

# Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending September 30, 2023 [Japan GAAP]

February 7, 2023

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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 Filing of quarterly report (scheduled): February 8, 2023  
 Start of distribution of dividends (scheduled): –  
 Supplementary documents of quarterly financial results: No  
 Quarterly investors' meeting: No

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

## 1. Consolidated Results for the First Quarter of the Fiscal Year Ending September 30, 2023 (October 1, 2022 to December 31, 2022)

## (1) Consolidated Operating Results (First Three 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	%
Q1 ended								
December 31, 2022	30,919	28.2	1,904	27.1	1,651	(5.4)	1,189	8.1
December 31, 2021	24,127	11.7	1,498	(13.0)	1,746	(4.9)	1,100	(10.3)

(Note) Comprehensive income: Q1 ended December 31, 2022: 925 million yen (22.8% decrease)  
 Q1 ended December 31, 2021: 1,198 million yen (11.5% decrease)

	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
Q1 ended				
December 31, 2022	41.40		41.12	
December 31, 2021	38.35		38.10	

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	68,751	39,527	56.8
As of September 30, 2022	62,859	39,212	61.7

(Reference) Total equity: As of December 31, 2022: 39,077 million yen  
 As of September 30, 2022: 38,760 million yen

## 2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Annual
	Yen	Yen	Yen	Yen	Yen
FYE September 2022	–	19.00	–	21.00	40.00
FYE September 2023	–				
FYE September 2023 (estimate)		21.00	–	21.00	42.00

(Note) Revisions to the latest dividends forecast: No

## 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

(Notes) 1. Revisions to the latest consolidated earnings forecast: No

2. 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) , Excluding – (Company name)

(2) Application of special accounting methods to the preparation of quarterly financial statements: Yes

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Application of accounting processes specific to the preparation of quarterly consolidated financial statements)” on page 8 of the attached report.

(3) Changes in accounting principles and accounting estimates, and restatement of prior period financial statements after error corrections

(i) Changes in accordance with revisions to accounting and other standards: None

(ii) Changes in items other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements after error corrections: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

As of December 31, 2022: 29,007,708 shares

As of September 30, 2022: 29,007,708 shares

(ii) Number of treasury stock as of the fiscal period end

As of December 31, 2022: 284,161 shares

As of September 30, 2022: 284,120 shares

(iii) Average number of shares during the period (first three months)

Q1 FYE September 2023: 28,723,587 shares

Q1 FYE September 2022: 28,692,588 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

During the first three months (October 1, 2022 to December 31, 2022) of the consolidated fiscal year ending September 30, 2023, there were signs of a moderate recovery in social activities in Japan amid the prolonged effects of COVID-19. However, there remained uncertainty over the future of the Japanese economy chiefly due to rapid exchange rate fluctuations and price hikes. In the global economy, there were downside risks, including concern over slowdowns in the U.S. economy and economies in Europe due to monetary tightening, rapid changes in exchange rates, continued geopolitical risks caused by the war in Ukraine, and increasing COVID-19 cases in China.

Under such conditions, consolidated results for the first three months under review were net sales of ¥30,919 million (up 28.2% year on year), operating profit of ¥1,904 million (up 27.1%), ordinary profit of ¥1,651 million (down 5.4%), and profit attributable to owners of the parent of ¥1,189 million (up 8.1%).

Results for each business segment are described below.

#### (i) Chemicals

Results for rubber merchandise were affected by rising purchasing prices for goods imported from Europe and the United States and the weaker yen. 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.

Sales of chemical-related merchandise hit a record high due to the expansion of sales of eco-friendly merchandise and other merchandise that the Group has started to handle, as well as new sales channels. However, profit from mainstay merchandise was affected by higher purchasing prices due to the weaker yen. Of life science-related merchandise, sales of fragrances and dyes were strong, but the mainstay film business struggled. Results were affected by logistics disruption, including delays in delivery of certain products.

As a result, the Chemicals segment recorded net sales of ¥10,222 million (up 18.4% year on year) and operating profit of ¥587 million (down 1.8% year on year).

#### (ii) Machinery & Industrial Products

Sales of merchandise related to industrial products were good as reductions in production at Japanese-affiliated auto manufacturers chiefly due to shortages of semiconductors and parts mitigated to a certain degree compared to the previous fiscal year. Results for products related to machinery and the environment were sluggish. Sales of main units, which were carried over from the previous fiscal year, were recorded in wood biomass-related businesses, but sales of main units related to feed processing machines were limited. Of merchandise related to scientific equipment, biotechnology equipment contributed to profit. However, results were affected by delays in delivery. In merchandise related to resource development, sales of geothermal development equipment continued to be strong. In the ocean development field, large projects to improve equipment and machine parts for drilling vessels contributed to profit.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥11,536 million (up 36.6% year on year) and operating profit of ¥1,323 million (up 40.5% year on year).

#### (iii) Overseas Subsidiaries

Sanyo Corporation of America was adversely affected by a labor shortage in the auto industry, but results grew, reflecting strong demand in the chemicals sector. At SANYO TRADING (SHANGHAI) CO., LTD., materials for lithium-ion batteries, among other products, sold well, but overall results were weak due to the spread of COVID-19. At Sanyo Trading Asia Co., Ltd. (Thailand), certain operations were significantly affected by the weak baht, but both sales and profit rose chiefly due to an increase in auto production volume in Thailand. At Sun Phoenix Mexico, S.A. de C.V., sales were strong, chiefly reflecting an increase in auto production volume in North America, but profit declined from a year ago because of higher purchasing prices and an increase in selling, general and administrative expenses. At Sanyo Trading India Private Limited, results were weak due to foreign exchange losses, among other factors. At PT.Sanyo Trading Indonesia, operating profit was strong, but results declined due to the weak rupiah.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥9,043 million (up 28.9% year on year) and operating profit of ¥387 million (up 15.3% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased ¥4,800 million from the end of the previous fiscal year, to ¥59,933 million, primarily because of a rise in cash and deposits and an increase in merchandise and finished goods.

Non-current assets increased ¥1,090 million from the end of the previous fiscal year, to ¥8,817 million, chiefly due to goodwill related to Cosmo Computing System, Inc., which the Company made a consolidated subsidiary through the acquisition of shares in the first three months, and an increase in investments and other assets mainly due to investments.

Total assets at the end of the first quarter of the fiscal year under review stood at ¥68,751 million (an increase of ¥5,891 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities increased ¥5,508 million from the end of the previous fiscal year, to ¥27,521 million, mainly reflecting a rise in borrowings.

Non-current liabilities increased ¥68 million from the end of the previous fiscal year, to ¥1,701 million, due to an increase in deferred tax liabilities caused by rises in the market values of investment securities.

Liabilities at the end of the first quarter of the fiscal year under review came to ¥29,223 million (an increase of ¥5,576 million from the end of the previous fiscal year).

(Net assets)

Retained earnings increased, reflecting profit attributable to owners of parent, while foreign currency translation adjustment declined due to changes in exchange rates.

Net assets at the end of the first quarter of the fiscal year under review stood at ¥39,527 million (an increase of ¥314 million from the end of the previous fiscal year).

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

The consolidated results forecasts for the fiscal year ending September 30, 2023 are unchanged from those announced on November 8, 2022.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

	(Thousand yen)	
	Fiscal 2022 (As of September 30, 2022)	First quarter of fiscal 2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	5,879,997	8,587,533
Notes and accounts receivable - trade, and contract assets	21,968,319	22,184,872
Electronically recorded monetary claims - operating	2,040,364	2,438,337
Merchandise and finished goods	23,067,033	24,373,976
Work in process	1,114	31,610
Raw materials and supplies	57,256	152,410
Other	2,178,789	2,247,064
Allowance for doubtful accounts	(59,788)	(82,036)
Total current assets	55,133,087	59,933,769
Non-current assets		
Property, plant and equipment	3,340,011	3,340,873
Intangible assets		
Goodwill	342,767	738,264
Other	201,701	181,602
Total intangible assets	544,468	919,866
Investments and other assets		
Investment securities	2,701,376	2,973,436
Other	1,170,707	1,612,613
Allowance for doubtful accounts	(30,142)	(29,512)
Total investments and other assets	3,841,940	4,556,537
Total non-current assets	7,726,420	8,817,277
Total assets	62,859,507	68,751,046

(Thousand yen)

	Fiscal 2022 (As of September 30, 2022)	First quarter of fiscal 2023 (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,767,354	13,039,047
Short-term borrowings	5,823,164	11,291,948
Current portion of long-term borrowings	69,960	64,950
Income taxes payable	1,057,555	697,066
Provisions	135,716	265,230
Other	2,159,347	2,163,476
Total current liabilities	22,013,097	27,521,719
Non-current liabilities		
Long-term borrowings	177,087	170,838
Provisions	75,478	66,381
Retirement benefit liability	954,926	962,927
Other	426,252	501,740
Total non-current liabilities	1,633,744	1,701,886
Total liabilities	23,646,842	29,223,606
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	397,298	397,298
Retained earnings	35,502,368	36,088,250
Treasury shares	(136,678)	(136,724)
Total shareholders' equity	36,769,575	37,355,412
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	796,488	947,297
Foreign currency translation adjustment	1,193,967	774,302
Total accumulated other comprehensive income	1,990,456	1,721,599
Share acquisition rights	116,566	116,566
Non-controlling interests	336,066	333,862
Total net assets	39,212,665	39,527,440
Total liabilities and net assets	62,859,507	68,751,046

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statement of income

(First three months)

(Thousand yen)

	Three-month period ended December 31, 2021 (from October 1, 2021 to December 31, 2021)	Three-month period ended December 31, 2022 (from October 1, 2022 to December 31, 2022)
Net sales	24,127,625	30,919,659
Cost of sales	20,005,385	25,828,126
Gross profit	4,122,239	5,091,532
Selling, general and administrative expenses	2,624,123	3,187,360
Operating profit	1,498,116	1,904,172
Non-operating income		
Interest income	3,047	2,151
Dividend income	26,115	33,995
Foreign exchange gains	208,481	—
Other	18,519	39,436
Total non-operating income	256,164	75,583
Non-operating expenses		
Interest expenses	3,970	28,807
Loss on sales of trade receivables	1,871	3,245
Foreign exchange losses	—	288,098
Miscellaneous losses	2,227	8,289
Total non-operating expenses	8,069	328,440
Ordinary profit	1,746,211	1,651,315
Extraordinary income		
Gain on sales of investment securities	—	220,064
Total extraordinary income	—	220,064
Profit before income taxes	1,746,211	1,871,379
Total income taxes	640,120	677,346
Profit	1,106,090	1,194,032
Profit attributable to non-controlling interests	5,686	4,955
Profit attributable to owners of parent	1,100,404	1,189,077



Quarterly consolidated statement of comprehensive income  
(First three months)

	(Thousand yen)	
	Three-month period ended December 31, 2021 (from October 1, 2021 to December 31, 2021)	Three-month period ended December 31, 2022 (from October 1, 2022 to December 31, 2022)
Profit	1,106,090	1,194,032
Other comprehensive income		
Valuation difference on available-for-sale securities	(112,837)	150,643
Foreign currency translation adjustment	205,298	(419,665)
Total other comprehensive income	92,460	(269,022)
Comprehensive income	1,198,551	925,010
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,192,961	920,220
Comprehensive income attributable to non-controlling interests	5,589	4,789

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

None

(Notes on significant fluctuations in shareholders' equity)

None

(Application of accounting processes specific to the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of deferred tax accounting on earnings before income taxes in the consolidated fiscal year including the first quarter under review, and multiplying earnings before income taxes by said estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. First three months of fiscal year ended September 30, 2022 (from October 1, 2021 to December 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	8,633,020	8,443,142	7,013,315	24,089,478	24,807	24,114,285	13,339	24,127,625
Intersegment internal sales and transfers	1,131,517	190,623	502,061	1,824,202	15,285	1,839,487	(1,839,487)	—
Total	9,764,537	8,633,765	7,515,377	25,913,680	40,092	25,953,773	(1,826,148)	24,127,625
Segment profit (loss)	598,370	942,428	336,146	1,876,946	(35,154)	1,841,791	(343,675)	1,498,116

(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 ¥13,339 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment profit (loss) of -¥343,675 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥199,092 thousand and a foreign currency translation adjustment of -¥60,059 thousand in relation to management accounting.

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

## II. First three months of fiscal year ending September 30, 2023 (from October 1, 2022 to December 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	10,222,747	11,536,699	9,043,456	30,802,903	27,876	30,830,780	88,878	30,919,659
Intersegment internal sales and transfers	1,410,998	212,878	607,468	2,231,345	25,001	2,256,347	(2,256,347)	–
Total	11,633,746	11,749,577	9,650,925	33,034,249	52,878	33,087,127	(2,167,468)	30,919,659
Segment profit (loss)	587,653	1,323,765	387,593	2,299,012	(92,783)	2,206,228	(302,056)	1,904,172

(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 ¥88,878 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment profit (loss) of -¥302,056 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥221,192 thousand and a foreign currency translation adjustment of -¥165,563 thousand in relation to management accounting.

3. Segment profit (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 under review, the Company made Cosmo Computing System, Inc. into a consolidated subsidiary through the acquisition of shares, resulting in the recording of goodwill of ¥438,082 thousand in the Other segment.

(Revenue recognition)

A breakdown of revenue generated from contracts with customers

I. First three months of fiscal year ended September 30, 2022 (from October 1, 2021 to December 31, 2021)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	7,325,649	7,428,839	9,532	14,764,020	24,807	—	14,788,827
Asia	942,128	241,416	3,826,763	5,010,307	—	—	5,010,307
North America	265,982	290,814	2,902,932	3,459,728	—	—	3,459,728
Other	99,259	482,070	274,087	855,416	—	—	855,416
Revenue from contracts with customers	8,633,020	8,443,142	7,013,315	24,089,478	24,807	—	24,114,285
Other revenue	—	—	—	—	—	13,339	13,339
Sales to external customers	8,633,020	8,443,142	7,013,315	24,089,478	24,807	13,339	24,127,625

(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.

II. First three months of fiscal year ending September 30, 2023 (from October 1, 2022 to December 31, 2022)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	8,568,589	10,593,160	30,302	19,192,051	27,876	—	19,219,927
Asia	1,351,775	369,873	4,229,891	5,951,539	—	—	5,951,539
North America	201,043	414,640	4,425,864	5,041,547	—	—	5,041,547
Other	101,338	159,024	357,398	617,760	—	—	617,760
Revenue from contracts with customers	10,222,747	11,536,699	9,043,456	30,802,903	27,876	—	30,830,780
Other revenue	—	—	—	—	—	88,878	88,878
Sales to external customers	10,222,747	11,536,699	9,043,456	30,802,903	27,876	88,878	30,919,659

(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.