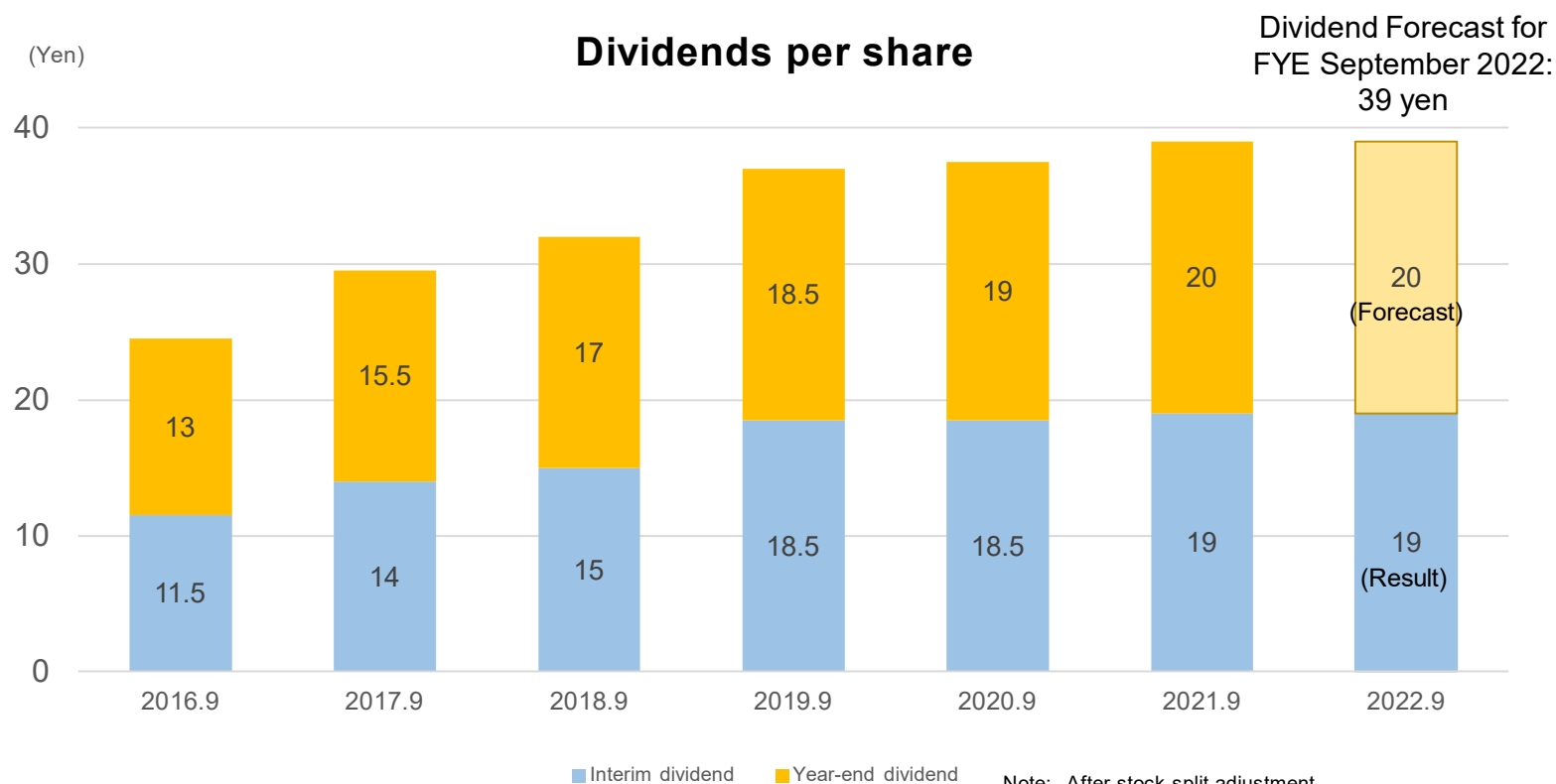
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<b>Gross profit</b>	<b>8,303</b>	<b>-1.9%</b>	16.4%		
(Gross profit ratio)	16.4%	-	-		
<b>Selling, general and administrative expenses</b>	<b>5,357</b>	<b>+11.0%</b>	10.6%		
<b>Operating profit</b>	<b>2,945</b>	<b>-19.0%</b>	5.8%	5,800	50.8%
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## Shareholder Returns



- We will focus on increasing dividends per share in the medium to long term and will deliver stable shareholder return in the long term.
- The interim dividend for the fiscal year ending September 30, 2022 will remain unchanged year on year, at 19 yen.



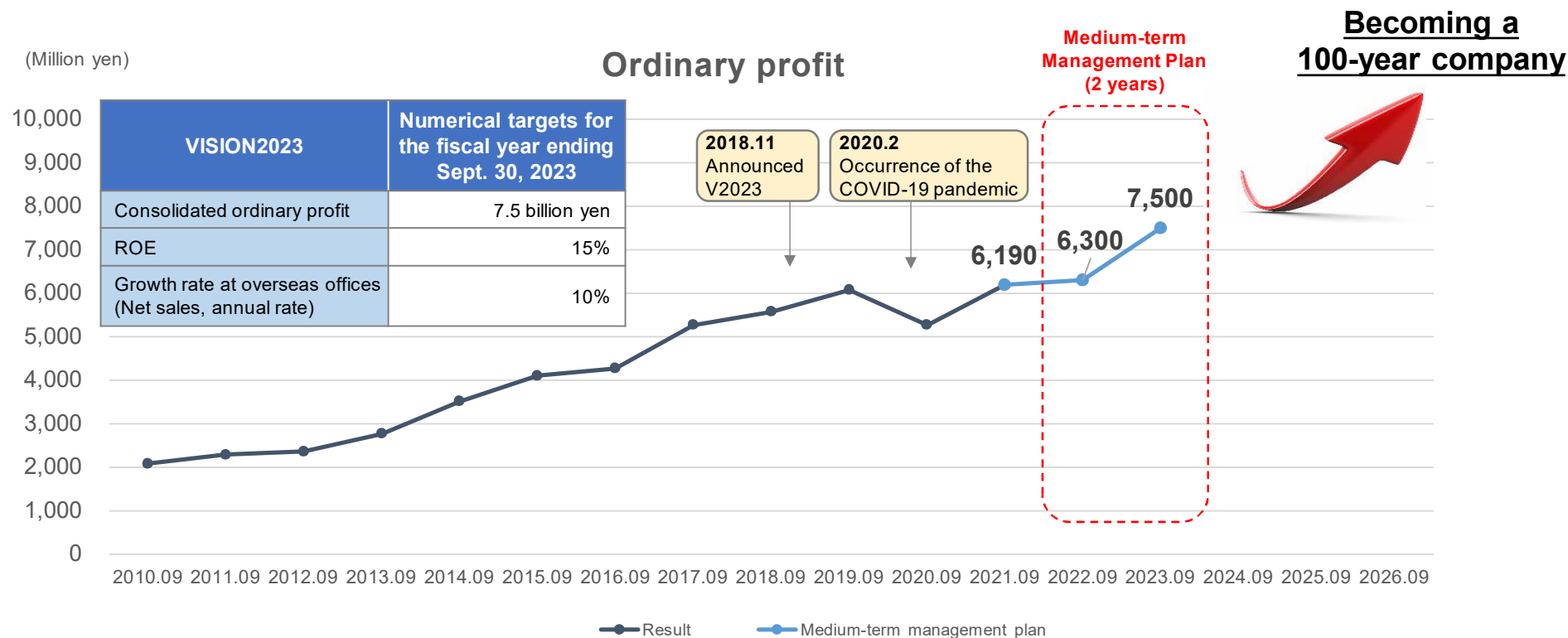
Note: After stock-split adjustment  
The Company conducted a two-for-one share split on February 1, 2020.



### 3. Our Strengths and the Direction of Business Growth

# VISION2023 and Medium-Term Management Plan

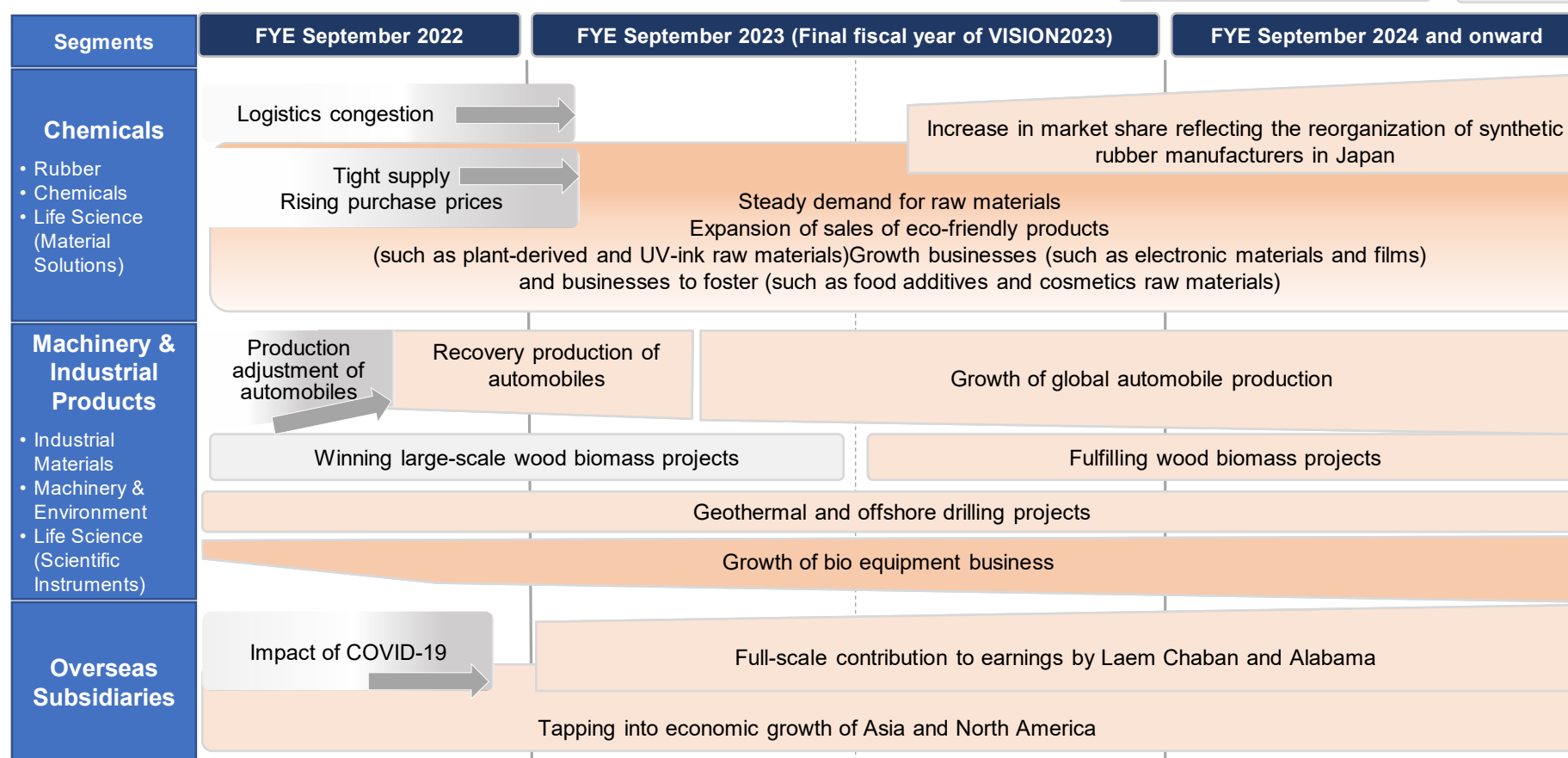
- We are advancing the Medium-Term Management Plan to achieve VISION2023.
- In the fiscal year ending September 30, 2022, we will focus our efforts on measures to achieve medium- to long-term growth.



# Outlook (Updates)

- Logistics disruption and adjustments in the production automobiles are expected to continue beyond the initial forecasts.
- We will continue to focus on achieving VISION2023 by incorporating the growth of chemicals and bio equipment business as a new factor.

\* Factors behind business growth Risk factors





# Targeting Four Markets of Focus

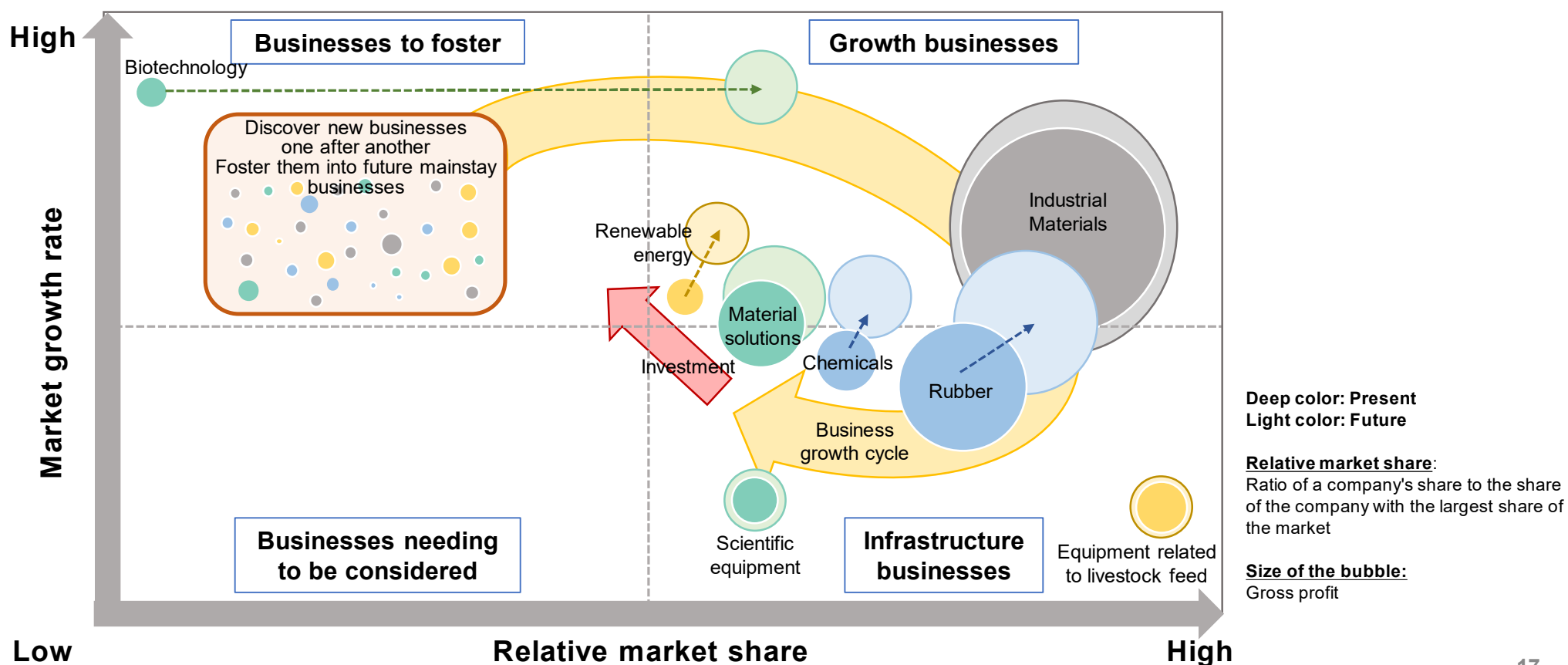
Market/Significance	Sector	Purpose	Business Unit
<b>Mobility</b>	All moving vehicles	In anticipation of the industrial structure from 2030, including means of mobility, we will provide added value ahead of others through products and services.	<b>Industrial Products No. 1 Business Unit</b>
			<b>Industrial Products No. 2 Business Unit</b>
<b>Fine chemicals</b>	Synthetic rubber, paints, inks, coating agents, and electronic materials	We will provide stable supply, technological compensation, and environmental protection to a wide range of industries through fine chemicals including functional materials, materials, and new materials coming from nature, to contribute to developing the materials field.	<b>Rubber Business Unit</b>
			<b>Chemical Business Unit</b>
<b>Sustainability</b>	Renewable energy (biomass, geothermal power, and marine resources) Livestock feed	We will contribute to a sustainable society through wood biomass, geothermal power, and marine resources in the field of renewable energy and through our efforts to help improve the safety and quality of food in the livestock industry.	<b>Machinery &amp; Environmental Business Unit</b>
<b>Life science</b>	Food additives, cosmetics, home medical care, scientific instruments, biotechnologies, and others	To contribute to improving the quality of life, we will provide a range of lifestyle-related products and services with a focus on food and medical care toward the post-COVID-19 new lifestyle and the forthcoming super-aging society.	<b>Life Science Business Unit</b>

An organization under the direct control of the president, which preferentially develops large-scale, promising businesses that cross boundaries between business units

**New Business Development Dept.**  
(Creates next-generation businesses beyond boundaries between business units)

## Direction of Medium- to Long-Term Business Growth (Present ⇒ Future)

- In fine chemicals and life science, we aim to achieve further growth by expanding sales of environmentally friendly products.
- In mobility, we will maintain and expand the current position.
- We will discover businesses to foster, one after another, and develop them into future mainstay businesses. ⇒ **Our strength**





# Sources of Our Strengths



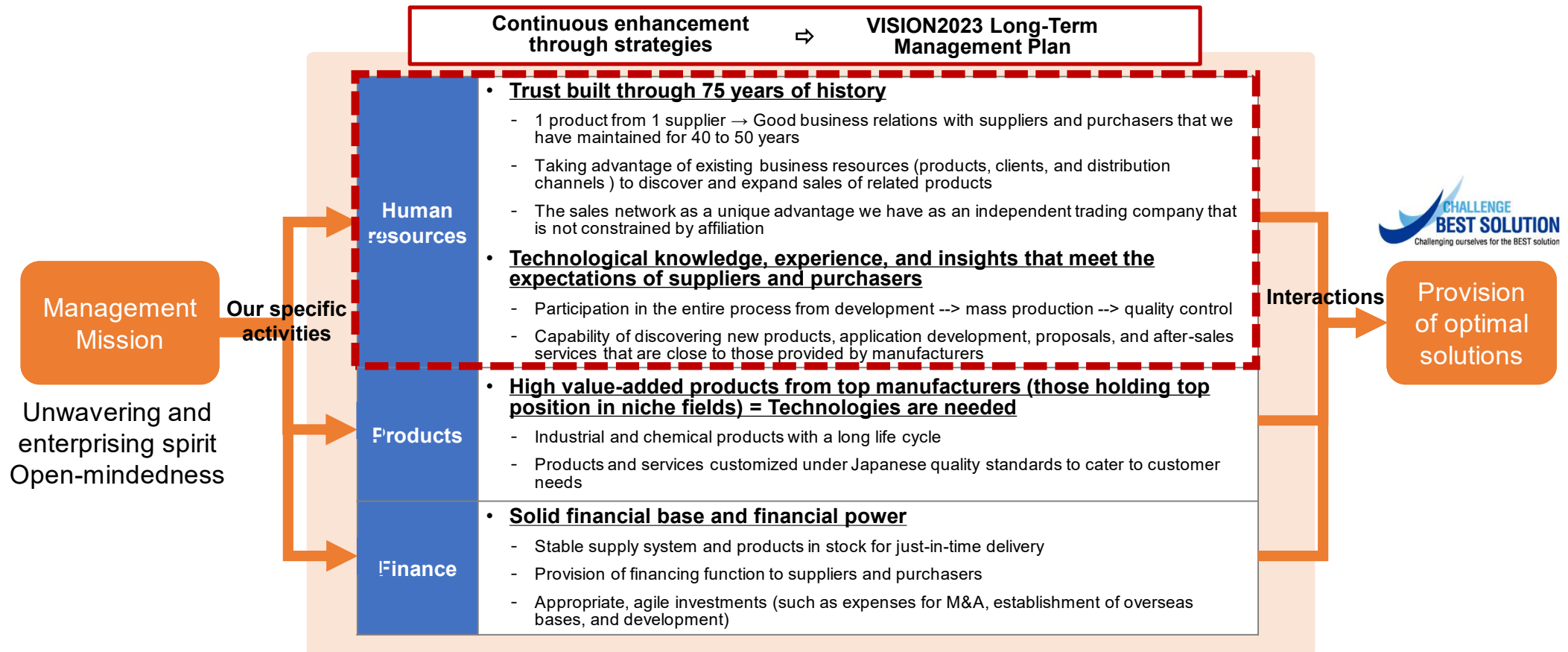
Dealings in which direct transactions  
are difficult for customers



Our unique strengths that  
we have honed over time



Meaning of our company's existence  
(Background to the high profitability)



# Measures for Achieving Growth 1: M&A -- Acquisition of Scrum Inc.



## Strengthening bio-related business

Life science

- The bio-related market is expected to grow further, reflecting societal demand and the expansion of business domains.
- Sanyo Trading and Scrum Inc. do not deal in any competitive product. We aim to grow with Scrum Inc. under a mutually complementary relationship.



### Resources of Sanyo Trading

Imports of a wide range of laboratory instruments

Overseas facilities and companies providing technological support

Expertise in imports, exports, and exchange control



### Resources of Scrum Inc.

Imports of overseas products that are competitive in the biotechnology domain

Specialized human resources

Wide trade areas covering industries, governments, and academia

### Synergy

Horizontal application of products

Finding new overseas suppliers

Enhancement of management system

Personnel exchange

### Business of Scrum Inc.

- Import and sales of bio-related analytical and measuring instruments and reagents
- Protein and peptide synthesis and biomarker tests as outsourcing services



Pretreatment equipment for single-cell analysis



Dedicated reagents and consumables

Date of share transfer	February 25, 2022
Ratio of voting rights held	100%

## Measures for Achieving Growth 2: Initiatives for New Businesses

### Developing new products

- Expanding existing businesses taking advantage of our strengths
- Development projects led by the New Business Development Dept. also contributing to profit gradually

#### Fine chemicals

##### Sales expansion of rubber products

- Dow Toray Co., Ltd., our main supplier, is enhancing the functions of its agents. We expect an increase in inventory quantities and transaction volumes of silicone as the core product, reflecting many years of business relationship with the company.
- Amid the tight supply of fluoro rubber, we drive sales expansion of products from Dowhon in China. An evaluation is underway by users facing procurement difficulties.
- We have released CHEMBASE, a comprehensive database that provides the latest information about more than 110 fine chemical products from all over the world.



Fluoro rubber from Dowhon



A CHEMBASE screen

#### Mobility

##### Full-scale contribution to profit by automotive benchmarking solutions from Caresoft Global Inc.

- We officially opened a showroom in April by using the gymnasium of an abolished school in Mizunami City, Gifu.
- Vehicle and disassembled parts of Wuling Mini\*1 micro EV are exhibited side by side. Further, disassembled parts of Tesla and Jaguar are also exhibited.
- Moving forward, we will also exhibit automotive products from other business units. We are thus building a structure which will allow us to propose products to the automotive industry in a company-wide manner.



Scan data



Exhibition venues

\*1: A compact Hongguang Mini EV developed by SAIC-GM-Wuling Automobile (China)

## Measures for Achieving Growth 3: Development of Environmentally Friendly Products

- Driving the trading and development of environmentally friendly products to achieve a sustainable society
- Focusing on the discovery of products with great market potential by taking advantage of our information collection capability and technical knowledge

### Sustainability

Start of construction of Uchiko Ryuo Biomass Power Plant,  
a regional partnership project

- Five companies -- Naito Kogyo, Cypress Sunadaya, Takenaka Corporation, Nippon Engineering Consultants, and Sanyo Trading -- launched the construction of a power plant for commercializing wood biomass power generation in Uchiko Town, Ehime.
- The fuel to be used for power generation will be pellets made from approx. 3,600 tons/year of unused timber from forest thinning delivered to the forestry cooperative of Uchiko Town.
- Heat generated in the power generation will be supplied to two facilities in an adjacent park, that is, Auberge Uchiko and Fitness Ryuow.
- Power generation is planned to be started in the autumn of 2022.



Illustrative image

### Sustainability

Initiatives on offshore wind power generation  
(Cosmos Shoji)

- The government is driving offshore wind power generation proactively, aiming to achieve carbon neutrality.
- An order was received for TP cover\*<sup>1</sup> from an EPCI\*<sup>2</sup> operator working on projects in Japan.

\*1 TP cover: A cover used in setting a transition piece (a support pillar propped up on the sea floor) to prevent the inflow of wind, snow, and seawater and fall of workers

\*2 Engineering, procurement, construction and installation



Mounted on the  
transition piece



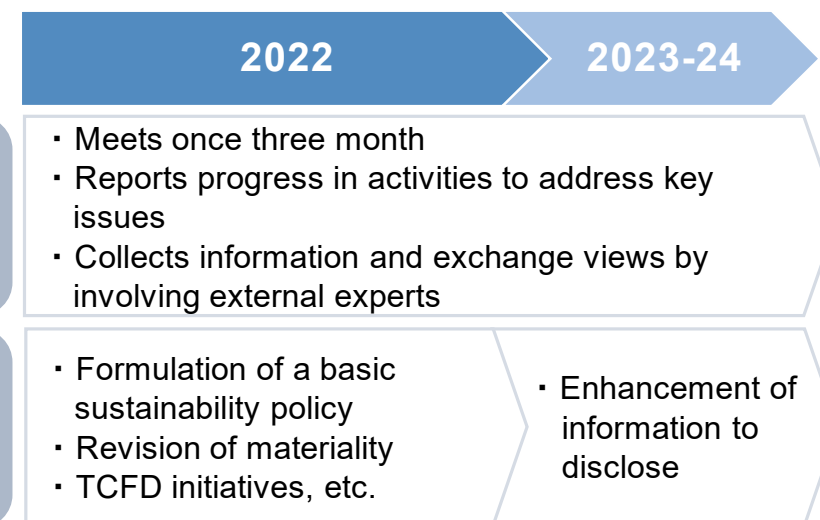
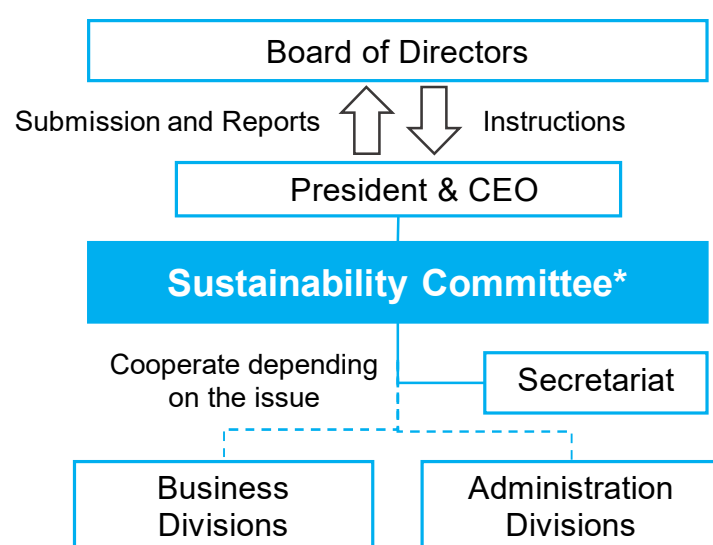


# Progress in ESG Initiatives

## Sustainability Committee established in April 2022

- Accelerating initiatives on overall management issues related to ESG, which we are required to take as a company listed on the Prime Market.
- In 2022, we plan to formulate a basic sustainability policy and then take initiatives including the revision of materiality and TCFD-related measures.

## Sustainability promotion structure



\* Committee members:  
Executive officer in charge of sustainability, executive officer in charge of Business Divisions, executive officer in charge of Administration Divisions, general manager of General Affairs Dept., general manager of Finance & Accounting Dept., general manager of IT Promotion Dept., and general manager of Corporate Strategy Dept. (Seven members in total)



# Challenging ourselves for the BEST solution

**Thank you for your attention.**

**Sanyo Trading Co., Ltd.**  
**(Stock exchange code: 3176)**





## Inquiries about IR

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