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February 4, 2022

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (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: February 8, 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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	326,190	–	6,945	21.5	6,512	0.8	4,701	9.2
December 31, 2020	311,620	(13.6)	5,718	(33.0)	6,458	(30.5)	4,306	(33.2)

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 nine months ended December 31, 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 ¥339,170 million (up 8.8% year on year).

2. Comprehensive income For the nine months ended December 31, 2021: ¥2,744 million [(50.4)%]
For the nine months ended December 31, 2020: ¥5,528 million [(11.2)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	212.69	211.33
December 31, 2020	194.38	193.03

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2021	249,713	90,358	35.9
March 31, 2021	237,487	90,242	37.7

Reference: Equity
As of December 31, 2021: ¥89,748 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: None

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 December 31, 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 December 31, 2021	1,048,789 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)

Nine months ended December 31, 2021	22,105,008 shares
Nine months ended December 31, 2020	22,157,340 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 December 31, 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) (191,321 shares for the nine months ended December 31, 2021 and 129,455 shares for the nine months ended December 31, 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 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

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 “(3) Notes to quarterly consolidated financial statements” in “2. Quarterly consolidated financial statements and significant notes thereto.”

While there was progress in normalization of economic activities in the Japanese economy during the nine months under review (April 1, 2021 to December 31, 2021), the situation remained uncertain due to the effect of the COVID-19 pandemic and tight global supply and demand for semiconductors.

In the industrial field, although the recovery in demand for capital investment accelerated and the order environment for machine tools, etc. recovered, the shortage of semiconductors and related components had an impact on production activities, mainly in the automobile-related industry. In the housing and construction field, in addition to public works investments, the number of new housing starts, mainly for condominiums, was on a recovery trend.

For overseas economies, although there were some suspensions of plant operations due to supply chain disruptions from the shortage of marine shipping containers in addition to shortages of components and materials, the economic recovery continued mainly in the US. In addition, Southeast Asian countries such as Thailand and Indonesia also had a pick-up in their economies.

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 countermeasures, 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. At the Kanto Grand Fair held in November 2021, we proposed innovations that resolve various social issues in order to realize a sustainable society throughout the supply chain.

Under “strengthening management foundation,” we worked on 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 October 2021, we established and formulated the “Sustainability Declaration” and “Action Plan” with the aim of promoting the resolution of social issues through our core business, and we established the Sustainability Promotion Committee as an advisory body to the Board of Directors. At the same time, we will express our support for the Task Force on Climate-Related Financial Disclosures (TCFD) and actively contribute to the establishment of a sustainable society.

As a result, consolidated net sales for the nine months under review were ¥326,190 million (¥311,620 million in the same period of the previous fiscal year). Operating profit was ¥6,945 million (up 21.5% year on year), ordinary profit was ¥6,512 million (up 0.8% year on year), and profit attributable to owners of parent was ¥4,701 million (up 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>

In the Industrial Equipment & Tools Division, demand for cutting tools, measuring instruments, and control equipment recovered significantly, as production activities continued to be resilient and plant utilization remained at high levels despite the impact of the decreased production of automobiles. In addition, demand for logistics and semiconductor-related industries also increased.

Under these circumstances, we have worked to improve our services by expanding products handled and strengthening logistics functions on our e-commerce site “Growing Navi.” In addition, as an initiative aimed at carbon neutrality, we proposed energy-saving functions for control-related equipment, such as compressors, and automation and rationalization at production sites, and focused on sales of robot equipment, logistics-related equipment, and machine tool peripherals, resulting in net sales of ¥53,241 million (¥43,136 million in the same quarter of the previous year).

<Machine Tools Division>

Regarding the Machine Tools Division, although some plant operations were suspended in Japan due to the impact of the global semiconductor shortage, capital investment demand in the semiconductor-related industry and the automobile-related industry mainly for EVs such as motor parts remained strong, and machine tool orders continued to increase. In addition, demand for automation and labor-saving equipment utilizing various subsidies remained firm. In overseas markets, although restrictions on sales activities continued, demand for capital investment recovered, mainly in Southeast Asia.

Under these circumstances, we proposed the expansion of production facilities and the promotion of cost reduction, such as the robot system “Robo Combo” developed by the Company and the microfine bubble “Bub Power” for coolant equipment, and we supported switching to unmanned and automated systems by users. Overseas, enhanced sales to locally-owned companies such as in China, Thailand and Vietnam resulted in net sales of ¥67,614 million (¥59,471 million in the same quarter of the previous year).

<Housing, Air & Fluidic Control Systems Division>

In the Housing, Air & Fluidic Control Systems Division, demand continued to be firm, mainly for housing fixtures. As a countermeasure against infectious diseases, consumer demand for ventilation remained high, and sales of air-conditioning equipment, etc. remained firm, despite the impact of infectious diseases on the supply of some products. In the renewable energy field, demand for peripheral devices such as storage batteries with a view toward carbon neutrality increased. At the same time, housing fixtures, such as water heaters, were affected by delivery delays due to the impact of the component shortage as a result of factors such as the shortage of related components, including semiconductors, and lockdowns in Southeast Asia caused by the spread of COVID-19.

Under these circumstances, as a result of efforts to sell products in the non-residential field such as valves and pumps, system proposals toward carbon neutrality, and strengthen engineering functions, net sales were ¥115,129 million (¥114,071 million in the same quarter of the previous year).

<Building Supplies & Exterior Division>

For the Building Supplies & Exterior Division, although redevelopment projects were reviewed and construction was delayed due to the impact of COVID-19, there was a gradual pick-up, mainly in landscape exterior products. Investment in public works such as measures to cope with natural disasters and to prevent traffic accidents remained firm, mainly in the Tokyo metropolitan area. Moreover, the need for storage and delivery boxes swelled due to changes in lifestyles, resulting in increased sales.

Under these circumstances, in line with the Fundamental Plan for National Resilience, we expanded sales of resilience products, such as bollards (buffer stops) with flood sensors, water stop plates, and aluminum panel fences that replace concrete walls, which are at risk of tipping over. As a result of these efforts, net sales were ¥33,785 million (¥39,556 million in the same quarter of the previous year).

<Construction Machines Division>

For the Construction Machines Division, demand related to disaster recovery work remained firm, and civil engineering products related to public works such as infrastructure development, disaster prevention and mitigation work also remained firm. At the same time, due to construction delays from the impact of the Tokyo Olympic and Paralympic Games, capital investment for rental companies was stagnant temporarily.

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 sales, such as by handling agricultural machinery in the used construction machinery auction business, net sales were ¥24,868 million (¥27,765 million in the same quarter of the previous fiscal year).

<Energy Division>

For the Energy Division, demand for petroleum products continued its recovery trend as economic activity began to normalize. In addition, the prices of petroleum products such as gasoline and diesel fuel remained high.

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 ¥13,768 million (¥10,920 million in the same quarter of the previous fiscal year).

<Others>

For Others, in consumer goods business, imports of products were delayed due to supply chain disruptions caused by the spread of COVID-19 in producing countries such as Vietnam, in addition to reactionary decline to “stay-at-home demand” from the previous year, and household appliances experienced a difficult sales environment. At the same time, online sales business performed steadily due to the strengthening of the e-commerce website. For wood products business, while the difficult sales situation continues, such as the impact of lockdowns in producing countries and the so-called lumber crisis spreading to the plywood market due to the shortage of marine shipping containers, we made efforts to secure imported materials as well as also selling domestic wood products.

As a result, net sales of Others were ¥17,782 million (¥16,697 million in the same quarter of the previous fiscal year).

(2) Explanation of financial position

As of December 31, 2021, total assets were ¥249,713 million, an increase of ¥12,226 million from the end of the previous fiscal year. This is because notes and accounts receivable - trade, and contract assets amounted to ¥110,075 million (notes and accounts receivable - trade were ¥107,874 million at the end of the previous fiscal year), and electronically recorded monetary claims - operating and inventories increased by ¥5,645 million and ¥5,090 million, respectively.

Total liabilities were ¥159,355 million, an increase of ¥12,110 million from the end of the previous fiscal year. This is due to the fact that electronically recorded obligations - operating increased by ¥12,050 million.

Total net assets were ¥90,358 million, an increase of ¥116 million from the end of the previous fiscal year. This was due to an increase in retained earnings of ¥2,049 million yen as a result of recording quarterly profit attributable to owners of parent, while the valuation difference on available-for-sale securities decreased by ¥1,386 million.

As a result, the equity-to-asset ratio was 35.9% (37.7% at the end of the previous fiscal year).

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

For full-year financial forecasts for the fiscal year ending March 31, 2022, the earnings forecasts are unchanged from the “Notice Concerning Impairment Loss on Investments Accounted for under 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 on November 9, 2021.

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 December 31, 2021
Assets		
Current assets		
Cash and deposits	42,567	46,637
Notes and accounts receivable - trade	107,874	–
Notes and accounts receivable - trade, and contract assets	–	110,075
Electronically recorded monetary claims - operating	18,678	24,323
Inventories	14,574	19,665
Other	2,159	2,715
Allowance for doubtful accounts	(77)	(67)
Total current assets	185,777	203,350
Non-current assets		
Property, plant and equipment	15,665	14,123
Intangible assets		
Goodwill	2,910	2,323
Other	2,237	1,882
Total intangible assets	5,148	4,206
Investments and other assets		
Retirement benefit asset	12,205	12,228
Other	19,141	16,197
Allowance for doubtful accounts	(449)	(392)
Total investments and other assets	30,896	28,034
Total non-current assets	51,710	46,363
Total assets	237,487	249,713

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	90,009	90,103
Electronically recorded obligations - operating	33,945	45,995
Short-term borrowings	3,744	3,136
Income taxes payable	995	656
Provision for bonuses	2,383	1,072
Provision for bonuses for directors (and other officers)	66	–
Other	6,937	9,507
Total current liabilities	138,081	150,471
Non-current liabilities		
Long-term borrowings	728	597
Provision for share awards	139	170
Provision for share awards for directors (and other officers)	127	162
Retirement benefit liability	947	1,002
Other	7,220	6,951
Total non-current liabilities	9,163	8,884
Total liabilities	147,245	159,355
Net assets		
Shareholders' equity		
Share capital	20,644	20,644
Capital surplus	6,815	6,831
Retained earnings	54,749	56,798
Treasury shares	(1,735)	(1,691)
Total shareholders' equity	80,474	82,582
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,334	2,948
Deferred gains or losses on hedges	20	8
Foreign currency translation adjustment	(272)	(92)
Remeasurements of defined benefit plans	5,044	4,302
Total accumulated other comprehensive income	9,126	7,166
Share acquisition rights	272	238
Non-controlling interests	368	370
Total net assets	90,242	90,358
Total liabilities and net assets	237,487	249,713

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	311,620	326,190
Cost of sales	280,750	292,545
Gross profit	30,869	33,644
Selling, general and administrative expenses	25,151	26,699
Operating profit	5,718	6,945
Non-operating income		
Interest income	988	1,083
Dividend income	208	213
Other	414	375
Total non-operating income	1,611	1,672
Non-operating expenses		
Interest expenses	672	662
Share of loss of entities accounted for using equity method	129	1,411
Other	68	31
Total non-operating expenses	870	2,104
Ordinary profit	6,458	6,512
Extraordinary income		
Gain on sale of non-current assets	0	140
Gain on sale of investment securities	330	1,108
Gain on extinguishment of tie-in shares	16	–
Total extraordinary income	346	1,248
Extraordinary losses		
Loss on sale of non-current assets	2	–
Loss on retirement of non-current assets	22	30
Loss on valuation of investment securities	–	3
Loss on liquidation of subsidiaries and associates	–	53
Loss on disaster	10	–
Loss on COVID-19	109	28
Total extraordinary losses	144	115
Profit before income taxes	6,661	7,646
Income taxes	2,362	2,940
Profit	4,298	4,705
Profit (loss) attributable to non-controlling interests	(8)	4
Profit attributable to owners of parent	4,306	4,701

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	4,298	4,705
Other comprehensive income		
Valuation difference on available-for-sale securities	1,847	(1,386)
Deferred gains or losses on hedges	0	(11)
Foreign currency translation adjustment	(180)	179
Remeasurements of defined benefit plans, net of tax	(436)	(742)
Total other comprehensive income	1,230	(1,960)
Comprehensive income	5,528	2,744
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,538	2,741
Comprehensive income attributable to non-controlling interests	(10)	3

(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.

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 nine months of the current fiscal year, net sales decreased by ¥12,980 million, cost of sales decreased by ¥12,909 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥70 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 nine 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. Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

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 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	43,136	59,471	114,071	39,556	27,765	10,920	294,922	16,697	311,620	–	311,620
Intersegment sales or transfers	8,614	2,770	5,467	3,499	3,257	25	23,634	75	23,710	(23,710)	–
Total	51,751	62,241	119,539	43,055	31,022	10,946	318,556	16,773	335,330	(23,710)	311,620
Segment profit	667	1,658	3,646	1,144	716	254	8,086	176	8,263	(2,545)	5,718

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 ¥2,545 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

(Significant fluctuation in the amount of goodwill)

In the Industrial Equipment & Tools Division, two new subsidiaries have been included in the scope of consolidation from the current third quarter consolidated accounting period as a result of the acquisition of shares. The amount of increase in goodwill due to this event was ¥679 million in the nine months under review (April 1, 2021 to December 31, 2021).

In the Construction Machines Division, two new subsidiaries have been included in the scope of consolidation from the current third quarter consolidated accounting period as a result of the acquisition of shares. The amount of increase in goodwill due to this event was ¥21 million yen in the nine months under review (April 1, 2021 to December 31, 2021).

II. 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 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	115,129	33,785	24,868	13,768	308,407	17,782	326,190	–	326,190
Intersegment sales or transfers	9,502	3,026	6,053	3,230	3,208	22	25,043	490	25,534	(25,534)	–
Total	62,743	70,640	121,183	37,015	28,077	13,790	333,451	18,273	351,724	(25,534)	326,190
Segment profit	1,212	2,437	3,393	1,188	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 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 “Change 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.