

Consolidated Financial Statements for the Fiscal Year Ended September 30, 2023 [Japan GAAP]

November 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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 Annual general meeting of stockholders (scheduled): December 21, 2023
 Start of distribution of dividends (scheduled): December 1, 2023
 Filing of securities report (scheduled): December 21, 2023
 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, 2023 (October 1, 2022 to September 30, 2023)

(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 2023	122,596	10.2	6,740	26.7	7,149	13.5	4,830	12.4
FYE September 2022	111,250	23.9	5,319	(3.4)	6,299	1.8	4,296	0.9

(Note) Comprehensive income: FYE September 2023: 5,870 million yen (8.4%)
 FYE September 2022: 5,414 million yen (10.1%)

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
FYE September 2023	168.01	166.99	11.8	10.9	5.5
FYE September 2022	149.67	148.66	11.8	11.1	4.8

(Reference) Equity in earnings of affiliates: FYE September 2023: – million yen
 FYE September 2022: – million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 2023	68,537	43,890	63.4	1,509.92
As of September 2022	62,859	39,212	61.7	1,349.41

(Reference) Total equity: As of September 2023: 43,442 million yen
 As of September 2022: 38,760 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 2023	5,917	(2,914)	(1,867)	6,900
FYE September 2022	(3,395)	(1,809)	1,864	5,718

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 2022	–	19.00	–	21.00	40.00	1,148	26.7	3.1
FYE September 2023	–	21.00	–	22.00	43.00	1,237	25.6	3.0
FYE September 2024 (estimate)	–	21.00	–	22.00	43.00		–	

3. Forecast of Consolidated Results for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(% = 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	126,000	2.8	6,000	(11.0)	6,200	(13.3)	4,000	(17.2)	139.03

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, 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 September 30, 2023: 236,385 shares
As of September 30, 2022: 284,120 shares
(iii) Average number of shares during the period
FYE ended Sep. 2023: 28,751,134 shares
FYE ended Sep. 2022: 28,708,785 shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended September 30, 2023 (October 1, 2023 to September 30, 2023)

(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 2023	72,379	9.7	3,398	5.0	4,503 (9.9)	3,340 (4.4)
FYE September 2022	66,006	12.7	3,236	(13.3)	4,997 1.8	3,495 (0.9)

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
FYE September 2023	116.19	115.48
FYE September 2022	121.75	120.93

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 2023	52,386	34,276	65.2	1,187.98
As of September 2022	48,246	31,364	64.8	1,087.88

(Reference) Total equity: As of September 2023: 34,179 million yen
As of September 2022: 31,247 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. Overview of Business Results, Etc. on page 5 of this document.

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1. Business Performance, Etc.

(1) Review of business performance

During the consolidated fiscal year under review (October 1, 2022 to September 30, 2023), the global economy was recovering, reflecting the post-COVID resumption of economic activity. However, there were concerns about a possible slowdown of the global economy due to increased geopolitical risk particularly stemming from the worsening situation of the prolonged war in Ukraine, rising resource prices, and interest rate hikes.

Upon taking a brief look at the regions where the Group operates, we observed a modest slowdown in the US economy. This was due to rising costs in companies resulting from inflation and monetary tightening implemented to curb inflation. In China, capital expenditures and consumer spending rebounded after the end of the zero-COVID-19 policy towards the end of last year. However, business confidence declined due to concerns over weak real estate investment and persistently high unemployment rates. In ASEAN countries, despite negative factors including rises in prices of imported goods due to weaker currencies caused by interest rate hikes in the United States, consumer spending increased, and the economies were firm.

Japan experienced an inflationary trend caused by a rise in costs for raw materials and energy. However, the economy showed an upward trend due to rising domestic demand, the relaxation of COVID-19 restrictions, and a rebound in inbound tourism demand, which was aided by the weaker yen.

In this business environment, the Group has 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, which covered the period up to the fiscal year under review, and continuing striving to strengthen the existing businesses, develop new businesses, accelerate the global expansion and promote new investments.

As digital transformation advances, the Company made investments to make Cosmo Computing System, Inc. a subsidiary and built a system to internally develop systems and promptly provide digital services from a place closer to business operations. Though this, the Company aims to respond quickly to changes in the business environment, customers' demand for digitalization, and the need for digitalization within the Group. The Company made KOTAI Biotechnologies, Inc. ("KOTAI") a part of the Group to strengthen the Group's biotech business. In addition to selling equipment and reagents that support biotech research, which is done by Scrum Inc., which became a Group company in February 2022, the Group provides contract genetic analysis services and assistance to drug development research through KOTAI.

The New Business Development Dept., which is responsible for developing new businesses, invested in SOLCOLD LTD, a startup based in Israel that researches and develops coating films that use a sunlight cooling effect. The department also invested in UMI III Decarbonization Investment Limited Partnership established by UMI Universal Materials Incubator Co., Ltd. to interact with startups, gather information on cutting-edge technologies, and pursue synergy effects. Moreover, with this, the department is committed to creating next-generation businesses in the fields of fine chemicals, life sciences, and sustainability.

Consolidated results were net sales of ¥122,596 million (up 10.2% year on year), operating profit of ¥6,740 million (up 26.7% year on year), ordinary profit of ¥7,149 million (up 13.5% year on year), and profit attributable to owners of the parent of ¥4,830 million (up 12.4% year on year).

Results for each business segment are described below.

(i) Chemicals

Sales of rubber-related merchandise rose from the previous fiscal year due to an increase in unit selling prices and sales of strategic items. However, profit from merchandise decreased year on year mainly due to steep rises in purchase prices resulting from the weak yen and inventory adjustments at purchasing companies.

In chemical-related merchandise, sales rose year on year mainly due to an increase in sales of new products. However, profit remained flat year on year due to a slowdown in market demand and steep rises in purchase prices that resulted from the weak yen. In life science-related merchandise, sales of fragrances and dyes remained on a strong note while sales of electronic materials and functional food materials were weak.

As a result, the Chemicals segment recorded net sales of ¥38,298 million (up 1.5% year on year) and operating profit of ¥2,185 million (down 12.9% year on year).

(ii) Machinery & Industrial Products

Both sales and profit of merchandise related to industrial products remained strong due to progress in recovery of production at Japanese-affiliated auto manufacturers.

Merchandise related to machinery and the environment performed poorly, chiefly reflecting manufacturers' moves to refrain from large-scale capital investment. The Company worked to improve maintenance and parts services.

Of merchandise related to scientific equipment, sales of weather-resistance testers, corrosion testers, and particle dispersion measurement equipment were firm.

In merchandise related to resource development handled by Cosmos Shoji Co., Ltd., sales of equipment related to geothermal heat were strong, and sales of oil and gas-related equipment were firm. Performance remained strong in relation to the biotech products carried by Scrum Inc.

Sales of functional feed raw materials handled by YPTECH Co., Ltd. rose. Shin-Toyo Kikai Kogyo Co., Ltd. has become a consolidated subsidiary in the fiscal year under review.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥47,044 million (up 29.5% year on year) and operating profit of ¥4,450 million (up 40.3% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, film-related merchandise performed well, but automobile-related merchandise was weak. At SANYO TRADING (SHANGHAI) CO., LTD., lithium-ion batteries-related merchandise performed well, but automobile-related merchandise was weak. At Sanyo Trading Asia Co., Ltd. (Thailand), automobile-related merchandise sold well. At Sun Phoenix Mexico, S.A. de C.V., automobile merchandise performed well. At Sanyo Trading India Private Limited, rubber-related merchandise sold well. Sanyo Trading (Viet Nam) Co., Ltd.'s results were poor given the impact of a decline of the Vietnamese economy. At PT. Sanyo Trading Indonesia, rubber products achieved favorable sales.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥36,039 million (down 2.6% year on year) and operating profit of ¥1,347 million (up 9.0% year on year).

(2) Review of financial position

(Assets)

Current assets increased ¥2,155 million from the end of the previous fiscal year, to ¥57,288 million, primarily because of a rise in cash and deposits.

Non-current assets increased ¥3,522 million from the end of the previous fiscal year, to ¥11,248 million. The main factor was an increase in the market value of investment securities.

(Liabilities)

Current liabilities increased ¥648 million from the end of the previous fiscal year, to ¥22,661 million, mainly reflecting a rise in provision for bonuses.

Non-current liabilities increased ¥351 million from the end of the previous fiscal year, to ¥1,985 million mainly due to increases in long-term borrowings and deferred tax liabilities.

(Net assets)

Shareholders' equity increased, reflecting earnings attributable to owners of parent, and accumulated other comprehensive income also grew due mainly to a rise in valuation difference on available-for-sale securities.

Net assets at the end of the fiscal year under review stood at ¥43,890 million (an increase of ¥4,678 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 came to ¥6,900 million (up ¥1,182 million from the end of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities stood at ¥5,917 million (a year-on-year increase of ¥9,312 million).

The result was mainly due to an increase in earnings for the year before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥2,914 million (a year-on-year increase in cash outflows of ¥1,105 million).

The result was chiefly due to cash outflows related to the acquisition of shares in Cosmo Computing System, Inc. and KOTAI Biotechnologies, Inc.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥1,867 million (a year-on-year decrease in cash outflows of ¥3,731 million).

The result primarily reflected dividends paid by the Company.

(Reference) Cash flow-related indicators

	September 30, 2019	September 30, 2020	September 30, 2021	September 30, 2022	September 30, 2023
Equity ratio	66.2	64.9	67.5	61.7	63.4
Equity ratio based on market value (%)	69.7	60.3	66.2	47.2	56.6
Interest-bearing debt/cash flow (years)	0.3	0.7	1.1	—	1.0
Interest coverage ratio (times)	218.2	401.3	92.7	—	55.9

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

The business environment for the Group is uncertain due to factors such as climate change and exchange rate fluctuations. These factors may affect the Company's business, making it unpredictable.

The Group does not simply view the risks caused by the uncertainties as threats but sees them as opportunities for new business. The Group's challenge is to respond flexibly and swiftly to changes in the external environment, leveraging its solid financial foundation and its strengths and experience, which it has gained over many years.

The Group aims to achieve sustainable growth and enhance its corporate value under a new long-term management plan, based on the results that it achieved under VISION2023 long-term management plan, which covered the period up to the fiscal year ended September 30, 2023.

In the fiscal year ending September 30, 2024, the Company expects strong demand for raw materials among major customers in the Chemicals segment and continued business expansion in the Overseas Subsidiaries segment, particularly in the United States and Asian countries such as Thailand, and forecasts net sales of ¥126,000 million (up 2.8% year on year).

Operating profit is forecast to decrease to ¥6,000 million (down 11.0% year on year) due to strategic up-front investments in businesses and information technologies for the next five years.

Ordinary profit is forecast to be ¥6,200 million (down 13.3% 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 ¥4,000 million (down 17.2% 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 22 yen per share. Combined with the interim dividend of 21 yen per share already paid on June 14, 2023, this will bring the annual dividend to 43 yen per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥43 per share, an interim dividend ¥21 and a year-end dividend of ¥22, which is calculated based on a forecast consolidated earnings of ¥40 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, 2022	Fiscal 2022 ended September 30, 2023
Assets		
Current assets		
Cash and deposits	5,879,997	7,031,285
Notes and accounts receivable - trade, and contract assets	21,968,319	22,249,273
Electronically recorded monetary claims - operating	2,040,364	2,545,123
Merchandise and finished goods	23,067,033	23,148,611
Work in process	1,114	66,829
Raw materials and supplies	57,256	214,155
Other	2,178,789	2,124,073
Allowance for doubtful accounts	(59,788)	(90,360)
Total current assets	55,133,087	57,288,989
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,636,415	3,646,393
Accumulated depreciation	(1,577,642)	(1,682,384)
Buildings and structures, net	2,058,772	1,964,008
Machinery, equipment and vehicles	636,338	649,432
Accumulated depreciation	(442,426)	(459,615)
Machinery, equipment and vehicles, net	193,911	189,816
Land	810,061	810,061
Other	741,805	937,221
Accumulated depreciation	(464,540)	(663,055)
Other, net	277,265	274,165
Total property, plant and equipment	3,340,011	3,238,052
Intangible assets		
Goodwill	342,767	1,600,965
Other	201,701	253,121
Total intangible assets	544,468	1,854,087
Investments and other assets		
Investment securities	2,701,376	4,274,302
Deferred tax assets	201,326	276,245
Other	969,380	1,639,456
Allowance for doubtful accounts	(30,142)	(33,724)
Total investments and other assets	3,841,940	6,156,280
Total non-current assets	7,726,420	11,248,420
Total assets	62,859,507	68,537,410

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,767,354	11,838,354
Short-term borrowings	5,823,164	5,350,394
Current portion of long-term borrowings	69,960	30,936
Accounts payable - other	789,054	1,045,705
Income taxes payable	1,057,555	1,602,878
Provision for bonuses	135,716	888,445
Other	1,370,292	1,904,641
Total current liabilities	22,013,097	22,661,356
Non-current liabilities		
Long-term borrowings	177,087	333,755
Deferred tax liabilities	227,609	469,900
Provision for retirement benefits for directors (and other officers)	75,478	70,292
Retirement benefit liability	954,926	926,658
Long-term deposits received	109,527	110,095
Other	89,116	74,637
Total non-current liabilities	1,633,744	1,985,339
Total liabilities	23,646,842	24,646,695
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	397,298	413,388
Retained earnings	35,502,368	39,125,557
Treasury shares	(136,678)	(113,753)
Total shareholders' equity	36,769,575	40,431,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	796,488	1,535,036
Foreign currency translation adjustment	1,193,967	1,475,723
Total accumulated other comprehensive income	1,990,456	3,010,759
Share acquisition rights	116,566	96,238
Non-controlling interests	336,066	351,935
Total net assets	39,212,665	43,890,714
Total liabilities and net assets	62,859,507	68,537,410

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

Consolidated statement of income

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	111,250,597	122,596,758
Cost of sales	94,106,009	102,123,662
Gross profit	17,144,587	20,473,095
Selling, general and administrative expenses		
Transportation costs	916,492	868,831
Storage costs	1,069,436	1,305,000
Remuneration, salaries and allowances	4,525,258	4,392,218
Retirement benefit expenses	104,827	83,181
Welfare expenses	740,077	765,921
Entertainment expenses	216,467	332,825
Travel and transportation expenses	385,526	669,849
Rent expenses on land and buildings	497,207	543,389
Depreciation	367,582	335,572
Amortization of goodwill	186,556	577,793
Other	2,816,014	3,857,945
Total selling, general and administrative expenses	11,825,448	13,732,531
Operating profit	5,319,139	6,740,563
Non-operating income		
Interest income	12,765	20,226
Dividend income	96,355	104,525
Foreign exchange gains	760,323	217,071
Other	184,945	240,499
Total non-operating income	1,054,389	582,322
Non-operating expenses		
Interest expenses	42,181	101,372
Loss on sales of trade receivables	10,632	14,670
Loss on valuation of investment securities	4,759	4,896
Other	16,541	52,191
Total non-operating expenses	74,113	173,131
Ordinary profit	6,299,414	7,149,755
Extraordinary income		
Gain on sales of investment securities	—	230,926
Gain on bargain purchase	292,773	—
Total extraordinary income	292,773	230,926
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	68,329	—
Total extraordinary losses	68,329	—
Profit for the year before income taxes	6,523,858	7,380,682
Income taxes - current	2,109,302	2,687,038
Income taxes - deferred	94,399	(155,979)
Total income taxes	2,203,702	2,531,058
Profit	4,320,156	4,849,623
Profit attributable to non-controlling interests	23,223	19,061
Profit attributable to owners of parent	4,296,933	4,830,562

Consolidated statement of comprehensive income

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit	4,320,156	4,849,623
Other comprehensive income		
Valuation difference on available-for-sale securities	(95,292)	738,962
Foreign currency translation adjustment	1,190,043	281,761
Total other comprehensive income	1,094,750	1,020,724
Comprehensive income	5,414,907	5,870,348
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,392,010	5,850,865
Comprehensive income attributable to non-controlling interests	22,896	19,482

(3) Consolidated statement of changes in equity
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
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 the 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 of surplus						(1,119,580)
Profit attributable to owners of parent						4,296,933
Disposal of treasury shares						13,348
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 the year	796,488	1,193,967	1,990,456	116,566	336,066	39,212,665

The Fiscal Year ended September 30, 2023

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	1,006,587	397,298	35,502,368	(136,678)	36,769,575
Changes during the year					
Dividends of surplus			(1,207,372)		(1,207,372)
Profit attributable to owners of parent			4,830,562		4,830,562
Purchase of treasury shares				(74)	(74)
Disposal of treasury shares		16,089		22,999	39,088
Net changes in items other than shareholders' equity					
Total changes during the year		16,089	3,623,189	22,924	3,662,203
Balance at end of the year	1,006,587	413,388	39,125,557	(113,753)	40,431,779

	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	796,488	1,193,967	1,990,456	116,566	336,066	39,212,665
Changes during the year						
Dividends of surplus						(1,207,372)
Profit attributable to owners of parent						4,830,562
Purchase of treasury shares						(74)
Disposal of treasury shares						39,088
Net changes in items other than shareholders' equity	738,547	281,755	1,020,303	(20,327)	15,869	1,015,844
Total changes during the year	738,547	281,755	1,020,303	(20,327)	15,869	4,678,048
Balance at end of the year	1,535,036	1,475,723	3,010,759	96,238	351,935	43,890,714

(4) Consolidated statement of cash flows

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit for the year before income taxes	6,523,858	7,380,682
Depreciation	477,541	429,612
Amortization of goodwill	186,556	577,793
Increase (decrease) in allowance for doubtful accounts	194	9,620
Increase (decrease) in provision for bonuses	(9,293)	654,083
Increase (decrease) in retirement benefit liability	2,033	(29,319)
Increase (decrease) in other provisions	5,857	64,881
Interest and dividend income	(109,120)	(124,752)
Interest expenses	42,181	101,372
Foreign exchange losses (gains)	(245,975)	(51,364)
Gain on bargain purchase	(292,773)	–
Loss on valuation of shares of subsidiaries and associates	68,329	–
Loss (gain) on sales of investment securities	–	(229,907)
Decrease (increase) in trade receivables and contract assets	(4,254,947)	(155,345)
Decrease (increase) in inventories	(5,299,361)	186,911
Increase (decrease) in trade payables	2,053,583	(1,228,951)
Increase (decrease) in contract liabilities	(294,043)	188,598
Decrease (increase) in advance payments to suppliers	16,945	90,406
Other	(137,198)	268,491
Subtotal	(1,265,632)	8,132,811
Interest and dividends received	108,935	124,954
Interest paid	(40,787)	(105,846)
Income taxes paid	(2,197,571)	(2,233,981)
Net cash provided by (used in) operating activities	(3,395,055)	5,917,937
Cash flows from investing activities		
Payments into time deposits	(229,120)	(179,190)
Proceeds from withdrawal of time deposits	187,950	211,770
Purchase of property, plant and equipment	(238,763)	(129,315)
Proceeds from sale of property, plant and equipment	42,071	68,366
Purchase of intangible assets	(5,417)	(220,659)
Purchase of investment securities	(47,846)	(271,865)
Proceeds from sales of investment securities	27,077	292,338
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,504,345)	(1,470,979)
Amount paid as contingent consideration for acquisition of shares in subsidiaries	–	(396,505)
Purchase of shares of subsidiaries and associates	–	(268,022)
Loan advances	(30,000)	42,409
Proceeds from collection of loans receivable	–	(53,250)
Other	(10,692)	(540,032)
Net cash provided by (used in) investing activities	(1,809,085)	(2,914,935)

(Thousand yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,016,721	(589,891)
Proceeds from long-term borrowings	100,000	50,000
Repayments of long-term borrowings	(112,953)	(94,956)
Dividends paid	(1,119,580)	(1,207,372)
Dividends paid to non-controlling interests	(7,863)	(6,994)
Other	(12,206)	(17,871)
Net cash provided by (used in) financing activities	1,864,116	(1,867,085)
Effect of exchange rate change on cash and cash equivalents	274,962	32,885
Net increase (decrease) in cash and cash equivalents	(3,065,061)	1,168,802
Cash and cash equivalents at beginning of period	8,663,587	5,718,897
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	120,371	13,265
Cash and cash equivalents at end of period	5,718,897	6,900,965

(5) Notes to consolidated financial statements

(Notes related to going concern assumptions)

None

(Changes in accounting policies)

(Application of the revised Implementation Guidance on Accounting Standard for Fair Value Measurement)

We apply the revised Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter the “Fair Value Measurement Accounting Standard Implementation Guidance”) 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 Implementation Guidance according to the provisional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This change has no impact on the consolidated financial statements.

(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 ¥22,924 thousand to ¥113,753 thousand at the end of 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.

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

- The category “Other” includes the business segments not included in the reportable segments, such as real estate leasing.
- The adjustment consists of the following items.
 - An adjustment of net sales to external customers of ¥70,350 thousand is a foreign currency translation adjustment in relation to management accounting.
 - An adjustment of segment profit (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.
- Segment profit (loss) is adjusted to operating income in the consolidated statement of income.
- Assets and liabilities in each reportable segment are not stated because they are not allocated to each reportable segment.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(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	38,298,229	47,044,781	36,039,047	121,382,057	1,065,103	122,447,161	149,596	122,596,758
Intersegment internal sales and transfers	4,801,945	1,150,858	2,272,136	8,224,940	308,020	8,532,960	(8,532,960)	–
Total	43,100,174	48,195,639	38,311,183	129,606,997	1,373,123	130,980,121	(8,383,363)	122,596,758
Segment profit (loss)	2,185,780	4,450,742	1,347,613	7,984,136	297,878	7,686,257	(945,694)	6,740,563
Other items								
Depreciation	54,533	197,511	24,839	276,885	137,462	414,347	15,264	429,612
Amortization of goodwill	10,743	501,338	–	512,081	65,712	577,793	–	577,793

(Notes)

- The category “Other” includes business segments not included in reportable segments, such as information systems and real estate leasing.
- The adjustment consists of the following items.
 - An adjustment of net sales to external customers of ¥149,596 thousand is a foreign currency translation adjustment in relation to management accounting.
 - An adjustment of segment profit (loss) of -¥945,694 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥1,088,112 thousand, a foreign currency translation adjustment of -¥346,663 thousand in relation to management accounting and ¥489,082 thousand of other consolidation adjustments.
- Segment profit (loss) is adjusted to operating income in the consolidated statement of income.
- 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, 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.

Fiscal year ended September 30, 2022(from October 1, 2022 to September 30, 2023)

1. Information by product/service

(Thousand yen)

	Rubber merchandise	Chemical merchandise	Machinery and environment-related merchandise	Industrial merchandise	Other	Total
Sales to external customers	27,980,162	28,722,577	18,108,676	43,751,301	4,034,039	122,596,758

2. Information by region

(1) Net sales

(Thousand yen)

Japan	U.S.	China	Other	Total
77,889,916	17,878,815	9,443,580	17,384,444	122,596,758

(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, 2022 (from October 1, 2021 to September 30, 2022)

There are no applicable matters.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

There are no applicable matters.

[Information on amortization of goodwill and unamortized balance by reporting 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

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Thousand yen)

	Reportable segments				Other	Corporate or elimination	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
(Goodwill)							
Amortization in current period	10,743	501,338	—	512,081	65,712	—	577,793
Balance at end of period	15,722	1,212,873	—	1,228,595	372,369	—	1,600,965

(Note) During the fiscal year 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. During the fiscal year under review, 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 ¥178,546 thousand in the Machinery & Industrial Products segment. During the fiscal year under review, the Company made KOTAI Biotechnologies, Inc. into a consolidated subsidiary through the acquisition of shares, resulting in the recording of goodwill of ¥926,589 thousand in the Machinery & Industrial Products segment.

[Information on gain on bargain purchase by reporting segment]

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.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

There are no applicable matters.

(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.

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	33,499,692	43,128,272	3,330	76,631,294	1,065,103	—	77,696,397
Asia	3,944,898	1,182,717	16,516,758	21,644,373	—	—	21,644,373
North America	539,330	1,885,447	17,691,427	20,116,204	—	—	20,116,204
Other	314,308	848,344	1,827,532	2,990,184	—	—	2,990,184
Revenue from contracts with customers	38,298,229	47,044,781	36,039,047	121,382,057	1,065,103	—	122,447,162
Other revenue	—	—	—	—	—	149,596	149,596
Sales to external customers	38,298,229	47,044,781	36,039,047	121,382,057	1,065,103	149,596	122,596,758

- (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, 2022	Fiscal year ended September 30, 2023
Net assets per share	1,349.41	1,509.92
Profit per share (basic)	149.67	168.01
Profit per share (diluted)	148.66	166.99

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

Item	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Total net assets (thousand yen)	39,212,665	43,890,714
Amount deducted from total net assets (thousand yen)	452,632	448,174
(Of which stock acquisition rights) (thousand yen)	(116,566)	(96,238)
(Of which non-controlling interests) (thousand yen)	(336,066)	(351,935)
Net assets at end of year available for common stock (thousand yen)	38,760,032	43,442,539
Number of shares of common stock at end of year used for calculating net assets per share (thousand shares)	28,723	28,771

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

Item	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit per share (basic)		
Profit for the year attributable to owners of the parent (thousand yen)	4,296,933	4,830,562
Amount not attributable to common shareholders (thousand yen)	—	—
Profit for the year attributable to owners of the parent related to common shares (thousand yen)	4,296,933	4,830,562
Average number of common shares outstanding during the fiscal year (thousand shares)	28,708	28,751
Profit per share (diluted)		
Adjustment of profit attributable to owners of the parent (thousand yen)	—	—
Increase in the number of common shares (thousand shares)	194	176
(Of which stock acquisition rights) (thousand shares)	(194)	(176)
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)

There are no applicable matters.