

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

May 9, 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 Administration Divisions  
 Tel. +81-3-3518-1111

Filing of quarterly report (scheduled): May 10, 2024  
 Start of distribution of dividends (scheduled): June 14, 2024  
 Supplementary documents of quarterly financial results: Yes  
 Quarterly investors' meeting: Yes (for institutional investors and analysts)

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

## 1. Consolidated Results for the First Half of the Fiscal Year Ending September 30, 2024 (October 1, 2023 to March 31, 2024)

## (1) Consolidated Operating Results (First Six 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	%
1st half ended								
March 31, 2024	64,928	4.5	4,317	13.9	4,935	31.3	3,146	24.8
March 31, 2023	62,154	23.0	3,791	28.7	3,757	2.5	2,521	(6.8)

(Note) Comprehensive income: 1st half ended March 31, 2024: 3,785 million yen (48.5% increase)  
 1st half ended March 31, 2023: 2,549 million yen (-21.8% decrease)

	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
1st half ended				
March 31, 2024	109.32		108.73	
March 31, 2023	87.78		87.20	

## (2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of						
March 31, 2024	74,780		47,055		62.3	
September 30, 2023	68,537		43,890		63.4	

(Reference) Total equity: As of March 31, 2024: 46,608 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	—	22.00			
FYE September 2024 (estimate)			—	23.00	45.00

(Note) Revisions to the latest dividends forecast: Yes

## 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	6,800	4.2	7,500	5.8	4,900	2.4	170.22	

(Note) Revisions to the latest consolidated earnings forecast: Yes

\* 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 (4) Notes to Quarterly Consolidated Financial Statements (Application of accounting processes specific to the preparation of quarterly consolidated financial statements)” on page 10 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 (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies) on page 10 of the attached document.

(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 March 31, 2024: 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 March 31, 2024: 214,986 shares

As of September 30, 2023: 236,385 shares

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

H1, FYE ending Sep. 2024: 28,780,574 shares

H1, FYE ended Sep. 2023: 28,731,503 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 six months (October 1, 2023 to March 31, 2024) of the consolidated fiscal year under review, the Japanese economy rallied at a mild pace, however, recently the recovery appears to have stalled. The world economy rebounded, although the economies of some regions were weak. Looking at regions where the Group operates, we anticipate that the U.S. economy will continue to grow. However, it is necessary to pay attention to downside risks due to monetary restraint. In China, there are signs of an economic recovery supported by policies. Attention must be paid to the impact of continued stagnation in the real estate market and the continued fall of prices. Other Asian economies are generally seeing a moderate recovery.

Under such conditions, consolidated results for the first six months under review were net sales of ¥64,928 million (up 4.5% year on year), operating profit of ¥4,317 million (up 13.9% year on year), ordinary profit of ¥4,935 million (up 31.3% year on year), and profit attributable to owners of the parent of ¥3,146 million (up 24.8% year on year).

Results for each business segment are described below.

#### (i) Chemicals

For sales of rubber-related merchandise, automobile production in Japan was strong and demand for raw materials continued to trend toward a recovery. However, quantities did not reach the level in the same period of the previous year and sales declined year on year. Meanwhile, sales of secondary materials for high value-added merchandise grew. Profit was roughly flat from the same period in the previous year.

Regarding chemical-related merchandise, sales and profit rose year on year thanks to brisk sales of mainstay products, the introduction of new products and the improvement of profitability due to the revision of selling prices following the increase of purchase prices.

Regarding life science-related merchandise, sales and profit were strong. This is a result mainly of the strong performance of electrical materials and other mainstay products and the launch of a new drilling fluid additives and chemicals business.

As a result, the Chemicals segment recorded net sales of ¥19,879 million (down 0.5% year on year) and operating profit of ¥1,255 million (up 8.5%).

#### (ii) Machinery & Industrial Products

Sales of merchandise related to industrial products were buoyant amid the strong production of affiliated Japanese auto manufacturers. However, changes in the competitive environment affected profit.

Results related to green technology merchandise (formerly called merchandise related to machinery and the environment) improved year on year, following progress in delivery of feed processing machines and buoyant sales of consumables related to these machines. Wood biomass-related businesses saw no orders for main units but it won an order for a large project.

Both sales and profit decreased year on year 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 struggled in the drilling off season, while sales of oil and gas-related equipment and sales in the field of ocean development were firm. Regarding the main functional feed raw materials handled by YPTECH Co., Ltd., sales and profit were the same level as they were in the year-ago period, a reflection of weak demand for mainstay products. Performance related to the biotech products handled by Scrum Inc. was higher than in the same period of the previous fiscal year, especially in relation to genetic analysis. These strong results were due to the start of a high sales phase.

As a result, the Machinery & Industrial Products segment recorded net sales of ¥26,565 million (up 10.2% year on year) and operating profit of ¥2,759 million (up 5.1% year on year).

#### (iii) Overseas Subsidiaries

Sanyo Corporation of America earned more profit than in the same period of the previous fiscal year. Although sales dropped year on year due to the reduction of the unit selling prices of high performance resins, sales of film- and automobile-related merchandise were strong. 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 and rubber-related

merchandise performed well. At Sanyo Trading India Private Limited, automobile merchandise sold well. Sanyo Trading (Viet Nam) Co., Ltd. achieved a turnaround, with strong sales of rubber-related merchandise and the launch of drilling fluid additives and chemicals. At PT. Sanyo Trading Indonesia, rubber products were weak.

As a result, the Overseas Subsidiaries segment recorded net sales of ¥17,704 million (up 0.6% year on year) and operating profit of ¥1,133 million (up 59.9%).

## (2) Explanation of Financial Position

### (Assets)

Current assets increased ¥5,181 million from the end of the previous fiscal year to ¥62,470 million, chiefly reflecting increases in cash and deposits, trade receivables, etc.

Non-current assets increased ¥1,062 million from the end of the previous fiscal year to ¥12,310 million. The main factors for this include an increase in software in progress in association with the next-generation core system being developed and a rise in the market prices of investment securities.

Total assets at the end of the first six months of the fiscal year under review stood at ¥74,780 million (an increase of ¥6,243 million from the end of the previous fiscal year).

### (Liabilities)

Current liabilities increased ¥2,955 million from the end of the previous fiscal year to ¥25,616 million, mainly reflecting a rise in contract liabilities despite decreases in short-term borrowings and provision for bonuses.

Non-current liabilities increased ¥123 million from the end of the previous fiscal year to ¥2,108 million, due chiefly to a shrinkage in long-term borrowings after repayment and an increase in deferred tax liabilities caused by rises in the market values of investment securities.

Liabilities at the end of the first six months of the fiscal year under review came to ¥27,725 million (an increase of ¥3,708 million from the end of the previous fiscal year).

### (Net assets)

Valuation difference on available-for-sale securities increased due to a rise in the market value of investment securities, as well as an increase in shareholders' equity with the posting of profit attributable to owners of parent.

Net assets at the end of the first six months of the fiscal year under review stood at ¥47,055 million (an increase of ¥3,164 million from the end of the previous fiscal year).

### (Consolidated cash flows)

Cash and cash equivalents at the end of the first six months of the fiscal year under review increased ¥1,994 million from the end of the previous fiscal year, to ¥8,895 million.

### (Cash flows from operating activities)

Net cash provided by operating activities was ¥4,044 million (up ¥2,825 million year on year). This was mainly attributable to the increase of profit before income taxes and contract liabilities.

### (Cash flows from investing activities)

Net cash used in investing activities came to ¥887 million (up ¥278 million year on year). This was attributable primarily to payments into time deposits and purchase of non-current assets.

### (Cash flows from financing activities)

Net cash used in financing activities totaled ¥1,073 million (down ¥1,595 million year on year). This mainly reflected the repayment of borrowings and the parent company's payment of dividends.

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

Not reflected

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

	(Thousand yen)	
	Fiscal 2023 (As of September 30, 2023)	First half of Fiscal 2024 (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	7,031,285	9,336,706
Notes and accounts receivable - trade, and contract assets	22,249,273	24,382,748
Electronically recorded monetary claims - operating	2,545,123	3,083,412
Merchandise and finished goods	23,148,611	22,586,418
Work in process	66,829	90,008
Raw materials and supplies	214,155	238,375
Other	2,124,073	2,829,757
Allowance for doubtful accounts	(90,360)	(77,390)
Total current assets	57,288,989	62,470,037
Non-current assets		
Property, plant and equipment	3,238,052	3,226,380
Intangible assets		
Goodwill	1,600,965	1,601,167
Other	253,121	451,214
Total intangible assets	1,854,087	2,052,381
Investments and other assets		
Investment securities	4,274,302	4,971,948
Other	1,915,702	2,095,181
Allowance for doubtful accounts	(33,724)	(35,211)
Total investments and other assets	6,156,280	7,031,918
Total non-current assets	11,248,420	12,310,681
Total assets	68,537,410	74,780,719

(Thousand yen)

	Fiscal 2023 (As of September 30, 2023)	First half of Fiscal 2024 (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,838,354	12,260,689
Short-term borrowings	5,350,394	5,140,556
Current portion of long-term borrowings	30,936	—
Income taxes payable	1,602,878	1,596,989
Provisions	888,445	496,845
Other	2,950,346	6,121,853
Total current liabilities	22,661,356	25,616,934
Non-current liabilities		
Long-term borrowings	333,755	150,000
Provisions	70,292	71,901
Retirement benefit liability	926,658	951,811
Other	654,633	934,887
Total non-current liabilities	1,985,339	2,108,600
Total liabilities	24,646,695	27,725,535
Net assets		
Shareholders' equity		
Share capital	1,006,587	1,006,587
Capital surplus	413,388	424,614
Retained earnings	39,040,908	41,554,290
Treasury shares	(113,753)	(103,457)
Total shareholders' equity	40,347,130	42,882,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,535,036	2,004,512
Foreign currency translation adjustment	1,560,372	1,721,904
Total accumulated other comprehensive income	3,095,408	3,726,417
Share acquisition rights	96,238	91,956
Non-controlling interests	351,935	354,775
Total net assets	43,890,714	47,055,183
Total liabilities and net assets	68,537,410	74,780,719

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statement of income

(First six months)

(Thousand yen)

	First six month period ended March 31, 2023 (from October 1, 2022 to March 31, 2023)	First six month period ended March 31, 2024 (from October 1, 2023 to March 31, 2024)
Net sales	62,154,438	64,928,260
Cost of sales	51,624,394	53,405,232
Gross profit	10,530,043	11,523,027
Selling, general and administrative expenses	6,738,972	7,205,327
Operating profit	3,791,071	4,317,700
Non-operating income		
Interest income	4,552	21,864
Dividend income	46,252	58,934
Foreign exchange gains	—	480,629
Other	77,573	135,512
Total non-operating income	128,378	696,941
Non-operating expenses		
Interest expenses	57,899	32,732
Foreign exchange losses	80,804	—
Other	22,954	46,241
Total non-operating expenses	161,657	78,973
Ordinary profit	3,757,791	4,935,667
Extraordinary income		
Gain on sale of investment securities	220,064	—
Total extraordinary income	220,064	—
Profit before income taxes	3,977,855	4,935,667
Total income taxes	1,445,892	1,782,029
Profit	2,531,963	3,153,637
Profit attributable to non-controlling interests	10,022	7,287
Profit attributable to owners of parent	2,521,940	3,146,350



Quarterly consolidated statement of comprehensive income  
(First six months)

	(Thousand yen)	
	First six month period ended March 31, 2023 (from October 1, 2022 to March 31, 2023)	First six month period ended March 31, 2024 (from October 1, 2023 to March 31, 2024)
Profit	2,531,963	3,153,637
Other comprehensive income		
Valuation difference on available-for-sale securities	277,509	470,755
Foreign currency translation adjustment	(259,813)	161,548
Total other comprehensive income	17,696	632,303
Comprehensive income	2,549,659	3,785,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,539,586	3,777,373
Comprehensive income attributable to non-controlling interests	10,072	8,568

(3) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	First six month period ended March 31, 2023 (from October 1, 2022 to March 31, 2023)	First six month period ended March 31, 2024 (from October 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	3,977,855	4,935,667
Depreciation	214,922	152,415
Amortization of goodwill	403,536	350,057
Increase (decrease) in allowance for doubtful accounts	2,540	(11,740)
Increase (decrease) in provision for bonuses	337,366	(353,027)
Increase (decrease) in retirement benefit liability	29,246	24,828
Increase (decrease) in other provisions	13,273	(37,390)
Interest and dividend income	(50,804)	(80,799)
Interest expenses	57,899	32,732
Foreign exchange losses (gains)	135,004	48,328
Loss (gain) on sales of investment securities	(219,380)	—
Decrease (increase) in trade receivables and contract assets	(861,069)	(2,578,102)
Decrease (increase) in inventories	(304,385)	599,601
Increase (decrease) in trade payables	(1,149,228)	373,960
Increase (decrease) in contract liabilities	(112,996)	3,410,881
Decrease (increase) in advance payments to suppliers	103,103	(862,201)
Other	(245,856)	(364,968)
Subtotal	2,331,029	5,640,243
Interest and dividends received	50,580	145,559
Interest paid	(53,846)	(32,624)
Income taxes paid	(1,109,607)	(1,709,084)
Net cash provided by (used in) operating activities	1,218,155	4,044,093
Cash flows from investing activities		
Payments into time deposits	(105,840)	(407,984)
Proceeds from withdrawal of time deposits	100,800	103,820
Purchase of property, plant and equipment	(63,859)	(139,238)
Purchase of intangible assets	(60,868)	(206,345)
Purchase of investment securities	(143,792)	(37,731)
Proceeds from sales of investment securities	259,676	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(604,724)	—
Amount paid as contingent consideration for acquisition of shares in subsidiaries	(68,058)	(152,440)
Proceeds from cancellation of insurance funds	—	247,500
Other	(479,853)	(295,540)
Net cash provided by (used in) investing activities	(1,166,521)	(887,961)

(Thousand yen)

	First six month period ended March 31, 2023 (from October 1, 2022 to March 31, 2023)	First six month period ended March 31, 2024 (from October 1, 2023 to March 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,164,660	(210,748)
Repayments of long-term borrowings	(22,518)	(214,691)
Dividends paid	(603,195)	(632,969)
Dividends paid to non-controlling interests	(6,994)	(5,734)
Other	(10,365)	(9,702)
Net cash provided by (used in) financing activities	521,587	(1,073,845)
Effect of exchange rate change on cash and cash equivalents	(87,104)	(87,689)
Net increase (decrease) in cash and cash equivalents	486,117	1,994,596
Cash and cash equivalents at beginning of period	5,718,897	6,900,965
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	13,265	—
Cash and cash equivalents at end of period	6,218,280	8,895,562

(4) 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 earnings before income taxes in the consolidated fiscal year including the first six months under review, and multiplying earnings 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, 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.

For figures on and before September 30, 2006, the Company does not have the information necessary to calculate the figures after the change and it is practically impossible to calculate the cumulative impact that the retroactive application of the new accounting policy would have. For this reason, the accounting policy after the change is applied in and after October 1, 2007.

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 six months of the previous fiscal year of ¥236 million, ¥1 million, ¥6 million, ¥6 million, and ¥4 million, respectively, from the respective figures before the retroactive application. Profit per share has risen 0.15 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 six months of fiscal year ended September 30, 2023 (from October 1, 2022 to March 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	19,975,222	24,103,979	17,603,471	61,682,674	387,663	62,070,337	84,101	62,154,438
Intersegment internal sales and transfers	2,336,351	464,735	1,204,894	4,005,981	78,243	4,084,225	(4,084,225)	—
Total	22,311,574	24,568,715	18,808,365	65,688,655	465,906	66,154,562	(4,000,124)	62,154,438
Segment profit (loss)	1,157,289	2,625,045	708,711	4,491,045	(152,244)	4,338,800	(547,729)	3,791,071

(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 ¥84,101 thousand is a foreign currency translation adjustment in relation to management accounting.
- (2) An adjustment of segment profit (loss) of -¥547,729 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥497,652 thousand, a foreign currency translation adjustment of -¥224,082 thousand in relation to management accounting and a ¥174,005 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 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 ¥26,106 thousand in the Machinery & Industrial Products segment.

II. First six months of fiscal year ending September 30, 2024 (from October 1, 2023 to March 31, 2024)

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	19,879,600	26,565,727	17,704,616	64,149,945	663,539	64,813,484	114,775	64,928,260
Intersegment internal sales and transfers	2,742,040	1,314,723	1,013,002	5,069,765	298,403	5,368,168	(5,368,168)	—
Total	22,621,640	27,880,451	18,717,618	69,219,710	961,943	70,181,653	(5,253,393)	64,928,260
Segment profit (loss)	1,255,907	2,759,543	1,133,391	5,148,842	(39,824)	5,109,017	(791,317)	4,317,700

- (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 ¥114,775 thousand is a foreign currency translation adjustment in relation to management accounting.
  - (2) An adjustment of segment profit (loss) of -¥791,317 thousand includes selling, general and administrative expenses that are not allocated to reportable segments of -¥617,025 thousand, a foreign currency translation adjustment of -¥155,283 thousand in relation to management accounting and a - ¥19,008 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 second quarter of 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 year before the previous fiscal year. The payment resulted in the recording of goodwill of ¥350,260 thousand in the Machinery & Industrial Products segment.

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. The figures for the first six months 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

First six months of fiscal year ended September 30, 2023 (from October 1, 2022 to March 31, 2023)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	17,094,142	22,279,898	32,725	39,406,765	387,663	—	39,794,428
Asia	2,251,519	545,134	8,163,458	10,960,111	—	—	10,960,111
North America	380,252	866,178	8,622,790	9,869,220	—	—	9,869,220
Other	249,309	412,769	784,497	1,446,575	—	—	1,446,575
Revenue from contracts with customers	19,975,222	24,103,979	17,603,471	61,682,674	387,663	—	62,070,337
Other revenue	—	—	—	—	—	84,101	84,101
Sales to external customers	19,975,222	24,103,979	17,603,471	61,682,674	387,663	84,101	62,154,438

- (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.

First six months of fiscal year ending September 30, 2024 (from October 1, 2023 to March 31, 2024)

(Thousand yen)

	Reportable segments				Other (Note 1)	Adjustment (Note 2)	Total
	Chemicals	Machinery & Industrial Products	Overseas Subsidiaries	Total			
Japan	17,087,204	24,604,556	89,061	41,780,823	663,539	—	42,444,363
Asia	2,313,611	503,457	8,315,686	11,132,756	—	—	11,132,756
North America	228,663	878,796	8,234,630	9,342,090	—	—	9,342,090
Other	250,120	578,917	1,065,237	1,894,275	—	—	1,894,275
Revenue from contracts with customers	19,879,600	26,565,727	17,704,616	64,149,945	663,539	—	64,813,484
Other revenue	—	—	—	—	—	114,775	114,775
Sales to external customers	19,879,600	26,565,727	17,704,616	64,149,945	663,539	114,775	64,928,260

- (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.

(Business combinations)

(Accounting treatment of conditional acquisition price associated with business combination)

In connection with the Company's acquisition of Scrum Inc. in February 2022, the payment of the conditional acquisition price in the second quarter of the consolidated fiscal year under review has been confirmed. Accordingly, the price paid is deemed to have occurred at the time of the acquisition as the cost of acquisition, and goodwill is additionally recognized.

- |  |                                      |
|--|--------------------------------------|
| 1. Cost of acquisition additionally recognized (amount of goodwill recognized) | 350,260 thousand yen                 |
| 2. Amount of amortization of goodwill additionally recognized                  | 140,104 thousand yen                 |
| 3. Method and period of amortization   | Straight line method over five years |

Details of the conditional acquisition price and the future accounting treatment for this business combination stipulated in the business combination agreement are as follows.

(1) Details of conditional acquisition price

The conditional acquisition price is to be paid additionally according to the financial results achieved by the company acquired during a certain period (three years).

(2) Future accounting treatment policy

In the event of a change in the acquisition price, the change will be deemed to have occurred at the time of acquisition and the acquisition price will be modified accordingly, and so will the amount of goodwill and the amortization of goodwill.

The acquisition price is expected to change every six months in the period from April 2022 to March 2025. The next change will take place at the end of September 2024, which is within the consolidated fiscal year under review.

(Significant subsequent events)

Acquisition of shares in subsidiary

(1) Outline of the business combination

(i) Name of the company involved in the business combination and its business

Name of the company	Chem-Inter Corporation
Business	Import, export and sale of industrial chemical products and electronic materials

(ii) Date of business combination

April 19, 2024 (Date of share acquisition)

(iii) Legal form of business combination

Acquisition of shares from non-controlling interests

(iv) Name of the company after business combination

No change

(v) Other matters related to the outline of the transaction

The Company acquired all of the shares owned by non-controlling interests.

After this acquisition of additional shares of the company, it became a wholly owned subsidiary of the Company.

(2) Outline of accounting treatment

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidelines No. 10 of January 16, 2019), the transaction will be treated as a transaction with non-controlling interests, which is considered a common control transaction, etc.

(3) Matters related to the acquisition of additional shares of a subsidiary company

Price of acquisition	Cash
Cost of acquisition	330,000 thousand yen

(4) Matters related to changes in the equity in the Company pertaining to transactions with non-controlling interests

(i) Major reasons for changes in capital surplus

Acquisition of shares in subsidiary

(ii) Amount of increase in capital surplus after transactions with non-controlling interests

It has not been determined yet.