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August 4, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (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: August 8, 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	110,721	1.3	1,477	3.6	1,707	2.3	3,334	222.3
June 30, 2022	109,314	15.2	1,425	71.1	1,669	47.2	1,034	41.2

Note: Comprehensive income For the three months ended June 30, 2023: ¥2,347 million [159.1%]
For the three months ended June 30, 2022: ¥906 million [311.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	158.40	157.71
June 30, 2022	46.94	46.68

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	259,048	95,612	36.7
March 31, 2023	271,218	95,240	34.9

Reference: Equity
As of June 30, 2023: ¥95,061 million
As of March 31, 2023: ¥94,677 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, 2023	–	60.00	–	80.00	140.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		86.00	–	86.00	172.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2023	252,000	7.7	5,900	14.9	6,400	12.6	6,300	72.1	300.55
Full year	523,000	3.6	15,400	5.5	16,400	6.6	11,700	16.1	558.17

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, 2023	22,100,000 shares
As of March 31, 2023	23,155,882 shares

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

As of June 30, 2023	1,053,272 shares
As of March 31, 2023	2,041,301 shares

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

Three months ended June 30, 2023	21,052,551 shares
Three months ended June 30, 2022	22,045,324 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 June 30, 2023 and 171,096 shares as of March 31, 2023). 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) (171,096 shares for the three months ended June 30, 2023 and 188,917 shares for the three months ended June 30, 2022).

* 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, 2023 to June 30, 2023), despite progress toward the normalization of economic activities following the shift in classification of COVID-19 to a Category 5 infection, the outlook for the Japanese economy remained uncertain due to the protracted situation in Ukraine, soaring raw material and energy prices, as well as the depreciation of the yen.

In the industrial field, demand for capital investment has been steady in automobile-related industry, particularly for EV products. In semiconductor-related industries, on the other hand, there was a cautious trend toward capital investment due to a sense of sufficient demand in some areas. In the housing and construction field, public capital investment remained firm, but new housing starts, mainly for owner-occupied houses, remained weak.

In overseas countries, although prices of parts and raw materials and personnel expenses increased, the economies of the U.S., China, and Southeast Asian countries such as Thailand, India, and Indonesia showed a trend toward gradual recovery.

Under these circumstances, the Group has launched a new medium-term management plan, "Growing Together 2026," covering the three-year period from April 2023 to March 2026, which constitutes the third and final stage of realizing the "Yuasa Vision 360" in anticipation of the 360th anniversary of the Company's founding in 2026. We will promote business reforms based on "corporate culture reform," "DX promotion," and "sustainability promotion," with the aim of enhancing corporate value by developing market-out businesses addressing both sales of products and sales of services in the fields of product creation, home creation, environmental development, and urban development.

Under "corporate culture reform," the YUASA PRIDE Project (Job Satisfaction Improvement & Human Resource Respect Project) will increase employee engagement and develop human resources capable of solving social issues through "Tsunagu" value-chain innovation. Moreover, we aim to create an office environment throughout the Group that can promote comprehensive strengths, challenges and communication. As part of this effort, in April 2023, we acquired land for the construction of a new head office.

Under "DX promotion," we will support business transformation by building infrastructure for data utilization, training human resources for digital transformation, reforming business processes, and creating innovation.

Under "Sustainability promotion," we aim to reduce the Group's CO2 emissions by 30% by March 2026, and accelerate the carbon neutral promotion business. We also participated in the "GX League," which was established as a forum for companies, government, and academia to collaborate to discuss the transformation of economic and social systems (GX: Green Transformation) and practice the creation of new markets.

As part of the promotion of our growth strategy, we jointly developed the "Unmanned Concrete Sprinkling and Curing Management Robot" that can automatically manage wet concrete, and "Line Automation Using a Rewritable Laser System" that eliminates the need for relabeling operations by enabling high-speed printing/erasing of container labels on factory lines.

In May 2023, the Company canceled 1,055,882 shares of treasury stock to further improve capital efficiency and stock value. Moreover, as part of strengthening governance, the Company increased the number of Outside Directors by one and newly appointed a female Audit & Supervisory Board Member for the expansion of diversity of the Board of Directors.

As a result, consolidated net sales for the three months under review increased 1.3% from the same period of the previous year, to ¥110,721 million. In terms of profits, operating profit was ¥1,477 million (up 3.6% year-on-year), ordinary profit was ¥1,707 million (up 2.3% year-on-year), and profit attributable to owners of parent was ¥3,334 million (up 222.3% year-on-year) mainly due to the recording of gain on return of retirement benefit trust.

Results by reportable segment are as follows:

<Industrial Equipment & Tools Division>

In the Industrial Equipment & Tools Division, despite plant utilization rates remaining steady in automotive-related industries, growth in semiconductor-related industries was sluggish due to a sense of sufficient demand. In addition, the purchase prices of mainstay products soared as a result of soaring material and fuel costs, parts supply shortages, and the weak yen.

Under these circumstances, we focused on expanding sales of energy-saving products in response to growing interest in carbon neutrality, automation and streamlining products to achieve smart factories, and infrastructure environment proposals utilizing local 5G, resulting in net sales of ¥18,066 million (up 2.7% year-on-year).

<Machine Tools Division>

In the Machine Tools Division, capital investment in automobile-related industries remained firm, especially for EVs, while business negotiations related to aircraft also increased and demand for automation and unmanned systems held firm. Capital investment in semiconductors for PCs and smartphones remained sluggish, on the other hand, in part due to reduced demand in the Chinese market. Overseas, the trend toward local procurement accelerated, particularly in ASEAN and India.

Under these circumstances, net sales were ¥24,753 million (down 1.4% from the same period of the previous year) despite efforts taken to expand sales of robot systems meeting requirements for automation and cost reduction and sales of carbon neutral products by taking advantage of various subsidies, and strengthen proposals for difficult-to-machine materials processing machines.

<Housing, Air & Fluidic Control Systems Division>

In the Housing, Air & Fluidic Control Systems Division, while the number of new owner-occupied housing starts weakened, demand for remodeling remained firm, and housing fixtures and pipes/joints products also moved solidly. In addition, due to the effects of factors such as rising energy costs, interest in energy conservation was high, and sales of equipment related to air conditioning also grew. In the renewable energy field, sales of solar panels, storage batteries, and other products remained strong.

Under these circumstances, net sales were ¥39,909 million (up 6.4% year-on-year) as a result of sales of high-performance housing fixtures, pipes/joints products for non-residential use, and high-efficiency equipment related to air conditioning, as well as efforts to strengthen system proposals and engineering functions toward carbon neutrality.

<Building Supplies & Exterior Division>

For the Building Supplies & Exterior Division, sales of building hardware products and exterior products such as steel mesh fences remained strong due to an increase in redevelopment projects and condominium and hotel construction, mainly in the Tokyo metropolitan area. Publics works investment also demonstrated underlying strength, particularly for products for countermeasures against natural disasters and traffic accidents.

Under these circumstances, the division focused on proposing and expanding sales of resilience products, including bollards with flood sensors, water stop plates, and other equipment, as a measure against damage from flash torrential rains, as well as vehicle number authentication gates for improved security and labor saving, and fabrication hardware related to construction, resulted in net sales of ¥11,806 million (up 3.8% from the same period of the previous year).

<Construction Machines Division>

For the Construction Machines Division, private capital investment remained steady, along with public works projects such as infrastructure development and disaster prevention/mitigation works. On the other hand, we continued to see soaring material and energy prices, construction delays due to a shortage of construction skilled workers, and long delivery times for construction equipment.

Under these circumstances, the Company strengthened its proposals for expanding sales of CO2 visualization products for construction sites, solutions for safe construction at construction and agricultural sites, and AI image analysis technology for labor saving and efficiency improvement. In addition, although we strove to expand our used construction and agricultural machines auction business, and enhanced container house manufacturing, and construction machines maintenance and rental functions, net sales were ¥6,718 million (down 2.8% year-on-year).

<Energy Division>

For the Energy Division, a decline in demand for gasoline due to the shift to fuel-efficient vehicles, and high prices for petroleum products such as gasoline and diesel oil have made the future of the sector uncertain.

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, although we made efforts to strengthen sales of marine fuel in the Keihin area, net sales were ¥4,485 million (down 8.9% year on year).

<Others>

In other segments, sales of seasonal household appliances such as high-performance circulators and electric fans increased in the consumer goods business. In the online sales business, we endeavored to operate sales sites utilizing social networking services and other means to meet diversifying consumer needs. In the wood products business, the number of detached housing starts remained sluggish, resulting in lower material prices and a significant impact from a decline in imported timber shipments due to the depreciation of the yen, resulting in difficult sales conditions for core products, but we worked to build a domestic sales network centered on recycled timber and develop private-brand products.
As a result, net sales were ¥4,982 million (down 15.4% year-on-year).

(2) Explanation of financial position

As of June 30, 2023, total assets were ¥259,048 million, a decrease of ¥12,169 million from the end of the previous fiscal year. This was primarily due to an increase in land of ¥30,461 million, while notes receivable, accounts receivable - trade and contract assets decreased by ¥24,146 million and cash and deposits decreased by ¥15,634 million.

Total liabilities decreased by ¥12,541 million from the end of the previous fiscal year, to ¥163,436 million. This was mainly due to a decrease in notes and accounts payable - trade of ¥15,754 million.

Total net assets increased by ¥371 million from the end of the previous fiscal year, to ¥95,612 million. This was due to a decrease of ¥2,283 million in remeasurements of defined benefit plans due to partial return of the retirement benefit trust, while shareholders' equity increased by ¥1,368 million and valuation difference on available-for-sale securities increased by ¥1,075 million.

As a result, the equity-to-asset ratio was 36.7% (34.9% 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, 2024 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, 2023" dated May 12, 2023.

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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	52,448	36,814
Notes and accounts receivable - trade, and contract assets	121,334	97,187
Electronically recorded monetary claims - operating	30,157	31,997
Inventories	18,480	21,302
Other	3,667	6,661
Allowance for doubtful accounts	(89)	(83)
Total current assets	225,997	193,879
Non-current assets		
Property, plant and equipment		
Land	7,774	38,235
Other, net	6,325	5,183
Total property, plant and equipment	14,099	43,419
Intangible assets		
Goodwill	1,369	1,178
Other	1,305	1,823
Total intangible assets	2,675	3,001
Investments and other assets		
Other	28,787	19,091
Allowance for doubtful accounts	(341)	(342)
Total investments and other assets	28,445	18,748
Total non-current assets	45,220	65,169
Total assets	271,218	259,048

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	98,684	82,930
Electronically recorded obligations - operating	51,443	50,560
Short-term borrowings	3,273	4,217
Income taxes payable	5,682	344
Provision for bonuses	2,960	1,370
Provision for bonuses for directors (and other officers)	77	–
Other	8,401	13,964
Total current liabilities	170,523	153,386
Non-current liabilities		
Long-term borrowings	417	4,401
Provision for share awards	227	225
Provision for share awards for directors (and other officers)	180	176
Retirement benefit liability	1,070	1,097
Other	3,557	4,148
Total non-current liabilities	5,454	10,049
Total liabilities	175,977	163,436
Net assets		
Shareholders’ equity		
Share capital	20,644	20,644
Capital surplus	6,837	6,753
Retained earnings	67,273	66,277
Treasury shares	(5,301)	(2,853)
Total shareholders’ equity	89,453	90,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,349	3,425
Deferred gains or losses on hedges	(96)	40
Foreign currency translation adjustment	505	591
Remeasurements of defined benefit plans	2,465	181
Total accumulated other comprehensive income	5,224	4,239
Share acquisition rights	165	165
Non-controlling interests	397	385
Total net assets	95,240	95,612
Total liabilities and net assets	271,218	259,048

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	109,314	110,721
Cost of sales	98,466	99,078
Gross profit	10,848	11,642
Selling, general and administrative expenses	9,423	10,165
Operating profit	1,425	1,477
Non-operating income		
Interest income	371	378
Dividend income	83	92
Other	52	91
Total non-operating income	508	563
Non-operating expenses		
Interest expenses	238	264
Other	25	68
Total non-operating expenses	263	332
Ordinary profit	1,669	1,707
Extraordinary income		
Gain on sale of non-current assets	–	1
Gain on liquidation of subsidiaries and associates	–	21
Gain on return of retirement benefit trust	–	3,255
Total extraordinary income	–	3,278
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Loss on valuation of investment securities	2	–
Total extraordinary losses	3	0
Profit before income taxes	1,666	4,986
Income taxes	632	1,654
Profit	1,033	3,332
Loss attributable to non-controlling interests	(0)	(2)
Profit attributable to owners of parent	1,034	3,334

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	1,033	3,332
Other comprehensive income		
Valuation difference on available-for-sale securities	(168)	1,076
Deferred gains or losses on hedges	(25)	136
Foreign currency translation adjustment	284	86
Remeasurements of defined benefit plans, net of tax	(217)	(2,283)
Total other comprehensive income	(127)	(984)
Comprehensive income	906	2,347
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	906	2,350
Comprehensive income attributable to non-controlling interests	0	(2)

(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

(Cancellation of treasury shares)

Based on the resolution of the Board Directors meeting held on May 12, 2023, the Company cancelled 1,055,882 treasury shares on May 31, 2023. As a result, during the three months ended June 30, 2023, capital surplus decreased by ¥83 million, retained earnings decreased by ¥2,627 million, and treasury shares decreased by ¥2,710 million.

Segment information

I. 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	37,514	11,375	6,910	4,921	103,428	5,886	109,314	–	109,314
Intersegment sales or transfers	2,760	1,205	2,081	1,108	997	9	8,164	84	8,248	(8,248)	–
Total	20,355	26,316	39,596	12,484	7,908	4,931	111,592	5,971	117,563	(8,248)	109,314
Segment profit (loss)	374	789	719	387	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 is adjusted to operating profit (loss) 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, 2023 (from April 1, 2023 to June 30, 2023)

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	18,066	24,753	39,909	11,806	6,718	4,485	105,739	4,982	110,721	–	110,721
Intersegment sales or transfers	3,073	1,345	2,381	1,434	1,231	8	9,475	62	9,537	(9,537)	–
Total	21,140	26,098	42,290	13,240	7,949	4,494	115,214	5,044	120,258	(9,537)	110,721
Segment profit	365	738	968	331	5	11	2,420	22	2,442	(965)	1,477

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 ¥965 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 of the fiscal year ended March 31, 2023, 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 three months ended June 30, 2022 has been prepared based on the segments after the change.