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February 3, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: YUASA TRADING CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 8074
 URL: <https://www.yuasa.co.jp/english/index.html>
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 Scheduled date to file quarterly securities report: February 7, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	361,511	10.8	8,484	22.2	9,133	40.2	5,794	23.3
December 31, 2021	326,190	–	6,945	21.5	6,512	0.8	4,701	9.2

Note: Comprehensive income For the nine months ended December 31, 2022: ¥5,634 million [105.3%]
 For the nine months ended December 31, 2021: ¥2,744 million [(50.4)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	266.16	264.93
December 31, 2021	212.69	211.33

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	264,440	92,411	34.7
March 31, 2022	259,413	92,605	35.5

Reference: Equity
 As of December 31, 2022: ¥91,851 million
 As of March 31, 2022: ¥91,981 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, 2022	–	49.00	–	74.00	123.00
Fiscal year ending March 31, 2023	–	60.00	–		
Fiscal year ending March 31, 2023 (Forecast)				80.00	140.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	490,000	5.9	13,500	13.6	14,500	23.5	9,570	18.7	433.23

Note: Revisions to the earnings forecasts most recently announced: None

* **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: None
 - (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 December 31, 2022	23,155,882 shares
As of March 31, 2022	23,155,882 shares

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

As of December 31, 2022	1,814,705 shares
As of March 31, 2022	1,048,982 shares

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

Nine months ended December 31, 2022	21,771,000 shares
Nine months ended December 31, 2021	22,105,008 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 (171,096 shares as of December 31, 2022 and 188,917 shares as of March 31, 2022). 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) (177,036 shares for the nine months ended December 31, 2022 and 191,321 shares for the nine months ended December 31, 2021).

* 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 Nine Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements” on page 5 of the attached material.

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1. Qualitative Information Regarding Results for the First Nine Months

(1) Explanation of operating results

During the nine months under review (April 1, 2022 to December 31, 2022), the Japanese economy showed signs of a recovery as economic activities normalized. Nevertheless, the outlook remained uncertain with the lack of prospects for the COVID-19 pandemic coming under control, besides the prolonged situation in Ukraine, soaring raw material and crude oil prices, and the record-level depreciation of the yen.

In the industrial field, although supply chain disruptions and the supply shortage of on-vehicle semiconductors, etc. resulted in production adjustments and other effects in part of the automobile-related industry, demand for capital investment has been steady. In the housing and construction field, public works investment and the number of new constructions, mainly condominiums, remained firm.

In overseas countries, prices of parts and raw materials and personnel expenses increased, whereas the economy continued to recover moderately in the U.S. and Southeast Asian countries including Thailand, Vietnam, and Indonesia. However, economic growth slowed down in China due to the government's zero-COVID policy.

In operating under these circumstances in the final year of its Midterm Management Plan "Growing Together 2023," which is the second stage of "Yuasa Vision 360," the Yuasa Trading Group is implementing various measures under the basic policies of "growth business strategy," "core business strategy," and "strengthening management foundation," aiming to evolve into a "TSUNAGU Service Integrated Shosha Group."

For "growth business strategy," we concentrated on the development and application of new products and services both internally and jointly with other companies, including "concrete compaction management system using MR (Mixed Reality)" for ensuring quality and saving labor (increasing productivity) on construction sites, "risk saver," a disaster risk management system for visualizing supply chain risks, "gatepost with delivery box equipped with V2H (Vehicle to Home) function," which can be used as an emergency power supply during disasters, and "zeroboard construction," a cloud service that enables accurate visualization of CO₂ emissions from construction work sites in real time. We also made proposals for such issues as climate change countermeasures, labor-saving and automation, based on the understanding that growth businesses are businesses that solve social issues.

For "core business strategy," we are strengthening and expanding our AI-based initiatives toward becoming a "TSUNAGU Service Integrated Shosha Group," which enables us to demonstrate our comprehensive strengths in one-stop. We are promoting proposal-based sales and marketing aimed at connecting AI with customers' "manufacturing," "home," "environmental," and "community development" sites to enhance the advancement and efficiency of customers' on-site operations.

For "strengthening management foundation," in order to improve shareholder returns and capital efficiency, and to enable the execution of flexible capital policies in response to changes in the business environment, the Company has been implementing a share buyback program. In addition, we have determined to acquire land in Minato-ku, Tokyo, in order to build the new head office in anticipation of further business expansion of the Group.

In our efforts toward "ESG" and "SDGs," based on the Yuasa Trading Group's "Sustainability Declaration," we aim to be carbon neutral across the entire Group by 2030, as well as to actively disclose information related to ESG and climate change, such as CO₂ emissions, to contribute to building a sustainable society through our business activities. As part of the efforts, we launched environmental preservation activities called "YUASA Tree Planting Project" in Sungai Merbok Mangrove Forest Reserve, Malaysia, consisting mainly of mangrove planting activities.

As a result, consolidated net sales for the nine months under review increased 10.8% from the same period of the previous fiscal year to ¥361,511 million. In terms of profits, operating profit was ¥8,484 million (up 22.2% year on year), ordinary profit was ¥9,133 million (up 40.2% year on year), and profit attributable to owners of parent was ¥5,794 million (up 23.3% year on year).

Results by reportable segment are as follows:

During the third quarter under review, an absorption-type merger between YUASAQUOBIS CO., LTD. and TOYOSANGYO CO., LTD., the Company's consolidated subsidiaries, in which YUASAQUOBIS CO., LTD. is the surviving company, was conducted. In conjunction with this, the Company has changed the method of classifying the business of TOYOSANGYO CO., LTD., which was previously included in the Building Supplies & Exterior segment, to include it in the Housing Air & Fluidic Control Systems segment.

Segment information for the nine months ended December 31, 2021 has been prepared based on the segments after the change.

<Industrial Equipment & Tools Division>

In the Industrial Equipment & Tools Division, demand was partially satisfied in the semiconductor market in the latter half of the period under review, whereas plant utilization rates in the related industry became stable. However, demand for capital investment remained firm, and sales grew mainly for control related equipment.

Under these circumstances, we focused on the solutions sales, and proposed automation and streamlining of production sites to realize smart factories and strove to expand sales of control-related equipment such as compressors with high energy-saving performance, which respond to growing interest in carbon neutrality, BCP, etc., and as a result, net sales were ¥55,843 million (up 4.9% year on year).

<Machine Tools Division>

In the Machine Tools Division, sales of motors and other related parts for EVs were strong in the automobile-related industry. Demand for carbon-neutral products and energy-saving systems also increased due to growing environmental awareness. Overseas, despite the impact of the soaring cost of raw materials, the economy is recovering mainly in Southeast Asian countries and large projects increased in Thailand, Indonesia and Vietnam.

Under these circumstances, we focused on sales of products and systems developed by the Company such as “Robo Combo,” a robot system using articulated robots, as well as on proposals for switching to unmanned, cost reduction, stable processing, and energy-saving promotion systems by taking advantage of various subsidies, and as a result, net sales were ¥81,595 million (up 20.7% year on year).

<Housing, Air & Fluidic Control Systems Division>

In the Housing, Air & Fluidic Control Systems Division, the number of new housing starts, particularly in detached housing, declined, whereas demand for remodeling remained firm. Sales of equipment related to air conditioning grew in reaction to growing needs for energy conservation. Sales of pipes/joints products including valves and pumps, and housing fixtures for wet areas such as kitchens and toilets were also firm. In the renewable energy field, sales of storage batteries and peripheral devices were on a firm trend due to the increasing demand in the midst of calls for measures to become carbon neutral.

Under these circumstances, as a result of efforts such as system proposals toward becoming carbon neutral and strengthening engineering capability, net sales were ¥126,332 million (up 8.5% year on year).

<Building Supplies & Exterior Division>

For the Building Supplies & Exterior Division, construction of logistics facilities and condominiums increased, and sales of exterior products and building hardware products remained firm mainly in the Metropolitan area, while sales of storage sheds and delivery boxes increased due to growing demand. In addition, public works investment in products for natural disaster and traffic accident countermeasures remained firm.

Under these circumstances, introduction of aluminum privacy fences that replace concrete fences, which are at risk of tipping over, and efforts to propose and expand sales of resilience products, which are a combination of bollards with flood sensors, water stop plates, and other equipment, as a measure against damage from flash torrential rains, resulted in net sales of ¥37,164 million (up 14.3% year on year).

<Construction Machines Division>

For the Construction Machines Division, public works projects such as infrastructure development, disaster recovery, and disaster prevention/mitigation work, as well as private sector capital investment, remained firm. Demand for construction machines from rental companies and civil engineering-related commercial products was firm. Nevertheless, longer delivery times for construction machines due to shortages of components, particularly on-vehicle semiconductors, soaring prices of materials and energy, and shortages of construction skilled workers had an impact.

Under these circumstances, we focused on expanding our lineup with an emphasis on safety measures at construction sites and sales of a variety of resilience products and vehicles for work at height. In addition, we strove to expand our used construction machines auction business, and enhancing container house manufacturing, and construction machines maintenance and rental functions, resulting in net sales of ¥26,884 million (up 8.1% year on year).

<Energy Division>

For the Energy Division, demand recovered as economic activities normalized; however, crude oil prices remained high due to concerns over energy supply owing to the situation in Ukraine and the progression of the yen depreciation, continuously affecting prices of petroleum products such as gasoline and diesel fuels.

Under these circumstances, the gas station retail business, which operates mainly in the Tokai region, worked to strengthen car care services such as car washing, automobile inspections, and coatings. In addition, efforts to strengthen sales of marine fuel in the Keihin area resulted in net sales of ¥14,425 million (up 4.8% year on year).

<Others>

For Others, we worked to expand sales of new seasonal household appliances in the consumer goods business, which was impacted by soaring raw material costs and the depreciation of the yen. Meanwhile, we responded to diversifying consumer needs in the online sales business. In the wood products business, although severe sales conditions persisted as domestic demand was sluggish due to stagnant new housing starts besides the impact from the progression of the yen depreciation and lockdowns in producer countries, we worked to develop new suppliers and to develop and expand sales of commercial products utilizing domestic lumber.

As a result, net sales were ¥19,265 million (up 8.3% year on year).

(2) Explanation of financial position

As of December 31, 2022, total assets were ¥264,440 million, an increase of ¥5,026 million from the end of the previous fiscal year. This was mainly due to a ¥7,647 million increase in electronically recorded monetary claims - operating and a ¥5,620 million increase in inventories, while notes and accounts receivable - trade, and contract assets decreased by ¥8,150 million.

Total liabilities were ¥172,028 million, an increase of ¥5,220 million from the end of the previous fiscal year. This was mainly due to an increase of ¥8,679 million in electronically recorded obligations - operating, whereas notes and accounts payable - trade decreased by ¥3,810 million.

Total net assets were ¥92,411 million, a decrease of ¥193 million from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥2,832 million, despite a decrease of ¥2,792 million due to purchase of treasury shares.

As a result, the equity-to-asset ratio was 34.7% (35.5% at the end of the previous fiscal year).

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

Regarding the consolidated earnings forecasts for the fiscal year ending March 31, 2023, the earnings forecasts are unchanged from the announcement in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” dated May 13, 2022.

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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	53,744	50,897
Notes and accounts receivable - trade, and contract assets	121,531	113,380
Electronically recorded monetary claims - operating	22,799	30,446
Inventories	16,147	21,767
Other	3,420	4,632
Allowance for doubtful accounts	(59)	(90)
Total current assets	217,584	221,034
Non-current assets		
Property, plant and equipment	12,667	14,028
Intangible assets		
Goodwill	2,133	1,560
Other	1,202	1,017
Total intangible assets	3,336	2,577
Investments and other assets		
Retirement benefit asset	12,385	12,430
Other	13,783	14,706
Allowance for doubtful accounts	(343)	(337)
Total investments and other assets	25,826	26,799
Total non-current assets	41,829	43,405
Total assets	259,413	264,440

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	96,112	92,302
Electronically recorded obligations - operating	45,815	54,494
Short-term borrowings	3,128	3,173
Income taxes payable	2,870	334
Provision for bonuses	2,623	1,292
Provision for bonuses for directors (and other officers)	70	–
Other	8,331	11,840
Total current liabilities	158,953	163,438
Non-current liabilities		
Long-term borrowings	581	533
Provision for share awards	191	210
Provision for share awards for directors (and other officers)	173	170
Retirement benefit liability	998	1,079
Other	5,909	6,596
Total non-current liabilities	7,854	8,589
Total liabilities	166,808	172,028
Net assets		
Shareholders' equity		
Share capital	20,644	20,644
Capital surplus	6,831	6,837
Retained earnings	60,155	62,987
Treasury shares	(1,692)	(4,484)
Total shareholders' equity	85,938	85,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,798	1,755
Deferred gains or losses on hedges	48	(200)
Foreign currency translation adjustment	46	815
Remeasurements of defined benefit plans	4,149	3,496
Total accumulated other comprehensive income	6,042	5,866
Share acquisition rights	238	165
Non-controlling interests	385	395
Total net assets	92,605	92,411
Total liabilities and net assets	259,413	264,440

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	326,190	361,511
Cost of sales	292,545	324,167
Gross profit	33,644	37,344
Selling, general and administrative expenses	26,699	28,860
Operating profit	6,945	8,484
Non-operating income		
Interest income	1,083	1,184
Dividend income	213	214
Other	375	162
Total non-operating income	1,672	1,561
Non-operating expenses		
Interest expenses	662	762
Other	1,442	150
Total non-operating expenses	2,104	912
Ordinary profit	6,512	9,133
Extraordinary income		
Gain on sale of non-current assets	140	3
Gain on sale of investment securities	1,108	0
Total extraordinary income	1,248	3
Extraordinary losses		
Loss on sale of non-current assets	–	23
Loss on retirement of non-current assets	30	6
Loss on valuation of investment securities	3	4
Loss on liquidation of subsidiaries and associates	53	5
Loss on COVID-19	28	–
Total extraordinary losses	115	39
Profit before income taxes	7,646	9,096
Income taxes	2,940	3,287
Profit	4,705	5,808
Profit attributable to non-controlling interests	4	14
Profit attributable to owners of parent	4,701	5,794

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	4,705	5,808
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,386)	(42)
Deferred gains or losses on hedges	(11)	(249)
Foreign currency translation adjustment	179	770
Remeasurements of defined benefit plans, net of tax	(742)	(652)
Total other comprehensive income	(1,960)	(174)
Comprehensive income	2,744	5,634
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,741	5,618
Comprehensive income attributable to non-controlling interests	3	15

(3) 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.

Additional information

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

During the nine months under review, there are no significant changes in the accounting estimates of the impact of the spread of COVID-19 described in the financial results reports for the previous fiscal year.

Segment information

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Reportable segments							Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly 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	53,241	67,614	116,387	32,527	24,868	13,768	308,407	17,782	326,190	–	326,190
Intersegment sales or transfers	9,502	3,026	6,062	3,754	3,208	22	25,575	490	26,066	(26,066)	–
Total	62,743	70,640	122,449	36,281	28,077	13,790	333,983	18,273	352,256	(26,066)	326,190
Segment profit	1,212	2,437	3,425	1,157	613	192	9,038	110	9,148	(2,203)	6,945

Notes: 1. The classification “Others” 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 ¥2,203 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 quarterly consolidated statement of income.

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

No item to report.

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Millions of yen)

	Reportable segments							Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly 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	55,843	81,595	126,332	37,164	26,884	14,425	342,246	19,265	361,511	–	361,511
Intersegment sales or transfers	9,584	3,454	6,466	3,743	3,224	32	26,505	270	26,775	(26,775)	–
Total	65,427	85,050	132,798	40,908	30,108	14,457	368,751	19,535	388,287	(26,775)	361,511
Segment profit	1,482	3,345	3,836	1,478	789	183	11,115	69	11,185	(2,700)	8,484

Notes: 1. The classification “Others” 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 ¥2,700 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 quarterly 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

During the third quarter under review, an absorption-type merger between YUASAQUOBIS CO., LTD. and TOYOSANGYO CO., LTD., the Company’s consolidated subsidiaries, in which YUASAQUOBIS CO., LTD. is the surviving company, was conducted. In conjunction with this, the Company has changed the method of classifying the business of TOYOSANGYO CO., LTD., which was previously included in the Building Supplies & Exterior segment, to include it in the Housing Air & Fluidic Control Systems segment.

Segment information for the nine months ended December 31, 2021 has been prepared based on the segments after the change.