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August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

Company name: YUASA TRADING CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 8074
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 Scheduled date to file quarterly securities report: August 9, 2022
 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 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	%
Three months ended								
June 30, 2022	109,314	15.2	1,425	71.1	1,669	47.2	1,034	41.2
June 30, 2021	94,925	–	833	(43.4)	1,134	(35.2)	732	(36.9)

Note: Comprehensive income For the three months ended June 30, 2022: ¥906 million [311.2%]
 For the three months ended June 30, 2021: ¥220 million [(86.5)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	46.94	46.68
June 30, 2021	33.16	32.94

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	245,538	91,319	37.0
March 31, 2022	259,413	92,605	35.5

Reference: Equity
 As of June 30, 2022: ¥90,727 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	–				
Fiscal year ending March 31, 2023 (Forecast)		60.00	–	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
Six months ending September 30, 2022	230,000	8.9	5,600	25.6	6,100	62.5	4,040	50.2	182.89
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 June 30, 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 June 30, 2022	1,196,120 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)

Three months ended June 30, 2022	22,045,324 shares
Three months ended June 30, 2021	22,100,444 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 June 30, 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) (188,917 shares for the three months ended June 30, 2022 and 196,129 shares for the three months ended June 30, 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 Three 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 Three Months

(1) Explanation of operating results

During the three months under review (April 1, 2022 to June 30, 2022), the Japanese economy continued to face uncertainties, including soaring crude oil prices due to the prolonged situation in Ukraine and the rapid depreciation of the yen, in addition to the lack of prospects for the COVID-19 pandemic coming under control, despite signs of normalization of economic activities.

In the industrial field, while demand for capital investment picked up at an accelerated pace and orders for machine tools, etc. increased, supply chain disruptions and the shortage of semiconductor-related parts, etc. due to lockdowns continued for a long period of time, resulting in production adjustments and other effects, mainly in the automobile-related industry. In the housing and construction field, public works investment and housing construction, mainly condominiums, remained firm.

For overseas economies also, economic recovery continued mainly in the U.S., although some suspensions of plant operations and price rises for parts and materials were observed. In Southeast Asian countries such as Thailand, Vietnam, and Indonesia, there were also signs of economic pickup, while in China, there were continued concerns of an economic slowdown due to curtailed economic activities.

Under these circumstances, the Yuasa Trading Group entered the final year of the second stage of its Mid-term Management Plan “Growing Together 2023,” toward realizing “Yuasa Vision 360.” Aiming to evolve into a “TSUNAGU Service Integrated Shosha Group,” we are executing various measures under the basic policies of “growth business strategy,” “core business strategy,” and “strengthening management foundation.”

For “growth business strategy,” we concentrated on the proposal of new products and services in fields such as climate change, infection countermeasures, labor-saving and automation measures, etc., by developing products and services both in-house and jointly with other companies, 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, while promoting the deep cultivation of our core businesses. 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 commenced a share buyback program totaling up to 1,700,000 shares, for a total amount of ¥4.0 billion. In addition, as part of our efforts toward “ESG” and “SDGs,” based on the Yuasa Trading Group’s “Sustainability Declaration,” we aim to be carbon neutral across the entire Yuasa Trading Group by 2030, as well as to actively disclose information related to ESG and climate change to contribute to building a sustainable society through our business activities.

As a result, consolidated net sales for the three months under review increased 15.2% from the same period of the previous fiscal year to ¥109,314 million. In terms of profits, operating profit was ¥1,425 million (up 71.1% year on year), ordinary profit was ¥1,669 million (up 47.2% year on year), and profit attributable to owners of parent was ¥1,034 million (up 41.2% year on year).

Results by reportable segment are as follows:

<Industrial Equipment & Tools Division>

In the Industrial Equipment & Tools Division, demand for cutting tools, measuring instruments, and other equipment increased, as plant utilization rates in the logistics and semiconductor-related industries were high, despite the effect of production cuts in the automobile-related industry due to the shortage of semiconductor-related parts, etc.

Under these circumstances, we promoted efforts to become carbon neutral by expanding sales of control-related equipment such as compressors with high energy-saving performance, and focused on proposals for automation and streamlining of production sites to realize smart factories, and as a result, net sales were ¥17,595 million (up 8.7% year on year).

<Machine Tools Division>

For the Machine Tools Division, despite the impact of production adjustments, etc. due to parts shortages as a result of supply chain disruptions, new orders for machine tools continued to grow as semiconductor-related industries and mainly EVs in automobile-related industries, maintained favorable performance. Overseas, despite the impact of lockdowns on production activities, the number of new projects in Southeast Asia and the U.S. were in a rising trend due to economic activities going into full swing.

Under these circumstances, we focused on sales of “Robo Combo,” a robot system using articulated robots developed by the Company, and “Bub Power,” a microfine bubble system for coolant equipment, as well as on proposals for switching to unmanned and cost reduction systems by taking advantage of various subsidies to meet automation demands, and as a result, net sales were ¥25,110 million (up 41.8% year on year).

<Housing, Air & Fluidic Control Systems Division>

In the Housing, Air & Fluidic Control Systems Division, the number of new housing starts and demand for remodeling remained firm. Although there were delays in deliveries of water heaters and pumps, etc. due to shortages in the supply of semiconductors and other related parts, sales of housing fixtures remained firm. In particular, interest in ventilation and energy conservation was strong, and sales of equipment related to ventilation and air conditioning grew. In addition, in the renewable energy field, sales of devices such as storage batteries were on a firm trend, due to increasing demand with a view toward carbon neutrality.

Under these circumstances, as a result of efforts to sell products in the non-residential field such as sales of pipes/joints, air-conditioning equipment, etc. and efforts such as system proposals toward becoming carbon neutral and strengthening engineering capability resulted in net sales of ¥37,237 million (up 7.5% year on year).

<Building Supplies & Exterior Division>

For the Building Supplies & Exterior Division, construction of new logistics facilities and condominiums increased, and sales of mainly exterior products and building hardware products remained firm, while sales of storage sheds and delivery boxes increased due to growing demand. In addition, public works investment remained firm for measures to cope with natural disasters and measures to prevent traffic accidents on school routes.

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, such as the “TSUNAGU BCP Package,” a new drainage system that uses IoT to systemize everything from flood detection to generator operation and automatic drainage as a measure against damage from flash torrential rains, resulted in net sales of ¥11,652 million (up 13.5% 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 remained firm, and demand for construction machines from rental companies and civil engineering-related commercial products was also firm. At the same time, there were delays in the delivery of construction machines due to shortages of semiconductors and other parts, as well as construction delays.

Under these circumstances, we expanded our product lineup with an emphasis on safety measures at construction sites and strengthened sales of compact construction machines and temporary civil engineering materials, etc., which are our main products for rental companies. In addition, we focused on expanding our used construction machines auction business, and enhancing container house manufacturing, and construction machines maintenance and rental functions, resulting in net sales of ¥6,910 million (up 13.4% year on year).

<Energy Division>

For the Energy Division, there was a recovery in demand due to the normalization of economic activities. At the same time, concerns over energy supply due to the situation in Ukraine caused crude oil prices to soar, affecting the prices of petroleum products such as gasoline and diesel fuel, however, government measures curbed the sharp increases.

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, among others. In addition, efforts to strengthen sales of marine fuel in the Keihin area resulted in net sales of ¥4,921 million (up 18.2% year on year).

<Others>

For Others, demand for seasonal home appliances increased earlier than usual and sales of circulator fans and other products grew, but in the online sales business, securing merchandise remained difficult due to supply chain disruptions. In the wood products business, sales conditions were difficult due to the sharp depreciation of the yen and lockdowns in producer countries, but efforts were made to develop new suppliers and to develop and expand sales of commercial products utilizing domestic lumber.

As a result, net sales were ¥5,886 million (up 0.4% year on year).

(2) Explanation of financial position

As of June 30, 2022, total assets were ¥245,538 million, a decrease of ¥13,875 million from the end of the previous fiscal year. This was mainly due to a ¥19,836 million decrease in notes and accounts receivable - trade, and contract assets, while inventories increased by ¥4,075 million.

Total liabilities were ¥154,218 million, a decrease of ¥12,590 million from the end of the previous fiscal year. This was mainly due to a ¥11,044 million decrease in notes and accounts payable - trade.

Total net assets were ¥91,319 million, a decrease of ¥1,285 million from the end of the previous fiscal year. This was mainly due to purchase of treasury shares of ¥515 million and a ¥615 million decrease in retained earnings.

As a result, the equity-to-asset ratio was 37.0% (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 first six months of the fiscal year ending March 31, 2023 and the full business year, 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 June 30, 2022
Assets		
Current assets		
Cash and deposits	53,744	53,421
Notes and accounts receivable - trade, and contract assets	121,531	101,695
Electronically recorded monetary claims - operating	22,799	24,971
Inventories	16,147	20,222
Other	3,420	3,811
Allowance for doubtful accounts	(59)	(72)
Total current assets	217,584	204,050
Non-current assets		
Property, plant and equipment	12,667	12,625
Intangible assets		
Goodwill	2,133	1,942
Other	1,202	1,100
Total intangible assets	3,336	3,042
Investments and other assets		
Retirement benefit asset	12,385	12,386
Other	13,783	13,776
Allowance for doubtful accounts	(343)	(343)
Total investments and other assets	25,826	25,819
Total non-current assets	41,829	41,487
Total assets	259,413	245,538

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	96,112	85,067
Electronically recorded obligations - operating	45,815	45,392
Short-term borrowings	3,128	3,121
Income taxes payable	2,870	276
Provision for bonuses	2,623	1,281
Provision for bonuses for directors (and other officers)	70	–
Other	8,331	10,657
Total current liabilities	158,953	145,797
Non-current liabilities		
Long-term borrowings	581	565
Provision for share awards	191	205
Provision for share awards for directors (and other officers)	173	184
Retirement benefit liability	998	1,028
Other	5,909	6,437
Total non-current liabilities	7,854	8,420
Total liabilities	166,808	154,218
Net assets		
Shareholders' equity		
Share capital	20,644	20,644
Capital surplus	6,831	6,836
Retained earnings	60,155	59,540
Treasury shares	(1,692)	(2,207)
Total shareholders' equity	85,938	84,813
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,798	1,629
Deferred gains or losses on hedges	48	22
Foreign currency translation adjustment	46	330
Remeasurements of defined benefit plans	4,149	3,931
Total accumulated other comprehensive income	6,042	5,914
Share acquisition rights	238	212
Non-controlling interests	385	379
Total net assets	92,605	91,319
Total liabilities and net assets	259,413	245,538

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	94,925	109,314
Cost of sales	85,244	98,466
Gross profit	9,680	10,848
Selling, general and administrative expenses	8,847	9,423
Operating profit	833	1,425
Non-operating income		
Interest income	343	371
Dividend income	94	83
Other	141	52
Total non-operating income	579	508
Non-operating expenses		
Interest expenses	222	238
Other	55	25
Total non-operating expenses	278	263
Ordinary profit	1,134	1,669
Extraordinary income		
Gain on sale of non-current assets	3	–
Gain on sale of investment securities	76	–
Total extraordinary income	80	–
Extraordinary losses		
Loss on retirement of non-current assets	1	1
Loss on valuation of investment securities	0	2
Loss on COVID-19	11	–
Total extraordinary losses	13	3
Profit before income taxes	1,200	1,666
Income taxes	467	632
Profit	733	1,033
Profit (loss) attributable to non-controlling interests	0	(0)
Profit attributable to owners of parent	732	1,034

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	733	1,033
Other comprehensive income		
Valuation difference on available-for-sale securities	(428)	(168)
Deferred gains or losses on hedges	(35)	(25)
Foreign currency translation adjustment	197	284
Remeasurements of defined benefit plans, net of tax	(247)	(217)
Total other comprehensive income	(513)	(127)
Comprehensive income	220	906
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	219	906
Comprehensive income attributable to non-controlling interests	1	0

(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 three 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. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 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	16,186	17,709	34,641	10,267	6,095	4,162	89,063	5,862	94,925	–	94,925
Intersegment sales or transfers	2,954	768	1,906	939	989	7	7,565	151	7,716	(7,716)	–
Total	19,141	18,478	36,547	11,207	7,084	4,170	96,629	6,013	102,642	(7,716)	94,925
Segment profit	210	329	611	283	48	35	1,519	65	1,584	(751)	833

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 ¥751 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. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 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	17,595	25,110	37,237	11,652	6,910	4,921	103,428	5,886	109,314	–	109,314
Intersegment sales or transfers	2,760	1,205	2,081	1,045	997	9	8,100	84	8,185	(8,185)	–
Total	20,355	26,316	39,319	12,698	7,908	4,931	111,528	5,971	117,499	(8,185)	109,314
Segment profit (loss)	374	789	733	372	35	44	2,349	(23)	2,325	(900)	1,425

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 (loss) of negative ¥900 million represents mainly costs related to the administration division of the Company that has not been attributed to a reportable segment.

3. Segment profit (loss) 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.