

Consolidated Financial Statements for the Fiscal Year Ended September 30, 2022 [Japan GAAP]

November 8, 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/>
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 Annual general meeting of stockholders (scheduled): December 22, 2022
 Start of distribution of dividends (scheduled): December 2, 2022
 Filing of securities report (scheduled): December 22, 2022
 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, 2022 (October 1, 2021 to September 30, 2022)

(1) Consolidated Operating Results

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE September 2022	111,250	23.9	5,319	(3.4)	6,299	1.8	4,296	0.9
FYE September 2021	89,788	18.0	5,506	14.9	6,190	17.4	4,256	41.3

(Note) Comprehensive income: FYE September 2022: 5,414 million yen (10.1%)
 FYE September 2021: 4,919 million yen (78.3%)

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	Yen	Yen	%	%	%
FYE September 2022	149.67	148.66	11.8	11.1	4.8
FYE September 2021	148.52	147.44	13.1	12.6	6.1

(Reference) Equity in earnings of affiliates: FYE September 2022: – million yen
 FYE September 2021: – million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 2022	62,859	39,212	61.7	1,349.41
As of September 2021	50,834	34,725	67.5	1,195.18

(Reference) Total equity: As of September 2022: 38,760 million yen
 As of September 2021: 34,292 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 2022	(3,395)	(1,809)	1,864	5,718
FYE September 2021	2,253	(1,009)	(3,301)	8,663

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 2021	–	19.00	–	20.00	39.00	1,118	26.3	3.4
FYE September 2022	–	19.00	–	21.00	40.00	1,148	26.7	3.1
FYE September 2023 (estimate)	–	21.00	–	21.00	42.00		–	

3. Forecast of Consolidated Results for the Fiscal Year Ending September 30, 2023 (October 1, 2022 to September 30, 2023)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	128,000	15.1	6,500	22.2	6,800	7.9	4,500	4.7	156.75

(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: 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
- (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, 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 September 30, 2022: 284,120 shares
As of September 30, 2021: 315,120 shares
(iii) Average number of shares during the period
FYE ended Sep. 2022: 28,708,785 shares
FYE ended Sep. 2021: 28,660,157 shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended September 30, 2022 (October 1, 2021 to September 30, 2022)

(1) Non-Consolidated Operating Results (% = year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE September 2022	66,006	12.7	3,236	(13.3)	4,997	1.8	3,495	(0.9)
FYE September 2021	58,550	11.8	3,731	9.5	4,909	14.9	3,526	48.4

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
FYE September 2022	121.75	120.93
FYE September 2021	123.05	122.16

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 2022	48,246	31,364	64.8	1,087.88
As of September 2021	41,396	29,080	70.0	1,009.65

(Reference) Total equity: As of September 2022: 31,247 million yen
As of September 2021: 28,969 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 accounting policies)	14
(Changes in presentation method).....	15
(Segment information, etc.)	16
(Revenue recognition).....	20
(Per share information)	21
(Significant subsequent events)	22

1. Business Performance, Etc.

(1) Review of business performance

During the consolidated fiscal year under review (October 1, 2021 to September 30, 2022), production activity in the Japanese economy, particularly the auto industry, was significantly affected by movement restrictions attributable to COVID-19 in Japan and overseas, logistics disruption, and shortages of parts and semiconductors. Uncertainty over the future of the economy increased due to geopolitical turmoil, soaring prices of energy and resources, accelerating price hikes, and the rapid depreciation of the yen. In this business environment, Sanyo Trading Co., Ltd. (the “Company”), which has been listed on the Prime Market of the Tokyo Stock Exchange and marked its 75th in business, and its consolidated subsidiaries (the “Group”) have been making a group-wide effort to improve its business performance by pursuing and deepening higher value-added businesses, leveraging its strengths along with its long-term plan, VISION2023. Meanwhile, the Group continued its efforts to start new businesses, accelerate global expansion and make new investments.

On the new investment front, the Group acquired Scrum Inc., which imports and sells measuring and analytical instruments used in biotechnology and related reagents and consumables and provides contract services, including peptide synthesis and preparation of antibodies, to strengthen its operations in the field of life science, in which the Group specializes. In the domain of mobility, the Group engages in a benchmarking solutions business, a new business, where it provides non-destructive scanning data on automobiles and supports the development of automobiles and auto parts. To enhance its automobiles and auto parts procurement services, which complement the benchmarking solutions business, the Group invested in Asian Bridge Partners Inc., which develops platforms for the auto industry. The Group also decided to acquire Cosmo Computing System, Inc., whose main business is commissioned software development, to strengthen digital transformation strategies.

Consolidated results were net sales of ¥111,250 million (up 23.9% year on year), operating profit of ¥5,319 million (down 3.4% year on year), ordinary profit of ¥6,299 million (up 1.8% year on year), and profit attributable to owners of the parent of ¥4,296 million (up 0.9% year on year).

Results for each business segment are described below.

(i) Chemicals

Tight supply conditions and steep rises in purchasing prices became serious for rubber merchandise. However, demand remained firm for synthetic rubber and indirect materials in a wide range of industries, including the automobile, home appliances and information equipment industries.

Among our chemical-related merchandise, the import and sales of mainstay raw materials for paints and inks remained firm. Additionally, the Group began full-scale development of eco-friendly merchandise, which has been a focus in recent years.

Life science-related merchandise was affected by logistics disruption, but export-related transactions grew, particularly of electric materials and food additives for North America.

As a result, the Chemicals segment recorded net sales of ¥37,734 million (up 19.7% year on year) and operating profit of ¥2,510 million (up 24.4% year on year).

(ii) Machinery & Industrial Products

Sales of merchandise related to industrial products were affected by reductions in production at Japanese-affiliated auto manufacturers chiefly due to shortages of semiconductors and parts, but remained roughly flat from the previous fiscal year.

Results for products related to machinery and the environment were sluggish, chiefly due to delays in certain projects and the weakening of the yen.

Of merchandise related to scientific equipment, sales of surface properties testers and particle dispersion measurement equipment were strong.

In merchandise related to resource development, sales of ocean resources mining equipment and geothermal development equipment were strong and contributed to the Group’s earnings. Scrum Inc. and Sanyo Technos Co., Ltd. have become consolidated subsidiaries in the fiscal year under review.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥36,333 million (up 8.7% year on year) and operating profit of ¥3,172 million (down 13.4% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, sales of highly functional resins remained firm, but profit was affected by additional tariffs imposed on auto parts made in China and soaring raw materials prices and transportation costs. SANYO TRADING (SHANGHAI) CO., LTD. was affected by the zero-COVID policy in China, including lockdowns in Shanghai, but sales of auto parts and materials for parts were firm. At Sanyo Trading Asia Co., Ltd. (Thailand), sales of rubber-related goods were strong. At SUN PHOENIX MEXICO S.A. de C.V., sales for automobile-related parts were weak due to the effects of a steep rise in expenses for marine transportation from China. At Sanyo Trading (Viet Nam) Co., Ltd., results of merchandise related to paints were weak. At PT. SANYO TRADING INDONESIA, rubber products achieved favorable sales. Sanyo Trading India Private Limited was included in the Company's scope of consolidation in the current fiscal year.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥36,992 million (up 49.8% year on year) and operating profit of ¥1,235 million (up 26.3% year on year).

(2) Review of financial position

(Assets)

Current assets increased ¥12,598 million from the end of the previous fiscal year to ¥55,133 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 decreased ¥573 million from the end of the previous fiscal year, to ¥7,726 million, chiefly due to a decrease in the market value of investment securities, despite an increase in machinery and equipment, and other increases.

Total assets in the fiscal year under review stood at ¥62,859 million (an increase of ¥12,024 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities increased ¥7,345 million from the end of the previous fiscal year, to ¥22,013 million, mainly reflecting an increase in trade payables and an increase in borrowings from financial institutions.

Non-current liabilities increased ¥192 million from the end of the previous fiscal year, to ¥1,633 million mainly due to increases in retirement benefit liability.

Liabilities at the end of the fiscal year under review came to ¥23,646 million (an increase of ¥7,537 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 mainly to a rise in foreign currency translation adjustment.

Resulting net assets at the end of the fiscal year under review stood at ¥39,212 million (an increase of ¥4,487 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 ¥2,944 million from the end of the previous fiscal year, to ¥5,718 million (down 34.0% from the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash used in operating activities came to ¥3,395 million (a year-on-year decrease in cash outflows of ¥5,648 million). The result was mainly due to cash outflows due to causes including increases in trade payables, contract assets, and inventories, and income taxes paid, which more than offset earnings before income taxes posted.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥1,809 million (a year-on-year increase in cash outflows of ¥799 million). The result was chiefly due to cash outflows related to the acquisition of shares in Scrum Inc.

(Cash flows from financing activities)

Net cash provided by financing activities stood at ¥1,864 million (a year-on-year increase of ¥5,165 million). The result primarily reflected proceeds from borrowings from financial institutions and dividends paid by the Company.

(Reference) Cash flow-related indicators

	September 30, 2018	September 30, 2019	September 30, 2020	September 30, 2021	September 30, 2022
Shareholders' equity ratio	63.5	66.2	64.9	67.5	61.7
Equity ratio based on market value (%)	73.2	69.7	60.3	66.2	47.2
Interest-bearing debt/cash flow ratio (years)	1.2	0.3	0.7	1.1	—
Interest coverage ratio (times)	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) Because cash flows from operating activities were negative in the fiscal year ended September 30, 2022, interest-bearing debt/cash flow ratio (years) and interest coverage ratio (times) are not stated.

(4) Outlook

There are positive signs in the Japanese economy, as restrictions on entry into Japan to prevent the spread of COVID-19 were eased. Meanwhile, upward pressure on prices is increasing globally, reflecting high raw materials prices and supply constraints. Production activity, particularly in the auto industry, continues to be restricted due to shortages of parts and materials as well as the semiconductor shortage. Moreover, risk factors remain, including the rapid weakening of the yen, geopolitical turmoil, and strikes at ports in different countries. The economic situation remains unpredictable.

In this business environment, net sales at the Group exceeded ¥100 billion for the first time in the fiscal year ended September 30, 2022, reflecting firm demand for raw materials in a wide range of industries. Ordinary profit and profit hit record highs. The Group has entered the fiscal year ending September 30, 2023, the final year of the VISION2023 long-term management plan.

In the fiscal year ending September 30, 2023, the Group will continue to execute the seven basic strategies to strengthen its corporate structure and earnings base, which it has been implementing under the VISION2023 plan. Specifically, the Group will pursue and deepen business domains by focusing on 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—the Sustainability Committee established in April 2022 is taking the lead—and promote new investment projects.

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

In the fiscal year ending September 30, 2023, the Company expects sustained strength in demand for raw materials for chemicals among major customers, and continued business expansion at subsidiaries centered on those in Asian countries such as China and Thailand and forecasts net sales of ¥128,000 million (up 15.1% year on year).

Operating profit is forecast to be ¥6,500 million (up 22.2% year on year), chiefly due to the full-year contribution of Scrum Inc., which became a subsidiary in the fiscal year under review, although there is uncertainty over tight supply in the Chemicals segment and a reduction in automobile production chiefly due to shortages in semiconductors for industrial materials.

Ordinary profit is forecast to be ¥6,800 million (up 7.9% year on year). The Company expects foreign exchange losses or gains, and dividend income to arise as non-operating expenses or income.

Profit attributable to owners of the parent is forecast to be ¥4,500 million (up 4.7% 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 further strengthening our management structure and thereby bolstering our ability to generate stable 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 21 yen per share. Combined with the interim dividend of 19 yen per share already paid on June 14, 2022, this will bring the annual dividend to 40 yen per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥42 per share, an interim dividend ¥21 and a year-end dividend of ¥21, which is calculated based on a forecast consolidated earnings of ¥4,500 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, 2021	Fiscal 2022 ended September 30, 2022
Assets		
Current assets		
Cash and deposits	8,663,587	5,879,997
Notes and accounts receivable - trade	15,185,494	—
Notes and accounts receivable - trade, and contract assets	—	21,968,319
Electronically recorded monetary claims - operating	1,368,600	2,040,364
Merchandise and finished goods	15,668,609	23,067,033
Work in process	8,148	1,114
Raw materials and supplies	2,649	57,256
Other	1,674,528	2,178,789
Allowance for doubtful accounts	(36,982)	(59,788)
Total current assets	42,534,636	55,133,087
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,472,361	3,636,415
Accumulated depreciation	(1,424,470)	(1,577,642)
Buildings and structures, net	2,047,890	2,058,772
Machinery, equipment and vehicles	402,416	636,338
Accumulated depreciation	(316,490)	(442,426)
Machinery, equipment and vehicles, net	85,925	193,911
Land	781,761	810,061
Other	574,483	741,805
Accumulated depreciation	(335,695)	(464,540)
Other, net	238,788	277,265
Total property, plant and equipment	3,154,366	3,340,011
Intangible assets		
Goodwill	529,323	342,767
Other	334,679	201,701
Total intangible assets	864,002	544,468
Investments and other assets		
Investment securities	3,283,299	2,701,376
Deferred tax assets	140,406	201,326
Other	885,275	969,380
Allowance for doubtful accounts	(27,337)	(30,142)
Total investments and other assets	4,281,643	3,841,940
Total non-current assets	8,300,013	7,726,420
Total assets	50,834,649	62,859,507

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal 2022 ended September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,399,644	12,767,354
Short-term borrowings	2,172,004	5,823,164
Current portion of long-term borrowings	90,040	69,960
Accounts payable - other	652,116	789,054
Income taxes payable	938,024	1,057,555
Provision for bonuses	73,095	135,716
Other	1,342,817	1,370,292
Total current liabilities	14,667,743	22,013,097
Non-current liabilities		
Long-term borrowings	169,960	177,087
Deferred tax liabilities	197,103	227,609
Provision for retirement benefits for directors (and other officers)	46,066	75,478
Retirement benefit liability	902,240	954,926
Long-term deposits received	86,124	109,527
Other	40,064	89,116
Total non-current liabilities	1,441,559	1,633,744
Total liabilities	16,109,302	23,646,842
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	398,863	397,298
Retained earnings	32,097,778	35,502,368
Treasury shares	(151,591)	(136,678)
Total shareholders' equity	33,351,637	36,769,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	891,444	796,488
Foreign currency translation adjustment	49,860	1,193,967
Total accumulated other comprehensive income	941,304	1,990,456
Share acquisition rights	111,370	116,566
Non-controlling interests	321,033	336,066
Total net assets	34,725,346	39,212,665
Total liabilities and net assets	50,834,649	62,859,507

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

Consolidated statement of income

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net sales	89,788,976	111,250,597
Cost of sales	74,278,731	94,106,009
Gross profit	15,510,245	17,144,587
Selling, general and administrative expenses		
Transportation costs	782,034	916,492
Storage costs	843,761	1,069,436
Remuneration, salaries and allowances	3,962,029	4,525,258
Retirement benefit expenses	130,063	104,827
Welfare expenses	644,263	740,077
Entertainment expenses	159,158	216,467
Travel and transportation expenses	219,820	385,526
Rent expenses on land and buildings	400,289	497,207
Depreciation	290,342	367,582
Amortization of goodwill	254,216	186,556
Other	2,317,837	2,816,014
Total selling, general and administrative expenses	10,003,818	11,825,448
Operating profit	5,506,427	5,319,139
Non-operating income		
Interest income	18,684	12,765
Dividend income	82,734	96,355
Foreign exchange gains	540,820	760,323
Other	102,472	184,945
Total non-operating income	744,712	1,054,389
Non-operating expenses		
Interest expenses	19,300	42,181
Sales discounts	9,625	–
Loss on sales of trade receivables	7,883	10,632
Loss on valuation of investment securities	9,889	4,759
Other	14,307	16,541
Total non-operating expenses	61,006	74,113
Ordinary profit	6,190,133	6,299,414
Extraordinary income		
Gain on sales of investment securities	15,514	–
Gain on sales of non-current assets	19,578	–
Surrender value of insurance policies	18,742	–
Penalty income	15,269	–
Gain on bargain purchase	–	292,773
Total extraordinary income	69,105	292,773
Extraordinary losses		
Loss on sales of investments in capital of subsidiaries and associates	158,291	–
Loss on valuation of shares of subsidiaries and associates	–	68,329
Total extraordinary losses	158,291	68,329
Profit for the year before income taxes	6,100,947	6,523,858
Income taxes - current	1,877,532	2,109,302
Income taxes - deferred	(59,402)	94,399
Total income taxes	1,818,129	2,203,702
Profit	4,282,817	4,320,156
Profit attributable to non-controlling interests	26,156	23,223
Profit attributable to owners of parent	4,256,661	4,296,933

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Profit	4,282,817	4,320,156
Other comprehensive income		
Valuation difference on available-for-sale securities	357,580	(95,292)
Foreign currency translation adjustment	278,843	1,190,043
Total other comprehensive income	636,423	1,094,750
Comprehensive income	4,919,241	5,414,907
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,893,214	5,392,010
Comprehensive income attributable to non-controlling interests	26,027	22,896

(3) Consolidated statement of changes in equity
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
Cumulative effects of changes in accounting policies					
Restated balance	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)
Profit attributable to owners of parent			4,256,661		4,256,661
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
Cumulative effects of changes in accounting policies						
Restated balance	533,735	(197,283)	336,451	107,701	301,309	31,038,478
Changes during the year						
Dividends payment						(1,088,646)
Profit attributable to owners of parent						4,256,661
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

The Fiscal Year ended September 30, 2022

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	1,006,587	398,863	32,097,778	(151,591)	33,351,637
Cumulative effects of changes in accounting policies			(16,975)		(16,975)
Restated balance	1,006,587	398,863	32,080,803	(151,591)	33,334,662
Changes during the year					
Dividends payment			(1,119,580)		(1,119,580)
Profit attributable to owners of parent			4,296,933		4,296,933
Disposal of treasury shares		(1,564)		14,912	13,348
Increase or decrease due to merger with a non-consolidated subsidiary					—
Change in scope of consolidation			244,213		244,213
Net changes in items other than shareholders' equity					
Total changes during the year	—	(1,564)	3,421,565	14,912	3,434,913
Balance at end of year	1,006,587	397,298	35,502,368	(136,678)	36,769,575

	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	891,444	49,860	941,304	111,370	321,033	34,725,346
Cumulative effects of changes in accounting policies						(16,975)
Restated balance	891,444	49,860	941,304	111,370	321,033	34,708,371
Changes during the year						
Dividends payment						(1,119,580)
Profit attributable to owners of parent						4,296,933
Disposal of treasury shares						13,348
Increase or decrease due to merger with a non-consolidated subsidiary						—
Change in scope of consolidation						244,213
Net changes in items other than shareholders' equity	(94,955)	1,144,107	1,049,151	5,196	15,032	1,069,380
Total changes during the year	(94,955)	1,144,107	1,049,151	5,196	15,032	4,504,294
Balance at end of year	796,488	1,193,967	1,990,456	116,566	336,066	39,212,665

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit for the year before income taxes	6,100,947	6,523,858
Depreciation	364,655	477,541
Amortization of goodwill	254,216	186,556
Share-based remuneration expenses	22,876	18,513
Increase (decrease) in allowance for doubtful accounts	25,809	194
Increase (decrease) in retirement benefit liability	(14,484)	2,033
Increase (decrease) in other provisions	22,126	(3,435)
Interest and dividend income	(101,419)	(109,120)
Interest expenses	19,300	42,181
Foreign exchange losses (gains)	(35,551)	(245,975)
Gain on bargain purchase	–	(292,773)
Loss on valuation of shares of subsidiaries and associates	–	68,329
Loss on sales of investments in capital of subsidiaries and associates	158,291	–
Decrease (increase) in trade receivables	(1,053,550)	–
Decrease (increase) in trade receivables and contract assets	–	(4,254,947)
Decrease (increase) in inventories	(3,016,231)	(5,299,361)
Increase (decrease) in trade payables	2,061,284	2,053,583
Increase (decrease) in advances received	(509,926)	–
Increase (decrease) in contract liabilities	–	(294,043)
Decrease (increase) in advance payments to suppliers	86,963	16,945
Other	(407,364)	(155,711)
Subtotal	3,977,945	(1,265,632)
Interest and dividends received	101,658	108,935
Interest paid	(24,318)	(40,787)
Income taxes paid	(1,801,460)	(2,197,571)
Net cash provided by (used in) operating activities	2,253,824	(3,395,055)
Cash flows from investing activities		
Payments into time deposits	–	(229,120)
Proceeds from withdrawal of time deposits	–	187,950
Purchase of property, plant and equipment	(876,310)	(238,763)
Proceeds from sale of property, plant and equipment	142,847	42,071
Purchase of intangible assets	(5,849)	(5,417)
Purchase of investment securities	(14,662)	(47,846)
Proceeds from sales of investment securities	29,252	27,077
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,504,345)
Purchase of shares of subsidiaries and associates	(205,485)	–
Loss on sales of investments in capital of subsidiaries and associates	(61,671)	–
Loan advances	(180,000)	(30,000)
Proceeds from collection of loans receivable	181,864	–
Other	(19,679)	(10,692)
Net cash provided by (used in) investing activities	(1,009,694)	(1,809,085)

(Thousand yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,301,666)	3,016,721
Proceeds from long-term borrowings	100,000	100,000
Repayments of long-term borrowings	—	(112,953)
Dividends paid	(1,088,646)	(1,119,580)
Dividends paid to non-controlling interests	(6,302)	(7,863)
Other	(4,960)	(12,206)
Net cash provided by (used in) financing activities	(3,301,576)	1,864,116
Effect of exchange rate change on cash and cash equivalents	68,628	274,962
Net increase (decrease) in cash and cash equivalents	(1,988,817)	(3,065,061)
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	216,852	—
Cash and cash equivalents at end of year	8,663,587	5,718,897

(5) Notes to consolidated financial statements

(Notes related to going concern assumptions)

None

(Changes in accounting policies)

(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 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 sales. 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 fiscal year under review has been added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy has been applied from the said beginning balance of retained earnings.

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 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 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 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 current consolidated fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been restated in accordance with the new approach to

presentation.

As a result, in the consolidated statements of income in the fiscal year under review, net sales for the fiscal year under review increased by ¥135,261 thousand, and cost of sales by ¥128,801 thousand. Non-operating expenses decreased by ¥14,147 thousand, ordinary profit and profit before income taxes increased by ¥20,607 thousand each because of the application of the Revenue Recognition Accounting Standard, etc.

In the consolidated statement of cash flows for the fiscal year under review, profit for the year before income taxes increased ¥20,607 million. The initial balance of retained earnings in the consolidated statement of changes in equity decreased by 16,975 million yen due to the application of the cumulative effect to net assets as of the beginning of the fiscal year under review.

The impact of the application of the Revenue Recognition Accounting Standard, etc. on the per share information is insignificant.

Pursuant to the transitional provisions in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the Company did not include any revenue recognition-related notes on the previous fiscal year.

(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 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 consolidated financial statements.

(Changes in presentation method)

(Consolidated statement of income)

“Loss on sale of trade receivables,” which was included in “Other” in non-operating expenses in the previous fiscal year, is stated as a separate item in the fiscal year under review due to an increase in importance in financial terms. To reflect this change in the presentation method, the Company rearranged its consolidated statement of income for the previous fiscal year. As a result, ¥7,883 thousand of ¥22,190 thousand stated as “Other” in non-operating expenses in the consolidated statements of income in the previous fiscal year is rearranged as Loss on sale of trade receivables.

(Consolidated statement of cash flows)

“Payments of leasehold and guarantee deposits” and “Proceeds from refund of leasehold and guarantee deposits,” which were included in cash flows from investing activities in the previous fiscal year, is presented in “Other” in the fiscal year under review because their amounts have become immaterial. To reflect this change in the presentation method, the Company rearranged its financial statements for the previous fiscal year.

As a result, (¥7,355 thousand) stated as “Payments of leasehold and guarantee deposits” and ¥6,420 thousand stated as “Proceeds from refund of leasehold and guarantee deposits” under cash flows from investing activities in the consolidated statement of cash flows for the previous fiscal year is rearranged as “Other.” 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.

2. Methods for calculating sales, profit (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 profit. Inter-segment revenues and transfers are based on prevailing market prices.

(Application of Accounting Standard for Revenue Recognition, etc.)

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 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, and Overseas Subsidiaries for the fiscal year under review were ¥10,092 thousand less, ¥146,555 thousand more, and ¥1,200 thousand less, respectively, than net sales calculated by the previous method. Segment income in the Chemicals, Machinery & Industrial Products, Overseas Subsidiaries, was ¥10,092 thousand less, ¥17,753 thousand more, and ¥1,200 thousand less, respectively.

3. Information related to net sales, income (loss), assets, liabilities and other items by 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)

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 ¥25,724 thousand is a foreign currency translation adjustment in relation to management accounting.
 - (2) 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.
3. Segment income (loss) is adjusted to operating income in the consolidated statement of income.
4. Assets and liabilities in each reportable segment are not stated because they are not allocated to each reportable segment.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(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	37,734,208	36,333,894	36,992,887	111,060,990	119,256	111,180,247	70,350	111,250,597
Intersegment internal sales and transfers	4,941,231	892,499	2,474,038	8,307,768	60,257	8,368,026	(8,368,026)	—
Total	42,675,439	37,226,394	39,466,925	119,368,759	179,514	119,548,273	(8,297,676)	111,250,597
Segment income (loss)	2,510,793	3,172,904	1,235,799	6,919,496	(242,283)	6,677,213	(1,358,073)	5,319,139
Other items								
Depreciation	51,016	212,800	47,475	311,292	149,203	460,495	17,045	477,541
Amortization of goodwill	15,338	171,217	—	186,556	—	186,556	—	186,556

(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 ¥70,350 thousand is a foreign currency translation adjustment in relation to management accounting.
 - (2) An adjustment of segment income (loss) of -¥1,358,073 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥1,003,970 thousand and a foreign currency translation adjustment of -¥465,841 thousand in relation to management accounting.
3. Segment income (loss) is adjusted to operating income in the consolidated statement of income.
4. 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, 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.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

1. Information by product/service

(Thousand yen)						
	Rubber merchandise	Chemical merchandise	Machinery and environment-related merchandise	Industrial merchandise	Other	Total
Sales to external customers	25,654,671	37,387,664	13,040,568	32,215,915	2,951,777	111,250,597

2. Information by region

(1) Net sales

(Thousand yen)				
Japan	U.S.	China	Other	Total
64,624,997	18,373,437	10,829,857	17,422,305	111,250,597

(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, 2021 (from October 1, 2020 to September 30, 2021)

There are no applicable matters.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

There are no applicable matters.

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

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.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
(Goodwill)							
Amortization in current period	15,338	171,217	—	186,556	—	—	186,556
Balance at end of period	26,465	316,301	—	342,767	—	—	342,767

[Information on gain on bargain purchase by reporting segment]

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

There are no applicable matters.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

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 ¥292,773 thousand posted due to this event during the fiscal year 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

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	32,100,644	32,133,366	201,379	64,435,389	119,256	—	64,554,645
Asia	4,382,444	1,200,602	16,797,666	22,380,712	—	—	22,380,712
North America	905,343	1,488,247	18,321,234	20,714,824	—	—	20,714,824
Other	345,776	1,511,678	1,672,608	3,530,062	—	—	3,530,062
Revenue from contracts with customers	37,734,208	36,333,894	36,992,887	111,060,990	119,256	—	111,180,247
Other revenue	—	—	—	—	—	70,350	70,350
Sales to external customers	37,734,208	36,333,894	36,992,887	111,060,990	119,256	70,350	111,250,597

- (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.

(Per share information)	(Yen)	
	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net assets per share	1,195.18	1,349.41
Profit per share (basic)	148.52	149.67
Profit per share (diluted)	147.44	148.66

(Notes) 1. The basis for calculating net assets per share is as follows.

Item	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Total net assets (thousand yen)	34,725,346	39,212,665
Amount deducted from total net assets (thousand yen)	432,403	452,632
(Of which stock acquisition rights) (thousand yen)	(111,370)	(116,566)
(Of which non-controlling interests) (thousand yen)	(321,033)	(336,066)
Net assets at end of year available for common stock (thousand yen)	34,292,942	38,760,032
Number of shares of common stock at end of year used for calculating net assets per share (thousand shares)	28,692	28,723

2. Profit per share (basic) and profit per share (diluted) are calculated based on the following factors.

Item	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Profit per share (basic)		
Profit for the year attributable to owners of the parent (thousand yen)	4,256,661	4,296,933
Amount not attributable to common shareholders (thousand yen)	—	—
Profit for the year attributable to owners of the parent related to common shares (thousand yen)	4,256,661	4,296,933
Average number of common shares outstanding during the fiscal year (thousand shares)	28,660	28,708
Profit per share (diluted)		
Adjustment of profit for the year attributable to owners of the parent (thousand yen)	—	—
Increase in the number of common shares (thousand shares)	209	194
(Of which stock acquisition rights) (thousand shares)	(209)	(194)
Outline of potential shares that are not included in the calculation of the profit per share (diluted) because they do not have any diluting effects	—	

(Significant subsequent events)

(Business combination through acquisition)

The Company acquired all shares in Cosmo Computing System, Inc. and made it a subsidiary on October 28, 2022.

1. Outline of the business combination

(1) Name of the acquired company and its business

Acquired company Cosmo Computing System, Inc.

Business Commissioned development of software, the development, sale, and operation of systems, and related operations

(2) Main reasons for the business combination

As DX (digital transformation) is advancing, the Company will develop systems internally. The Company will thereby build a system that will enable agile system development at a place closer to business to provide digital services. The Company will respond promptly to changes in the business environment, customers' needs for digitalization, and digitalization in the Group.

The Company believes that the acquisition of shares will give it a competitive advantage and enable it to enhance corporate value through sustainable growth.

(3) Name of the shareholder from which the Company will acquire shares

The Company will acquire the shares after a shareholder acquires all shares. The shareholder is an individual shareholder. The Company has concluded a non-disclosure agreement with the shareholder and does not disclose the name of the shareholder.

(4) Date of business combination

October 28, 2022

(5) Legal form of business combination

Cash acquisition of shares

(6) Name of the company after business combination

No change

(7) Percentage share of voting rights acquired

100%

(8) Main reason for the decision to acquire the company

Availability to the Company of the method of all share acquisition in exchange for cash.

2. Details of the acquisition cost of the acquired company and breakdown by type of consideration

Not disclosed due to an agreement between the parties.

3. Details and amount of major acquisition-related costs

They are not determined yet.

4. Goodwill arising from the share acquisition, reason for the goodwill, and method and period of amortization

They are not determined yet.

5. The amounts of assets accepted and liabilities assumed on the date of business combination and a breakdown of the assets and liabilities

They are not determined yet.