

Member of Financial Accounting Standards Foundation (FASF)

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending September 30, 2024 [Japan GAAP]

February 8, 2024

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: Ryuichi Otani Executive Officer in Charge of Administrative Divisions Tel. +81-3-3518-1111
Filing of quarterly report (scheduled): February 9, 2024
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, 2024 (October 1, 2023 to December 31, 2023)

(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, 2023	33,075	5.3	2,305	17.6	2,233	34.0	1,373	14.5
December 31, 2022	31,408	30.2	1,960	30.9	1,666	(4.6)	1,199	9.0

(Note) Comprehensive income: Q1 ended December 31, 2023: 1,126 million yen (21.7% increase)
Q1 ended December 31, 2022: 925 million yen (22.8% decrease)

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Q1 ended December 31, 2023	47.73	47.47
December 31, 2022	41.77	41.49

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	71,302	44,378	61.6
As of September 30, 2023	68,537	43,890	63.4

(Reference) Total equity: As of December 31, 2023: 43,938 million yen
As of September 30, 2023: 43,442 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	4Q-end	Annual
	Yen	Yen	Yen	Yen	Yen
FYE September 2023	–	21.00	–	22.00	43.00
FYE September 2024	–				
FYE September 2024 (estimate)		21.00	–	22.00	43.00

(Note) Revisions to the latest dividends forecast: No

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	4.5	6,000	(8.1)	6,200	(12.6)	4,000	(16.4)	139.03

(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):	Yes
(iii) Changes in accounting estimates:	None
(iv) Restatement of prior period financial statements after error corrections:	None

 (Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Change in Accounting Policies)" on page 8 of the attached report.
- (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, 2023:	29,007,708 shares
As of September 30, 2023:	29,007,708 shares
(ii) Number of treasury stock as of the fiscal period end	
As of December 31, 2023:	228,985 shares
As of September 30, 2023:	236,385 shares
(iii) Average number of shares during the period (first three months)	
Q1 FYE September 2024:	28,775,103 shares
Q1 FYE September 2023:	28,723,587 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, 2023 to December 31, 2023) of the consolidated fiscal year under review, the global economy remained uncertain, chiefly due to monetary tightening worldwide, rising geopolitical risks, such as the prolonged Russian-Ukraine war and the deteriorating situation in the Middle East, and a delayed recovery in the Chinese economy. Despite these challenges, the world economy is recovering moderately.

Looking at the regions where the Group operates, we observed firm consumer spending and housing investment, as well as an improvement in business confidence in the United States. In China, business confidence declined due to concerns over weak real estate investment and persistently high unemployment rates. Meanwhile, other Asian economies are generally seeing a moderate recovery. In Japan, the economy was improving, driven chiefly by firm consumer spending and automobile production, although inflation remained high.

Under such conditions, consolidated results for the first three months under review were net sales of ¥33,075 million (up 5.3% year on year), operating profit of ¥2,305 million (up 17.6%), ordinary profit of ¥2,233 million (up 34.0%), and profit attributable to owners of parent of ¥1,373 million (up 14.5%).

Results for each business segment are described below.

(i) Chemicals

Sales and profit in rubber-related merchandise declined from the year-ago level partly due to higher purchasing prices caused by the weaker yen, although demand for raw materials was trending toward a recovery, reflecting progress in the reduction of parts held by customers associated with improvements in automobile production in Japan.

Sales and profit in chemical-related merchandise were positive, thanks to the good performance of mainstay products, the introduction of new products, and improved profitability resulting from price revisions.

In the life science-related merchandise, both sales and profit were strong, reflecting the good performance of mainstay products, such as electric materials, films and fragrances.

As a result, the Chemicals segment recorded net sales of ¥9,964 million (down 2.5% year on year) and operating profit of ¥638 million (up 8.7%).

(ii) Machinery & Industrial Products

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

Results in green technology merchandise (formerly named merchandise related to machinery and the environment) improved from the previous fiscal year, reflecting the promotion of sales of consumables related to feed processing machines and orders for large capital investment projects. Wood biomass-related businesses saw no orders for main units and performed poorly.

Both sales and profit were weak in merchandise related to scientific equipment due to a decrease in orders received as a result of rises in sales prices, which were primarily attributable to price hikes by manufacturers, and the weaker yen.

In merchandise related to resource development handled by Cosmos Shoji Co., Ltd., sales of equipment related to geothermal heat remained strong, and sales of oil and gas-related equipment and sales in the ocean development field were firm. Sales of the main functional feed raw materials handled by YPTECH Co., Ltd. were strong. Performance remained strong in relation to the biotech products, especially those related to genetic analysis, carried by Scrum Inc.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥13,408 million (up 16.2% year on year) and operating profit of ¥1,464 million (up 10.6% year on year).

(iii) Overseas Subsidiaries

At Sanyo Corporation of America, film-related merchandise and automobile-related merchandise performed well. Results at SANYO TRADING (SHANGHAI) CO., LTD. declined from the year-ago level due to the economic slowdown. 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 was weak. 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 were weak.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥9,276 million (down 2.7% year on year) and operating profit of ¥695 million (up 71.6%).

(2) Explanation of Financial Position

(Assets)

Current assets increased ¥2,749 million from the end of the previous fiscal year, to ¥60,038 million, primarily because of a rise in cash and deposits and notes and accounts receivable-trade, and contract assets, despite a decrease in merchandise and finished goods. Non-current assets increased ¥15 million from the end of the previous fiscal year, to ¥11,263 million. The main factors were an increase due to the purchase of other intangible assets and a decrease due to the amortization of goodwill.

Total assets at the end of the first quarter of the fiscal year under review stood at ¥71,302 million (an increase of ¥2,764 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities increased ¥2,446 million from the end of the previous fiscal year, to ¥25,107 million, mainly reflecting a rise in other current assets, despite decreases in income taxes payable and provision for bonuses. Non-current liabilities decreased ¥168 million from the end of the previous fiscal year, to ¥1,816 million mainly due to a decrease in long-term borrowings.

Liabilities at the end of the first quarter of the fiscal year under review came to ¥26,924 million (an increase of ¥2,277 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 ¥44,378 million (an increase of ¥487 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, 2024 are unchanged from those announced on November 7, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Fiscal 2023 (As of September 30, 2023)	First quarter of fiscal 2024 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	7,031,285	8,234,994
Notes and accounts receivable - trade, and contract assets	22,249,273	23,866,112
Electronically recorded monetary claims - operating	2,545,123	2,990,468
Merchandise and finished goods	23,148,611	22,195,943
Work in process	66,829	103,196
Raw materials and supplies	214,155	224,057
Other	2,124,073	2,532,563
Allowance for doubtful accounts	(90,360)	(108,906)
Total current assets	57,288,989	60,038,429
Non-current assets		
Property, plant and equipment	3,238,052	3,264,909
Intangible assets		
Goodwill	1,600,965	1,495,988
Other	253,121	354,804
Total intangible assets	1,854,087	1,850,792
Investments and other assets		
Investment securities	4,274,302	4,273,639
Other	1,915,702	1,907,640
Allowance for doubtful accounts	(33,724)	(33,196)
Total investments and other assets	6,156,280	6,148,082
Total non-current assets	11,248,420	11,263,784
Total assets	68,537,410	71,302,214

(Thousand yen)

	Fiscal 2023 (As of September 30, 2023)	First quarter of fiscal 2024 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,838,354	12,537,218
Short-term borrowings	5,350,394	5,813,493
Current portion of long-term borrowings	30,936	—
Income taxes payable	1,602,878	839,220
Provisions	888,445	249,165
Other	2,950,346	5,668,594
Total current liabilities	22,661,356	25,107,691
Non-current liabilities		
Long-term borrowings	333,755	150,000
Provisions	70,292	71,097
Retirement benefit liability	926,658	936,664
Other	654,633	658,667
Total non-current liabilities	1,985,339	1,816,429
Total liabilities	24,646,695	26,924,120
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	413,388	414,117
Retained earnings	39,040,908	39,865,999
Treasury shares	(113,753)	(110,192)
Total shareholders' equity	40,347,130	41,176,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,535,036	1,508,997
Foreign currency translation adjustment	1,560,372	1,252,754
Total accumulated other comprehensive income	3,095,408	2,761,751
Share acquisition rights	96,238	91,956
Non-controlling interests	351,935	347,874
Total net assets	43,890,714	44,378,093
Total liabilities and net assets	68,537,410	71,302,214

(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, 2022 (from October 1, 2022 to December 31, 2022)	Three-month period ended December 31, 2023 (from October 1, 2023 to December 31, 2023)
Net sales	31,408,488	33,075,254
Cost of sales	26,229,015	27,196,394
Gross profit	5,179,473	5,878,860
Selling, general and administrative expenses	3,218,741	3,573,636
Operating profit	1,960,731	2,305,223
Non-operating income		
Interest income	2,351	9,364
Dividend income	33,995	38,995
Other	39,894	33,021
Total non-operating income	76,241	81,382
Non-operating expenses		
Interest expenses	30,151	14,128
Foreign exchange losses	328,586	129,494
Other	11,579	9,676
Total non-operating expenses	370,317	153,299
Ordinary profit	1,666,656	2,233,305
Extraordinary income		
Gain on sale of investment securities	220,064	—
Total extraordinary income	220,064	—
Profit before income taxes	1,886,720	2,233,305
Total income taxes	681,878	858,535
Profit	1,204,841	1,374,769
Profit attributable to non-controlling interests	4,955	1,358
Profit attributable to owners of parent	1,199,886	1,373,410

Quarterly consolidated statement of comprehensive income
(First three months)

	(Thousand yen)	
	Three-month period ended December 31, 2022 (from October 1, 2022 to December 31, 2022)	Three-month period ended December 31, 2023 (from October 1, 2023 to December 31, 2023)
Profit	1,204,841	1,374,769
Other comprehensive income		
Valuation difference on available-for-sale securities	150,643	(25,731)
Foreign currency translation adjustment	(430,475)	(222,953)
Total other comprehensive income	(279,831)	(248,685)
Comprehensive income	925,010	1,126,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	920,220	1,124,416
Comprehensive income attributable to non-controlling interests	4,789	1,668

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

There are no applicable matters.

(Notes on significant fluctuations in shareholders' equity)

There are no applicable matters.

(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 profit before income taxes in the consolidated fiscal year including the first quarter under review, and multiplying profit before income taxes by said estimated effective tax rate.

(Changes in accounting policies)

Revenues and expenses at overseas subsidiaries, etc. were converted to yen by applying the spot exchange rates on the balance sheet date. From the first three months of the fiscal year under review, they are converted to yen using the average exchange rates during the period.

The reason for the change made by the Company is to reduce the impact of temporary exchange rate changes on its earnings during the accounting period and reflect the results at overseas subsidiaries, etc. more accurately in the consolidated financial statements as the significance of overseas subsidiaries, etc. is expected to increase.

This change in accounting policy has been applied retroactively to the consolidated financial statements for the first quarter of the previous fiscal year and for the previous fiscal year.

The retroactive application of the change has resulted in increases in net sales, operating profit, ordinary profit, profit before income taxes, and profit attributable to owners of parent for the first quarter of the previous fiscal year of ¥488 million, ¥56 million, ¥15 million, ¥15 million, and ¥10 million, respectively, from the respective figures before the retroactive application. Profit per share has risen 0.37 yen.

The cumulative effects of the change have been reflected in net assets at the beginning of the previous consolidated fiscal year. Consequently, retained earnings at the beginning of the previous fiscal year decreased ¥39 million, and foreign currency translation adjustment at the beginning of the previous fiscal year increased by the same amount.

(Segment information, etc.)

[Segment information]

I. First three months of fiscal year ended September 30, 2023 (from October 1, 2022 to December 31, 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	10,222,747	11,536,642	9,532,342	31,291,733	27,876	31,319,609	88,878	31,408,488
Intersegment internal sales and transfers	1,410,998	212,934	632,845	2,256,779	25,001	2,281,780	(2,281,780)	—
Total	11,633,746	11,749,577	10,165,188	33,548,512	52,878	33,601,390	(2,192,902)	31,408,488
Segment profit (loss)	587,653	1,323,765	405,139	2,316,558	(92,783)	2,223,775	(263,043)	1,960,731

(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 -¥263,043 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥221,192 thousand, a foreign currency translation adjustment of -¥165,563 thousand in relation to management accounting and ¥123,658 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 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.

II. First three months of fiscal year ending September 30, 2024 (from October 1, 2023 to December 31, 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	9,964,253	13,408,142	9,276,945	32,649,342	344,144	32,993,487	81,767	33,075,254
Intersegment internal sales and transfers	1,453,403	690,738	541,484	2,685,627	146,630	2,832,258	(2,832,258)	—
Total	11,417,657	14,098,881	9,818,430	35,334,970	490,775	35,825,745	(2,750,490)	33,075,254
Segment profit (loss)	638,929	1,464,454	695,293	2,798,677	(22,414)	2,776,263	(471,040)	2,305,223

(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 ¥81,767 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment profit (loss) of -¥471,040 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥311,076 thousand, a foreign currency translation adjustment of -¥101,714 thousand in relation to management accounting and a -¥58,248 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

There are no applicable matters.

3. Matters related to changes in reportable segments

As stated in Changes in accounting policies, revenues and expenses at overseas subsidiaries, etc. are converted to yen using the average exchange rates during the period from the first three months of the fiscal year under review. The figures for the first quarter of the previous fiscal year are those after the retroactive application of the change.

(Revenue recognition)

A breakdown of revenue generated from contracts with customers

I. First three months of fiscal year ended 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	56,402	19,218,151	27,876	—	19,246,027
Asia	1,351,775	369,816	4,402,878	6,124,469	—	—	6,124,469
North America	201,043	414,640	4,695,773	5,311,456	—	—	5,311,456
Other	101,338	159,024	377,288	637,650	—	—	637,650
Revenue from contracts with customers	10,222,747	11,536,642	9,532,342	31,291,733	27,876	—	31,319,609
Other revenue	—	—	—	—	—	88,878	88,878
Sales to external customers	10,222,747	11,536,642	9,532,342	31,291,733	27,876	88,878	31,408,488

(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, 2024 (from October 1, 2023 to December 31, 2023)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	8,581,858	12,522,523	18,829	21,123,211	344,144	—	21,467,356
Asia	1,191,230	284,635	4,637,609	6,113,476	—	—	6,113,476
North America	126,872	367,520	4,130,602	4,624,995	—	—	4,624,995
Other	64,292	233,463	489,903	787,659	—	—	787,659
Revenue from contracts with customers	9,964,253	13,408,142	9,276,945	32,649,342	344,144	—	32,993,487
Other revenue	—	—	—	—	—	81,767	81,767
Sales to external customers	9,964,253	13,408,142	9,276,945	32,649,342	344,144	81,767	33,075,254

(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.

4. As stated in Changes in accounting policies, revenues and expenses at overseas subsidiaries, etc. are converted to yen using the average exchange rates during the period from the first three months of the fiscal year under review. The figures for the first quarter of the previous fiscal year are those after the retroactive application of the change.