

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

August 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/>  
 Representative: Masanobu Shintani, President & CEO  
 Contact: Hiroshi Shirai, Director, Executive Officer & Head of Administration Divisions  
 Tel. +81-3-3518-1111  
 Filing of quarterly report (scheduled): August 8, 2023  
 Start of distribution of dividends (scheduled): –  
 Supplementary documents of quarterly financial results: Yes  
 Quarterly investors' meeting: No

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

## 1. Consolidated Results for the First Three Quarters of the Fiscal Year Ending September 30, 2023 (October 1, 2022 to June 30, 2023)

## (1) Consolidated Operating Results (First Nine 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	%
Three quarters ended June 30, 2023	91,433	15.3	5,336	26.8	5,635	10.9	3,732	3.5
June 30, 2022	79,271	15.9	4,207	(17.2)	5,080	(9.7)	3,604	(4.9)

(Note) Comprehensive income: Three quarters ended June 30, 2023: 4,426 million yen (-4.0% decrease)  
 Three quarters ended June 30, 2022: 4,609 million yen (5.0% increase)

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Three quarters ended June 30, 2023	129.84	129.02
June 30, 2022	125.57	124.72

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	65,715	42,442	63.9
September 30, 2022	62,859	39,212	61.7

(Reference) Total equity: As of June 30, 2023: 41,999 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	–	21.00	–		
FYE September 2023 (estimate)				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

(Note) Revisions to the latest consolidated earnings forecast: No

\* Notes

- (1) Changes in major subsidiaries during the first nine-month period: None  
(changes in specified subsidiaries accompanying changes in the scope of consolidation)  
New – (Company name) , Excluding – (Company name)

Notes on changes in important subsidiaries during the first nine-month period

- (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 |

Notes on changes in accounting policies

- (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 June 30, 2023:   | 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 June 30, 2023:   | 237,385 shares    |
| As of September 30, 2022:  | 284,120 shares    |
| (iii) Average number of shares during the period (first nine months)                               |                   |
| First 3Qs, FYE ending Sep. 2023:   | 28,744,444 shares |
| First 3Qs, FYE ended Sep. 2022:  | 28,703,796 shares |

Notes on the number of shares issued and outstanding

\* 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.

○ Table of Contents of Attached Report

1. Qualitative Information on Quarterly Results.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Consolidated Earnings Forecasts and Other Future Predictions .....	3
2. Quarterly Consolidated Financial Statements and Major Notes .....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	6
(3) Notes to Quarterly Consolidated Financial Statements .....	8
(Notes related to the going concern assumption) .....	8
(Notes on significant fluctuations in shareholders' equity).....	8
(Application of accounting processes specific to the preparation of quarterly consolidated financial statements).....	8
(Segment information, etc.).....	9
(Revenue recognition).....	11

## 1. Qualitative Information on Quarterly Results

### (1) Explanation of Operating Results

During the first nine months (October 1, 2022 to June 30, 2023) of the consolidated fiscal year ending September 30, 2023, the full-scale resumption of economic activities was accelerated due to the downgrading of the legal status of COVID-19 to the same category as seasonal influenza, but the future of the Japanese economy remained uncertain, mainly due to the persistent impact of soaring energy and raw material prices, supply constraints, the depreciation of the yen against the dollar, and fluctuations in the financial and capital market. The outlook for the global economy remained uncertain given concerns rising concerns about a recession in countries around the world, mainly reflecting the delay in the recovery of the Chinese economy, the prolonged Russian invasion of Ukraine, surging raw material and energy costs, and the continued inflation.

Under such conditions, consolidated results for the first nine months under review were net sales of ¥91,433 million (up 15.3% year on year), operating profit of ¥5,336 million (up 26.8% year on year), ordinary profit of ¥5,635 million (up 10.9% year on year), and profit attributable to owners of the parent of ¥3,732 million (up 3.5% year on year).

The operating results for each business segment are described below.

#### (i) Chemicals

Sales of rubber-related merchandise remained above the year-ago level due to an increase in unit selling prices that had continued since last year. However, profit from merchandise decreased year on year, affected by steep rises in the purchase prices of items imported from Europe and the United States, which are attributable mainly to the weak yen.

In chemical-related merchandise, sales increased year on year mainly due to the contribution of the launch of products which the Company began to handle at the beginning of the year. However, profit remained flat year on year due to steep rises in purchase prices that resulted from the weak yen. In life science-related merchandise, the import business including fragrances and dyes remained on a strong note, and lithium-ion battery-related materials were recovering. However, both sales and profit decreased year on year because the business of exporting the mainstay electronic materials, functional food materials, and others performed poorly.

As a result, the Chemicals segment recorded net sales of ¥29,279 million (up 5.2% year on year) and operating profit of ¥1,667 million (down 11.5% year on year).

#### (ii) Machinery & Industrial Products

Both sales and profit of merchandise related to industrial products remained strong compared to the year-ago levels due to progress in recovery of production at Japanese-affiliated auto manufacturers. Merchandise related to machinery and the environment performed poorly, despite solid sales of wearing parts related to feed processing machines that resulted from an increase in prices. This was due to the recording of weak sales from projects for main units, with moves to refrain from large-scale capital investment reflecting the slump in the overall feed industry. The wood biomass-related business continued to perform poorly due to the posting of weak sales from projects for main units, but the Company enhanced sales activities for maintenance and parts services. In merchandise related to scientific equipment, the delivery of main units exceeded the expected level in April, when delivery is usually weak. Thereafter, however, the delivery of main units did not progress as expected due in part to a delay in the arrival of goods, which resulted in a weak performance.

In merchandise related to resource development handled by Cosmos Shoji Co., Ltd., sales of equipment related to geothermal heat were strong. Performance remained strong in relation to the biotech products carried by Scrum Inc., contributing to the year-on-year growth of profit. The business of functional feed raw materials handled by YPTECH Co., Ltd. performed better than in the same period of the previous fiscal year as prices of raw materials hardened.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥34,766 million (up 37.7% year on year) and operating profit of ¥3,570 million (up 71.4% year on year).

#### (iii) Overseas Subsidiaries

The performance of Sanyo Corporation of America improved from the previous year, although automobile-related merchandise was weak, more than offset by solid demand for rubber- and film-related merchandise. The performance of SANYO TRADING (SHANGHAI) CO., LTD. was below the year-ago level, affected by the sluggish domestic economy of China, although demand for lithium-ion battery-related materials and other merchandise was recovering. At Sanyo Trading Asia Co., Ltd. (Thailand), automobile-related merchandise sales grew due to special demand.

However, results remained unchanged year on year due in part to an increase in selling expenses for other merchandise. The performance of Sun Phoenix Mexico, S.A. de C.V. declined year on year due in part to the impact of foreign exchange losses, more than offsetting an increase in orders reflecting a recovery in the domestic automotive industry of Mexico. Performance was strong at Sanyo Trading India Private Limited, reflecting the steady performance of existing business in rubber-related merchandise. Sanyo Trading (Viet Nam) Co., Ltd.'s results were poor given the impact of an overall industrial decline in Vietnam. Performance was poor at PT. Sanyo Trading Indonesia, affected by the termination of sales of automotive-related merchandise for a specific customer.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥26,558 million (up 1.9% year on year) and operating profit of ¥1,030 million (down 5.6% year on year).

## (2) Explanation of Financial Position

### (Assets)

Current assets increased ¥1,018 million from the end of the previous fiscal year to ¥56,151 million, chiefly reflecting increases in cash and deposits and inventories while trade receivables decreased.

Non-current assets increased ¥1,837 million from the end of the previous fiscal year, to ¥9,563 million. The main factors were goodwill related to Cosmo Computing System, Inc., which the Company made a consolidated subsidiary through the acquisition of shares in the first quarter, as well as an increase in investments and other assets mainly due to the purchase of investment securities and a rise in their market value, in addition to investments.

Total assets at the end of the first nine months of the fiscal year under review stood at ¥65,715 million (an increase of ¥2,855 million from the end of the previous fiscal year).

### (Liabilities)

Current liabilities decreased ¥704 million from the end of the previous fiscal year, to ¥21,308 million, resulting chiefly from a decrease in trade payables, despite increases in borrowings and provision for bonuses.

Non-current liabilities increased ¥329 million from the end of the previous fiscal year, to ¥1,963 million mainly due to an increase in deferred tax liabilities.

Liabilities at the end of the third quarter of the fiscal year under review came to ¥23,272 million (a decrease of ¥374 million from the end of the previous fiscal year).

### (Net assets)

Shareholders' equity increased mainly due to the posting of profit attributable to owners of parent. Other comprehensive income increased, mainly reflecting an increase in the valuation difference on available-for-sale securities that resulted from a rise in the market value of investment securities.

Net assets at the end of the third quarter of the fiscal year under review stood at ¥42,442 million (an increase of ¥3,230 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 three quarters of fiscal 2023(As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	5,879,997	7,088,228
Notes and accounts receivable - trade, and contract assets	21,968,319	20,501,608
Electronically recorded monetary claims - operating	2,040,364	2,343,398
Merchandise and finished goods	23,067,033	23,736,013
Work in process	1,114	54,849
Raw materials and supplies	57,256	182,318
Other	2,178,789	2,319,721
Allowance for doubtful accounts	(59,788)	(74,696)
Total current assets	55,133,087	56,151,442
Non-current assets		
Property, plant and equipment	3,340,011	3,233,282
Intangible assets		
Goodwill	342,767	631,929
Other	201,701	192,008
Total intangible assets	544,468	823,938
Investments and other assets		
Investment securities	2,701,376	3,738,822
Other	1,170,707	1,801,300
Allowance for doubtful accounts	(30,142)	(33,650)
Total investments and other assets	3,841,940	5,506,472
Total non-current assets	7,726,420	9,563,692
Total assets	62,859,507	65,715,135

(Thousand yen)

	Fiscal 2022 (As of September 30, 2022)	First three quarters of fiscal 2023(As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,767,354	11,085,909
Short-term borrowings	5,823,164	6,441,358
Current portion of long-term borrowings	69,960	54,930
Income taxes payable	1,057,555	946,338
Provisions	135,716	760,241
Other	2,159,347	2,019,677
Total current liabilities	22,013,097	21,308,455
Non-current liabilities		
Long-term borrowings	177,087	158,340
Provisions	75,478	68,990
Retirement benefit liability	954,926	1,009,299
Other	426,252	727,059
Total non-current liabilities	1,633,744	1,963,689
Total liabilities	23,646,842	23,272,145
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	397,298	413,503
Retained earnings	35,502,368	38,027,088
Treasury shares	(136,678)	(114,235)
Total shareholders' equity	36,769,575	39,332,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	796,488	1,329,512
Foreign currency translation adjustment	1,193,967	1,337,435
Total accumulated other comprehensive income	1,990,456	2,666,947
Share acquisition rights	116,566	96,603
Non-controlling interests	336,066	346,493
Total net assets	39,212,665	42,442,989
Total liabilities and net assets	62,859,507	65,715,135

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly consolidated statement of income  
(First nine months)

(Thousand yen)

	First nine month period ended June 30, 2022 (from October 1, 2021 to June 30, 2022)	First nine month period ended June 30, 2023 (from October 1, 2022 to June 30, 2023)
Net sales	79,271,448	91,433,259
Cost of sales	66,656,636	75,991,983
Gross profit	12,614,811	15,441,275
Selling, general and administrative expenses	8,407,344	10,104,621
Operating profit	4,207,467	5,336,654
Non-operating income		
Interest income	10,484	13,479
Dividend income	81,346	89,025
Foreign exchange gains	683,081	160,099
Other	139,973	151,183
Total non-operating income	914,884	413,788
Non-operating expenses		
Interest expenses	23,461	81,942
Loss on sales of trade receivables	7,434	10,620
Other	10,845	21,879
Total non-operating expenses	41,741	114,442
Ordinary profit	5,080,610	5,635,999
Extraordinary income		
Gain on sales of investment securities	—	220,064
Gain on bargain purchase	360,832	—
Total extraordinary income	360,832	220,064
Profit before income taxes	5,441,443	5,856,063
Income taxes	1,815,408	2,106,663
Profit	3,626,034	3,749,400
Profit attributable to non-controlling interests	21,647	17,307
Profit attributable to owners of parent	3,604,386	3,732,092



Quarterly consolidated statement of comprehensive income  
(First nine months)

(Thousand yen)

	First nine month period ended June 30, 2022 (from October 1, 2021 to June 30, 2022)	First nine month period ended June 30, 2023 (from October 1, 2022 to June 30, 2023)
Profit	3,626,034	3,749,400
Other comprehensive income		
Valuation difference on available-for-sale securities	(82,336)	533,131
Foreign currency translation adjustment	1,065,520	143,473
Total other comprehensive income	983,183	676,604
Comprehensive income	4,609,218	4,426,005
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,587,929	4,408,583
Comprehensive income attributable to non-controlling interests	21,288	17,421

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

None

(Notes on significant fluctuations in shareholders' equity)

The Company disposed of 17,200 treasury shares on February 7, 2023 as restricted stock compensation based on a resolution passed at the Board of Directors meeting held on January 16, 2023. Mainly as a result of this disposal, treasury shares decreased ¥22,443 thousand to ¥114,235 thousand at the end of the third quarter of the fiscal year under review.

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

(Segment information, etc.)

[Segment information]

I. First nine months of fiscal year ended September 30, 2022 (from October 1, 2021, to June 30, 2022)

1. Information related to net sales and profit (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	27,828,581	25,248,529	26,064,921	79,142,032	87,571	79,229,603	41,844	79,271,448
Intersegment internal sales and transfers	3,511,716	618,762	1,900,248	6,030,727	45,025	6,075,752	(6,075,752)	—
Total	31,340,298	25,867,291	27,965,170	85,172,760	132,596	85,305,356	(6,033,908)	79,271,448
Segment profit (loss)	1,885,704	2,082,633	1,091,397	5,059,736	(131,204)	4,928,531	(721,064)	4,207,467

(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 ¥41,844 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment profit (loss) of -¥721,064 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥592,342 thousand and a foreign currency translation adjustment of -¥275,986 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

(Gain on bargain purchase)

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

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

II. First nine months of fiscal year ending September 30, 2023 (from October 1, 2022, to June 30, 2023)

1. Information related to net sales and profit (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	29,279,357	34,766,619	26,558,976	90,604,953	734,690	91,339,644	93,614	91,433,259
Intersegment internal sales and transfers	3,538,759	759,343	1,773,674	6,071,777	170,930	6,242,707	(6,242,707)	—
Total	32,818,116	35,525,963	28,332,651	96,676,730	905,621	97,582,352	(6,149,093)	91,433,259
Segment profit (loss)	1,667,909	3,570,336	1,030,350	6,268,596	(225,569)	6,043,026	(706,372)	5,336,654

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

2. The adjustment consists of the following items.

- (1) An adjustment of net sales to external customers of ¥93,614 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment profit (loss) of -¥706,372 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥769,515 thousand, a foreign currency translation adjustment of -¥250,688 thousand in relation to management accounting and ¥313,831 thousand of other consolidation adjustments.

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, 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. During the second quarter of the fiscal year, the Company made an additional payment for a contingent consideration regarding an acquisition in conjunction with the acquisition of all of the stock of Scrum Inc. implemented in the previous fiscal year. The payment resulted in the recording of goodwill of ¥26,106 thousand in the Machinery & Industrial Products segment.

(Revenue recognition)

A breakdown of revenue generated from contracts with customers

First nine month period ended June 30, 2022 (from October 1, 2021 to June 30, 2022)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	23,576,223	22,079,406	140,565	45,796,194	87,571	–	45,883,765
Asia	3,349,219	878,024	12,368,822	16,596,065	–	–	16,596,065
North America	657,847	1,042,070	12,438,623	14,138,540	–	–	14,138,540
Other	245,291	1,249,028	1,116,909	2,611,228	–	–	2,611,228
Revenue from contracts with customers	27,828,581	25,248,529	26,064,921	79,142,032	87,571	–	79,229,603
Other revenue	–	–	–	–	–	41,844	41,844
Sales to external customers	27,828,581	25,248,529	26,064,921	79,142,032	87,571	41,844	79,271,448

(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.

First nine month period ended June 30, 2023 (from October 1, 2022 to June 30, 2023)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	25,449,861	31,856,968	6,561	57,313,390	734,690	–	58,048,080
Asia	3,055,003	870,673	12,138,329	16,064,005	–	–	16,064,005
North America	492,382	1,351,927	13,051,447	14,895,756	–	–	14,895,756
Other	282,111	687,051	1,362,639	2,331,801	–	–	2,331,801
Revenue from contracts with customers	29,279,357	34,766,619	26,558,976	90,604,953	734,690	–	91,339,644
Other revenue	–	–	–	–	–	93,614	93,614
Sales to external customers	29,279,357	34,766,619	26,558,976	90,604,953	734,690	93,614	91,433,259

(Notes) 1. The category “Other” includes business segments not included in reportable segments, such as information systems and 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.