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November 9, 2021

Consolidated Financial Results for the Six Months Ended September 30, 2021 (Under Japanese GAAP)

Company name: YUASA TRADING CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 8074
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Representative: Hiroyuki Tamura, Representative Director, President & CEO
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Scheduled date to file quarterly securities report: November 11, 2021
Scheduled date to commence dividend payments: December 1, 2021
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	211,201	–	4,458	9.4	3,751	(18.2)	2,688	(9.2)
September 30, 2020	202,309	(16.7)	4,074	(28.1)	4,584	(25.9)	2,959	(28.8)

Notes: 1. YUASA TRADING CO., LTD. (the "Company") has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and each figure for the six months ended September 30, 2021, is the figure after applying said accounting standard and relevant revised ASBJ regulations. The percentage of year-on-year change is not shown for net sales. If said standard, etc. were not applied, net sales would be ¥219,531 million (up 8.5% year on year).

2. Comprehensive income For the six months ended September 30, 2021: ¥1,362 million [(65.0)%]
For the six months ended September 30, 2020: ¥3,889 million [9.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	121.61	120.83
September 30, 2020	133.36	132.44

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	231,235	90,069	38.7
March 31, 2021	237,487	90,242	37.7

Reference: Equity
As of September 30, 2021: ¥89,466 million
As of March 31, 2021: ¥89,601 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	30.00	–	70.00	100.00
Fiscal year ending March 31, 2022	–	49.00			
Fiscal year ending March 31, 2022 (Forecast)			–	74.00	123.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	471,000	–	11,700	30.2	11,300	12.9	7,600	9.7	343.83

Notes: 1. Revisions to the earnings forecasts most recently announced: Yes

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and the consolidated earnings forecasts above are based on the figures after applying said accounting standard and relevant revised ASBJ regulations. The percentage of year-on-year change is not shown for net sales. If said standard, etc. were not applied, net sales would be ¥492,000 million for the full year (up 13.8% year on year).

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	23,155,882 shares
As of March 31, 2021	23,155,882 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2021	1,048,498 shares
As of March 31, 2021	1,071,190 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	22,103,922 shares
Six months ended September 30, 2020	22,191,435 shares

Note: The shares of the Company held by the "Board Incentive Plan (BIP) Trust" are included in the number of treasury shares at the end of the period (188,917 shares as of September 30, 2021 and 196,129 shares as of March 31, 2021). Also, the shares of the Company held by the "Board Incentive Plan (BIP) Trust" are included in treasury shares that are deducted for calculation of the average number of shares outstanding during the period (cumulative from the beginning of the fiscal year) (192,523 shares for the six months ended September 30, 2021 and 96,119 shares for the six months ended September 30, 2020).

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to "1. Qualitative Information Regarding Results for the First Six Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 5 of the attached material.

(Means of access to contents of financial results briefing)

The Company plans to hold a financial results briefing for institutional investors and analysts on Monday, November 15, 2021. The materials for this briefing is to be posted on the Company's website promptly after the briefing.

Attached Materials

1. Qualitative Information Regarding Results for the First Six Months

(1) Explanation of operating results

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022. Therefore, the following explanation of the operating results shows the actual values of the net sales for the same quarter during the previous fiscal year, which do not retroactively apply the “Accounting Standard for Revenue Recognition,” without showing the net sales compared to the same quarter during the previous fiscal year (%).

For details, please refer to “Change in Accounting Policy” of “(4) Notes to quarterly consolidated financial statements” in “2. Quarterly consolidated financial statements and significant notes thereto.”

The Japanese economy during the six months under review (April 1, 2021 to September 30, 2021) remained uncertain due to the reissuing of a declaration of a state of emergency and other factors, but as COVID-19 vaccinations progressed, economic activity showed signs of normalization and headed toward recovery. In the industrial field, although there was an impact on production activities mainly in the automobile-related industry due to a supply shortage of semiconductors, moves toward recovery accelerated in capital investment demand, and the order environment recovered. Moreover, in the construction and housing field, the number of new housing starts gradually recovered with a focus on condominiums, and public capital investment also remained firm.

At the same time, economies overseas recovered mainly in the US and China, but economic activity stagnated in Southeast Asian countries such as Indonesia and Vietnam due to resurgence of COVID-19 infections. In addition, there are continued supply chain disruptions such as shortages of components and materials due to the effects of power shortages in China and factory operation restrictions in Southeast Asia.

Under these circumstances, based on the Group Mid-term Management Plan “Growing Together 2023,” aiming to evolve into a “TSUNAGU Service Integrated Shosha Group,” we executed various policies under the basic policies of a “growth business strategy,” “core business strategy,” and “strengthening management foundation” while also strengthening our initiatives on “ESG” and “SDGs.”

In the “growth business strategy,” we concentrated on the development of new products and services in fields such as climate change, infection prevention, labor-saving and automation measures, based on the understanding that growth businesses are businesses that solve social issues. As for “core business strategy,” we strengthened and expanded our efforts toward becoming a “TSUNAGU Service Integrated Shosha Group,” which enables us to demonstrate our comprehensive strengths in one-stop, while promoting the deep cultivation of our core businesses.

Under “strengthening management foundation,” we implemented various measures to strengthen our competitiveness, launching initiatives aimed at transforming into a digital trading company shifting “From Single Item Business to Integrated Product-Service” through the promotion of DX. In addition, we have increased the number of Outside Directors by one at the Ordinary General Meeting of Shareholders held in June 2021, raising the ratio of Outside Directors to more than one-third of all Directors, in an effort to further strengthen corporate governance. Furthermore, with the aim of promoting the resolution of social issues through its core business, the Group has formulated the “sustainability declaration” and “action plan” in October 2021, and expressed its support for the TCFD (Task Force on Climate-related Financial Disclosures) and will actively contribute to the establishment of a sustainable society.

As a result, consolidated net sales for the six months under review were ¥211,201 million (¥202,309 million in the same period of the previous fiscal year). Operating profit was ¥4,458 million (up 9.4% year on year), ordinary profit was ¥3,751 million (down 18.2% year on year), and profit attributable to owners of parent was ¥2,688 million (down 9.2% year on year).

Furthermore, net sales show the actual value for the same quarter of the previous fiscal year, which does not retroactively apply the “Accounting Standard for Revenue Recognition.”

Results by reportable segment are as follows:

<Industrial Equipment & Tools Division>

Regarding the Industrial Equipment & Tools Division, production activities continued to be firm, and demand for cutting tools, measuring equipment, control equipment, etc. increased, mainly for semiconductor-related industries, where factory operation rates remain at a high level.

Under these circumstances, we enhanced product items such as compressors, generators, and control-related equipment, and strengthened logistics functions by measures such as streamlining delivery. In addition, as a result of proposing automation and rationalization of production sites and focusing on sales of robot equipment, logistics-related equipment, and machine tool peripherals, net sales were ¥34,950 million (¥28,648 million in the same quarter of the previous fiscal year).

<Machine Tools Division>

Regarding the Machine Tools Division, although factory operations were suspended in domestic automobile-related industries, capital investment propensity remained strong, especially in semiconductor-related industries, and machine tool orders increased. Overseas, although capital investment demand continued to recover mainly in North America, demand stagnated in some Southeast Asian countries due to the resurgence of COVID-19.

Under these circumstances, in order to resolve labor shortages at production sites, in addition to developing the robot system “Robo Combo” that easily realizes automation and proposing cost reduction by robot systems using existing equipment, we also focused on equipment introduction proposals utilizing various subsidies. As a result of, net sales were ¥42,767 million (¥40,744 million in the same quarter of the previous fiscal year).

<Housing, Air & Fluidic Control Systems Division>

Regarding the Housing, Air & Fluidic Control Systems Division, a sign of recovery was seen mainly in housing equipment due to the recovery in the number of new housing starts. In particular, as a measure to prevent the spread of infection with a view toward post-pandemic era, consumer demand for ventilation is high, and sales of air conditioners and other equipment remained firm. Moreover, demand for storage battery related equipment trended strongly in the renewable energy field, for home consumption and in relation to the expiration of FIT (feed-in tariff system).

Under these circumstances, we expanded sales of air-conditioning equipment with high energy-saving performance and products to prevent infection, and also strengthened sales of valves, pumps, and other non-housing field products. Furthermore, as a result of efforts to expand storage batteries and power conditioners, proposing systems for carbon neutrality, and strengthening our engineering functions in renewable energy related products, net sales were ¥76,833 million (¥72,524 million in the same quarter of the previous fiscal year).

<Building Supplies & Exterior Division>

Regarding the Building Supplies & Exterior, a decrease in new demand was seen around finishing hardware merchandise and scenic exterior merchandise with the postponement of construction, suspension of new projects, and the reevaluation of redevelopment projects around the metropolitan area due to the impact of the resurgence of COVID-19. Meanwhile, investments in public facilities such as natural disaster measures and measures to prevent traffic accidents grew steadily. Moreover, the need for storage and delivery boxes swelled due to changes in lifestyles, resulting in increased sales.

Under these circumstances, net sales were ¥21,533 million (¥25,233 million in the same quarter of the previous fiscal year) as a result of focusing on expanding the sales of jointly developed bollards (car barriers) with flooding sensors, resilience products such as water sealing plates, aluminum fencing to replace concrete fencing with a risk of overturning, and other products to combat natural disasters.

<Construction Machines Division>

Regarding the Construction Machines Division, new capital investment projects by rental companies remained at a standstill due to delays in construction works caused by the Tokyo Olympic and Paralympic Games and the resurgence of COVID-19. At the same time, demand related to disaster recovery construction trended favorably, and there was also steady demand for infrastructure improvement, disaster prevention/risk reduction construction, and other civil engineering related products pertaining to public works.

Under these circumstances, we expanded the handling of products emphasizing safety measures at construction sites according to the Fundamental Plan for National Resilience and strengthened the sales of compact construction machinery and temporary construction materials, etc. Moreover, as a result of striving to enhance our comprehensive strength through an expansion of the group network while also focusing on expanding the sales of the used construction machinery auction business, net sales were ¥15,186 million (¥17,524 million in the same quarter of the previous fiscal year).

<Energy Division>

Regarding the Energy Division, demand for petroleum products recovered along with the resumption of economic activity, and crude oil prices continued to rise, affecting the prices of petroleum products such as gasoline and diesel fuel.

Under these circumstances, we strived to strengthen car washing, automobile inspection, coating, and other car care services in the gas station business deployed around the Tokai region. Moreover, as a result of strengthening sales of marine fuel in the Keihin area in the wholesale business, net sales were ¥8,632 million (¥6,942 million in the same quarter of the previous fiscal year).

<Others>

Regarding other divisions, for consumer goods business, seasonal home appliances were in a difficult sales situation due to the reactionary decline from “stay-at-home demand” in the previous fiscal year and poor weather, as well as the impact of factory shutdowns due lockdowns in Vietnam, the manufacturing base. At the same time, consumer awareness of infectious disease control remained high, and sales of air purifiers, circulators, and other related products trended strongly. In the timber business, we made efforts to secure imported timber while also focusing on the sale of domestic materials as challenging sales conditions known as the “wood shock” continued, with soaring material costs due to the growing housing demand in the U.S. and China and rising transportation costs caused by the container shortage.

As a result, net sales of other division were ¥11,296 million (¥10,690 million in the same quarter of the previous fiscal year).

(2) Explanation of financial position

(i) Assets, liabilities and net assets

As of September 30, 2021, total assets were ¥231,235 million, a decrease of ¥6,251 million from the end of the previous fiscal year. This is due to the fact that inventories increased by ¥2,038 million while notes and accounts receivable - trade, and contract assets were ¥100,857 million (notes and accounts receivable - trade were ¥107,874 million at the end of the previous fiscal year).

Total liabilities were ¥141,166 million, a decrease of ¥6,078 million from the end of the previous fiscal year. This is due to the fact that notes and accounts payable - trade decreased by ¥5,510 million.

Total net assets were ¥90,069 million, a decrease of ¥173 million from the end of the previous fiscal year. This is due to the fact that valuation difference on available-for-sale securities decreased by ¥1,009 million while retained earnings increased by ¥1,128 million.

As a result, the equity-to-asset ratio was 38.7% (37.7% at the end of the previous fiscal year).

(ii) Cash flows

Cash and cash equivalents (hereinafter, "cash") as of September 30, 2021 increased by ¥1,447 million from the end of the previous fiscal year to ¥43,394 million.

The respective cash flow positions for the six months ended September 30, 2021, and the factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,050 million (up ¥2,108 million year on year). This was mainly due to recording a decrease in trade receivables of ¥6,474 million and profit before income taxes of ¥4,653 million, despite a ¥4,752 million decrease in trade payables and a ¥1,902 million increase in inventories.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥744 million (up ¥2,996 million year on year). This was primarily due to the recording of proceeds from sale of investment securities of ¥1,095 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,368 million (down ¥1,037 million year on year). This was primarily due to the recording of dividends paid of ¥1,559 million.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Regarding the consolidated earnings forecasts for the fiscal year ending March 31, 2022, the Company has revised its consolidated earnings forecasts for the fiscal year ending March 31, 2022, which were announced on May 14, 2021.

For details, please refer to "Notice Concerning Impairment Loss on Investments Accounted for Using the Equity Method and Differences Between Earnings Forecasts and Actual Results for the First Six Months of the Fiscal Year Ending March 31, 2022, and Revisions to Full-Year Consolidated Earnings Forecasts" announced today.

Furthermore, the earnings forecasts were created based on information which is currently available on the day of the announcement, and the actual performance and results may differ from the forecast values and outlook.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	42,567	43,674
Notes and accounts receivable - trade	107,874	–
Notes and accounts receivable - trade, and contract assets	–	100,857
Electronically recorded monetary claims - operating	18,678	19,304
Inventories	14,574	16,613
Other	2,159	2,511
Allowance for doubtful accounts	(77)	(61)
Total current assets	185,777	182,900
Non-current assets		
Property, plant and equipment	15,665	15,771
Intangible assets		
Goodwill	2,910	2,514
Other	2,237	2,019
Total intangible assets	5,148	4,534
Investments and other assets		
Retirement benefit asset	12,205	12,234
Other	19,141	16,201
Allowance for doubtful accounts	(449)	(406)
Total investments and other assets	30,896	28,030
Total non-current assets	51,710	48,335
Total assets	237,487	231,235

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,009	84,499
Electronically recorded obligations - operating	33,945	34,745
Short-term borrowings	3,744	3,145
Income taxes payable	995	1,622
Provision for bonuses	2,383	2,120
Provision for bonuses for directors (and other officers)	66	–
Other	6,937	6,394
Total current liabilities	138,081	132,527
Non-current liabilities		
Long-term borrowings	728	612
Provision for share awards	139	150
Provision for share awards for directors (and other officers)	127	152
Retirement benefit liability	947	984
Other	7,220	6,739
Total non-current liabilities	9,163	8,638
Total liabilities	147,245	141,166
Net assets		
Shareholders' equity		
Share capital	20,644	20,644
Capital surplus	6,815	6,830
Retained earnings	54,749	55,877
Treasury shares	(1,735)	(1,690)
Total shareholders' equity	80,474	81,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,334	3,324
Deferred gains or losses on hedges	20	20
Foreign currency translation adjustment	(272)	(89)
Remeasurements of defined benefit plans	5,044	4,549
Total accumulated other comprehensive income	9,126	7,804
Share acquisition rights	272	238
Non-controlling interests	368	363
Total net assets	90,242	90,069
Total liabilities and net assets	237,487	231,235

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	202,309	211,201
Cost of sales	181,932	189,143
Gross profit	20,377	22,057
Selling, general and administrative expenses	16,302	17,598
Operating profit	4,074	4,458
Non-operating income		
Interest income	649	742
Dividend income	144	139
Other	260	258
Total non-operating income	1,054	1,140
Non-operating expenses		
Interest expenses	452	441
Share of loss of entities accounted for using equity method	58	1,384
Other	34	20
Total non-operating expenses	544	1,846
Ordinary profit	4,584	3,751
Extraordinary income		
Gain on sale of non-current assets	0	5
Gain on sale of investment securities	16	988
Gain on extinguishment of tie-in shares	16	–
Total extraordinary income	33	993
Extraordinary losses		
Loss on retirement of non-current assets	20	8
Loss on valuation of investment securities	–	3
Loss on liquidation of subsidiaries and associates	–	52
Loss on disaster	10	–
Loss on COVID-19	78	27
Total extraordinary losses	109	92
Profit before income taxes	4,508	4,653
Income taxes	1,558	1,968
Profit	2,949	2,684
Loss attributable to non-controlling interests	(9)	(3)
Profit attributable to owners of parent	2,959	2,688

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	2,949	2,684
Other comprehensive income		
Valuation difference on available-for-sale securities	1,341	(1,009)
Deferred gains or losses on hedges	3	(0)
Foreign currency translation adjustment	(113)	182
Remeasurements of defined benefit plans, net of tax	(291)	(494)
Total other comprehensive income	939	(1,322)
Comprehensive income	3,889	1,362
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,899	1,365
Comprehensive income attributable to non-controlling interests	(10)	(3)

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	4,508	4,653
Depreciation	602	806
Amortization of goodwill	325	395
Loss (gain) on extinguishment of tie-in shares	(16)	–
Loss (gain) on sale of non-current assets	(0)	(5)
Loss on retirement of non-current assets	20	8
Loss (gain) on sale of investment securities	(16)	(988)
Loss (gain) on valuation of investment securities	–	3
Loss on liquidation of subsidiaries and associates	–	52
Loss on disaster	10	–
Loss on COVID-19	78	27
Decrease (increase) in retirement benefit asset	(59)	(742)
Increase (decrease) in retirement benefit liability	5	34
Increase (decrease) in allowance for doubtful accounts	93	(60)
Increase (decrease) in provision for bonuses	(493)	(263)
Increase (decrease) in provision for bonuses for directors (and other officers)	(86)	(66)
Increase (decrease) in provision for share awards	(0)	10
Increase (decrease) in provision for share awards for directors (and other officers)	15	25
Interest and dividend income	(793)	(882)
Interest expenses	452	441
Share of loss (profit) of entities accounted for using equity method	58	1,384
Decrease (increase) in trade receivables	22,095	6,474
Decrease (increase) in inventories	(1,253)	(1,902)
Increase (decrease) in trade payables	(21,825)	(4,752)
Decrease (increase) in long term a money claim	(63)	57
Other, net	(411)	(986)
Subtotal	3,245	3,725
Interest and dividends received	794	882
Interest paid	(447)	(443)
Income taxes paid	(2,651)	(1,114)
Net cash provided by (used in) operating activities	941	3,050
Cash flows from investing activities		
Payments into time deposits	(12)	(3)
Proceeds from withdrawal of time deposits	412	347
Purchase of property, plant and equipment	(556)	(514)
Proceeds from sale of property, plant and equipment	0	15
Purchase of intangible assets	(241)	(148)
Purchase of investment securities	(1,864)	(39)
Proceeds from sale of investment securities	42	1,095
Other, net	(31)	(6)
Net cash provided by (used in) investing activities	(2,251)	744

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	17	(525)
Repayments of long-term borrowings	(1,256)	(189)
Repayments of lease obligations	(35)	(36)
Purchase of treasury shares	(347)	(1)
Dividends paid	(1,781)	(1,559)
Other, net	(1)	(56)
Net cash provided by (used in) financing activities	(3,406)	(2,368)
Effect of exchange rate change on cash and cash equivalents	(68)	19
Net increase (decrease) in cash and cash equivalents	(4,784)	1,447
Cash and cash equivalents at beginning of period	43,246	41,947
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	13	–
Cash and cash equivalents at end of period	38,476	43,394

(4) Notes to quarterly consolidated financial statements

Notes on going concern assumption

No item to report.

Notes on significant changes in the amount of shareholders' equity

No item to report.

Change in Accounting Policy

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result of this application, for transactions in which the Company's role in the sale to the customer corresponds to that of an agent, the Company has changed its method of recognizing revenue from the total amount of consideration received from the customer, less the amount paid to the supplier of the goods, to a net amount.

In addition, the Company applies the alternative treatment prescribed in paragraph 98 of the "Guidance on Accounting Policies for Revenue Recognition," and recognizes revenue at the time of shipment if the period between the time of shipment and the time of transfer of goods to the customer is a normal period for domestic sales of goods.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year ending March 31, 2022, and thus the new accounting policy was applied from such opening balance; however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter of the fiscal year ending March 31, 2022, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the first six months of the current fiscal year, net sales decreased by ¥8,329 million, cost of sales decreased by ¥8,303 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥26 million. There is no impact on the balance of retained earnings at the beginning of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been presented in "Notes and accounts receivable - trade, and contract assets" under current assets from the consolidated balance sheet as of the end of the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been reclassified in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Application of Accounting Standard for Fair Value Measurement and Its Implementation Guidance

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has applied new accounting policies stipulated in the "Accounting Standard for Fair Value Measurement," etc. prospectively, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial

Instruments" (ASBJ Statement No. 10, July 4, 2019). This has no effect on the quarterly consolidated financial statements.

Additional information

Application of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and some consolidated subsidiaries in Japan have not applied the provisions of paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

Accounting estimates related to the impact of the spread of COVID-19

Although COVID-19 has had an impact on our business performance, we have determined that it will have no impact on our accounting estimates, such as impairment accounting for non-current assets and the recoverability of deferred tax assets.

Furthermore, we have formulated our business forecast for the current fiscal year based on the assumption that the spread of COVID-19 will not become more severe than it currently is and that it will gradually subside. However, if the impact of COVID-19 becomes even more severe going forward and interferes with the business activities of the Group, it may affect the consolidated financial statements for the following quarter and beyond.

Segment information

I. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

1. Information on the amount of net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Industrial Equipment & Tools	Machine Tools	Housing, Air & Fluidic Control Systems	Building Supplies & Exterior	Construction Machines	Energy	Total				
Net sales											
Sales to external customers	28,648	40,744	72,524	25,233	17,524	6,942	191,619	10,690	202,309	–	202,309
Intersegment sales or transfers	5,602	1,954	3,496	2,538	2,130	14	15,737	45	15,782	(15,782)	–
Total	34,251	42,699	76,021	27,771	19,655	6,957	207,356	10,735	218,092	(15,782)	202,309
Segment profit	493	1,389	2,310	701	445	163	5,503	90	5,593	(1,518)	4,074

Notes:
1. The classification "Other" is a segment of business not included in the reportable segments and includes businesses selling lifestyle-related products and wood products.
2. The adjustment of the segment profit of negative ¥1,518 million represents mainly costs related to the administration division of the Company that has not been attributed to a reportable segment.
3. Segment profit is adjusted to operating profit as recorded on the consolidated statement of income.

2. Information on impairment losses on non-current assets, goodwill, etc. for each reportable segment

No item to report.

II. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

1. Information on the amount of net sales and profit/loss for each reportable segment

(Millions of yen)

	Reportable segments							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Industrial Equipment & Tools	Machine Tools	Housing, Air & Fluidic Control Systems	Building Supplies & Exterior	Construction Machines	Energy	Total				
Net sales											
Sales to external customers	34,950	42,767	76,833	21,533	15,186	8,632	199,904	11,296	211,201	–	211,201
Intersegment sales or transfers	6,448	1,914	4,019	2,069	2,130	13	16,596	287	16,884	(16,884)	–
Total	41,399	44,681	80,853	23,603	17,316	8,646	216,500	11,584	228,085	(16,884)	211,201
Segment profit	757	1,530	2,364	753	396	105	5,906	50	5,957	(1,499)	4,458

Notes:
1. The classification "Other" is a segment of business not included in the reportable segments and includes businesses selling lifestyle-related products and wood products.
2. The adjustment of the segment profit of negative ¥1,499 million represents mainly costs related to the administration division of the Company that has not been attributed to a reportable segment.
3. Segment profit is adjusted to operating profit as recorded on the consolidated statement of income.

2. Information on impairment losses on non-current assets, goodwill, etc. for each reportable segment

No item to report.

3. Matters related to changes in reportable segments

As stated in the "Changes in Accounting Policy," the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the fiscal year ending March 31, 2022 and changed the accounting method for revenue recognition, and accordingly, the calculation method for net sales and profit or loss by business segment has been changed.