

# Balance Sheet

As of March 31, 2019

¥ in thousands

Account	Amount	Account	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	56,690,808	<b>Current liabilities</b>	51,474,752
Cash and deposits	1,510	Notes payable-trade	873,940
Notes receivable-trade	3,064,511	Electronically recorded obligations-operating	7,259,420
Electronically recorded monetary claims-operating	5,004,470	Accounts payable-trade	31,264,846
Accounts receivable-trade	34,425,654	Lease obligations	92,868
Lease investment assets	61,460	Accounts payable-other	1,079,426
Merchandise	1,891,164	Income taxes payable	168,783
Advances payments	10,423,300	Advance received	10,119,666
Accounts receivable-other	359,660	Deposits received	91,238
Consumption taxes receivable	311	Provision for bonuses	421,777
Other current assets	1,492,464	Other current liabilities	102,783
Allowance for doubtful receivables	(33,699)		
<b>Non-current assets</b>	1,798,017	<b>Non-current liabilities</b>	344,607
<b>Tangible fixed assets</b>	464,841	Lease obligations	184,569
Buildings	146,788	Provision for directors' retirement benefits	13,268
Furniture and fixtures	24,389	Asset retirement obligations	144,500
Machinery and equipment	68,101	Other non-current liabilities	2,269
Land	1,776		
Leased assets	223,787	<b>Total liabilities</b>	51,819,360
<b>Intangible fixed assets</b>	131,286	<b>Net assets</b>	
Software	53,686	<b>Shareholders' equity</b>	6,614,335
Goodwill	77,600	<b>Common stock</b>	1,165,000
<b>Investments and other assets</b>	1,201,888	<b>Capital surplus</b>	3,831
Investment securities	251,772	Additional paid-in capital	3,831
Investment securities in subsidiaries and associates	88,627	<b>Retained earnings</b>	5,445,504
Lease and guarantee deposits	327,210	Appropriated for legal reserve	287,418
Deferred tax assets	215,981	Other retained earnings	5,158,085
Prepaid pension cost	230,028	General reserve	781,241
Other investments and other assets	98,789	Retained earnings brought forward	4,376,844
Allowance for doubtful receivables	(10,519)	<b>Valuation and translation adjustments</b>	55,130
		Net unrealized holding gains on available-for-sale securities	70,767
		Net unrealized gains (losses) on hedges	(15,636)
		<b>Total net assets</b>	6,669,466
<b>Total assets</b>	58,488,825	<b>Total liabilities and net assets</b>	58,488,825

## Statement of Income

From April 1, 2018

To March 31, 2019

¥ in thousands

Account	Amount	
Sales		83,868,945
Cost of sales		73,716,122
Gross profit		10,152,822
Selling, general and administrative expenses		7,072,851
Operating profit		3,079,970
Non-operating income		
Interest income	229	
Dividend income	30,681	
Purchase discounts	33,084	
Tax refund of individually attributable amounts of consolidated taxes	359,330	
Other non-operating income	8,801	432,126
Non-operating expenses		
Interest expenses	16,668	
Foreign exchange losses	70,477	
Other non-operating expenses	12,128	99,274
Ordinary profit		3,412,822
Extraordinary gains		
Gains on sales of investment securities	2,217	2,217
Extraordinary losses		
Losses on disposal of non-current assets	5,423	5,423
Net income before income taxes		3,409,616
Income taxes - current	928,992	
Income taxes - deferred	57,009	986,002
Net income		2,423,614

## Statement of Changes in Net Assets

From April 1, 2018 to March 31, 2019

¥ in thousands

	Shareholders' equity							Total shareholders' equity
	Common stock	Capital surplus		Appropriated for legal reserve	Retained earnings		Total retained earnings	
		Additional paid-in capital	Total capital surplus		General reserve	Retained earnings brought forward		
Balance at the beginning of the year	1,165,000	3,831	3,831	287,418	781,241	3,906,230	4,974,889	6,143,721
Changes of items during the year								
Dividends of surplus						(1,953,000)	(1,953,000)	(1,953,000)
Net income						2,423,614	2,423,614	2,423,614
Net changes of items other than shareholders' equity during the year								
Total changes of items during the year	-	-	-	-	-	470,614	470,614	470,614
Balance at the end of the year	1,165,000	3,831	3,831	287,418	781,241	4,376,844	5,445,504	6,614,335

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gains on available-for-sale securities	Net unrealized gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the year	68,203	36,421	104,624	6,248,345
Changes of items during the year				
Dividends of surplus				(1,953,000)
Net income				2,423,614
Net changes of items other than shareholders' equity during the year	2,563	(52,057)	(49,494)	(49,494)
Total changes of items during the year	2,563	(52,057)	(49,494)	421,120
Balance at the end of the year	70,767	(15,636)	55,130	6,669,466

## Notes to Non-Consolidated Financial Statements

### Notes to matters concerning significant accounting policies

#### 1. Basis and methods of valuation of assets

##### (1) Valuation basis and methods for securities

###### Available-for-sale securities

Investment securities with market value Stated at fair value based upon the quoted market prices at the end of the fiscal year (Unrealized holding gains and losses are included as a separate component of net assets until realized and the cost of securities sold is determined by the moving average method.)

Investment securities without market value

Stated at cost, determined by the moving-average method

Investment securities in subsidiaries and associates

Stated at cost, determined by the moving-average method

##### (2) Valuation basis and method for derivatives

Stated at fair value

##### (3) Valuation basis and method for inventories

Stated at cost, determined by the moving-average method (Book value is written down when the market price declines below cost.)

#### 2. Depreciation methods of fixed assets

##### (1) Tangible fixed assets (except for leased assets)

Declining-balance method. However, the straight-line method is used for buildings acquired in or after April 2016.

##### (2) Intangible fixed assets Software

Computer software for internal use is amortized by the straight-line method over its economic useful life of five (5) years.

Goodwill

Goodwill is amortized by the straight-line method over five (5) years.

##### (3) Leased assets

Leased assets under finance leases that do not transfer the legal title of the assets to the lessee are depreciated to a residual value of zero (0) by the straight-line method over the lease periods.

#### 3. Basis of recording allowances

##### (1) Allowance for doubtful receivables

An allowance for doubtful receivables is provided for the estimated amounts of uncollectible accounts receivable from customers. As for the general receivables, an allowance is estimated based on the customers' financial position and the internal credit rating. As for the specific doubtful accounts, their collectibility is individually reviewed and allowances are provided for the estimated uncollectible amounts.

##### (2) Provision for bonuses

Provision for bonus is provided for the estimated payment attributable to this year in preparation for the payment of bonuses to employees.

- (3) Provision for retirement benefits
- Provision for retirement benefits for employees is provided based on projected retirement benefit obligations and plan assets at the end of the year.  
 In determining the projected retirement benefit obligations, the benefit calculation formula is used to attribute the expected retirement benefit payments to periods of service until the end of the year.  
 If the plan assets exceed the projected retirement benefit obligations at the end of the year, the excess amount is recognized as prepaid pension cost.  
 Unrecognized prior service cost is amortized by the straight-line method over a period (13 years) that is within the employees' average remaining years of service.  
 Unrecognized actuarial gains and losses are amortized by the straight-line method over a period (13 years) that is within the employees' average remaining years of service, from the year following the year in which the gains or losses occur.
- (4) Provision for directors' retirement benefits
- Provision for directors' retirement benefits is provided based on amounts that are payable at the end of the year in accordance with the Company's Directors' Retirement Benefits Payment Rule.
4. Hedging accounting
- Method of hedge accounting
- Gains and losses on derivatives are principally deferred until realization of the designated hedge items.
- Hedging instruments, hedged items, and hedging policy
- The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates in accordance with its internal rules.
- The hedging instruments and hedged items to which hedge accounting is applied during the term are as follows:
- Hedging instruments: Forward exchange contracts  
 Hedged items: Forecasted transactions denominated in foreign currencies
- Assessment of hedge effectiveness
- When the critical terms between forecasted transactions and forward exchange contracts match, the hedge relationship is assumed as perfectly effective and therefore the quantitative effectiveness test is omitted.
5. Accounting for consumption taxes and other taxes
- Consumption tax is accounted for by the segregated method under which consumption tax is excluded from presentation of sales, cost of sales and expenses.
6. Other
- The Company adopts a consolidated tax payment system as a consolidated subsidiary of Sumitomo Corporation, which is its parent company under the consolidated tax payment system.
7. Notes to accounting standard issued but not yet effective
- “Accounting Standard for Revenue Recognition”  
 (ASBJ Statement No. 29, March 30, 2018, Accounting Standard Board of Japan (ASBJ))  
 -“Implementation Guidance on Accounting Standard for Revenue Recognition”  
 (ASBJ Guidance No. 30, March 30, 2018, Accounting Standard Board of Japan (ASBJ))

- (1) Overview
- The International Accounting Standard Board (IASB) and the Financial Accounting Standard Board (FASB) jointly developed comprehensive accounting standard for revenue recognition. In May 2014, the IASB and the FASB jointly issued a new revenue standard “Revenue from Contracts with Customers” (known as IFRS 15 by the IASB and as Topic 606 by the FASB). IFRS 15 became effective in the business year starting on or after January 1, 2018 whereas Topic 606 became effective from the business year starting on or after December 15, 2017. In light of this, the ASBJ developed and issued its comprehensive accounting standard for revenue recognition, together with its implementation guidance. When developing the Accounting Standard for Revenue Recognition, the ASBJ adopted the fundamental principles of IFRS 15 and proceeded to establish its accounting standard.
- The adoption of the fundamental principles of IFRS 15 enhances the comparability of financial statements. The ASBJ also stated that if attention needs to be paid to any specific issues concerning normal accounting practices in Japan, alternative accounting policies may be adopted to the extent financial statement comparability is not hindered.
- (2) Scheduled date of application
- The above accounting standard will be applied from the beginning of the year ending March 2022.
- (3) Impact of the application of the above accounting standard etc.
- The impact of the application of the “Accounting Standard for Revenue Recognition” and other standard on financial statements is under review.
8. Notes to changes of presentation
- In line with the partial amendment to ASBJ Statement No. 28 “Accounting Standard for Tax Effect Accounting”, deferred tax assets and deferred tax liabilities are now presented within investments and other assets and non-current liabilities, respectively.

## Notes to the balance sheet

1. Accumulated depreciation of tangible fixed assets	230,696 thousand yen
2. Guarantee obligations	
A guarantee is provided for a subsidiary's debt obligations to a financial institution.	
SC Machinex Asia Ltd.	174,500 thousand yen
3. Monetary receivables and payables to subsidiaries and affiliates	
Short-term monetary receivables	2,204,855 thousand yen
Long-term monetary receivables	295,380 thousand yen
Short-term monetary payables	870,869 thousand yen
4. Accounting for retirement benefits	
The company participates in a defined benefit plan that shares risks among entities under common control (Sumitomo Corporation Affiliated-Employer Employees Pension Fund). The company accounts for the contribution as expenses.	

### (1) Funded status of the pension fund (as of March 31, 2019)

Plan assets	40,451,706 thousand yen
Pension obligations under pension financial calculation	36,880,744 thousand yen
Balance	3,570,962 thousand yen

### (2) Percentage of contributions paid by the Company under the scheme (as of March 31, 2019)

1.85%

5. Treatment of notes maturing on the last day of the year  
Settlements of notes are accounted for on the clearance dates.  
Since the last day of the year fell on a non-business date for financial institutions, the following notes that matured on the last of the year are included in the balance at the end of the year.

Notes receivable-trade	208,110 thousand yen
Electronically recorded monetary claims-operating	36,785 thousand yen
Notes payable-trade	66,816 thousand yen
Electronically recorded monetary obligations-operating	1,126,032 thousand yen

## Notes to the Statement of Income

1. Operating transactions with subsidiaries and affiliates	
Sales	3,873,813 thousand yen
Purchases	819,979 thousand yen
Selling, general, and administrative expenses	1,036,030 thousand yen
2. Non-operating transactions with subsidiaries and affiliates	347,366 thousand yen

## Notes to the Statement of Changes in Net Assets

1. Number of issued shares as of the end of the year	
Ordinary shares	1,000,000 shares
2. Matters concerning the distribution of surplus made during the year	The payment of year-end dividends was approved at a shareholders' meeting held on June 26, 2018 as follows:
	Dividends: ¥1,953,000,000
	Dividend per share: ¥1,953.00
	Date of right allotment: March 31, 2018
	Effective date: June 26, 2018
3. Matters concerning the distribution of surplus to be made after the end of the year	The payment of year-end dividends is proposed at a shareholders' meeting to be held on June 25, 2019 as follows:
	Dividends: ¥4,098,000,000
	Dividend per share: ¥4,098.00
	Date of right allotment: March 31, 2019
	Effective date: June 25, 2019
	Dividends are paid out of: Other retained earnings

## Notes to tax effect accounting

### 1. Breakdown of major components for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Allowance for doubtful receivables	10,446 thousand yen
Losses on valuation of inventories	13,946 thousand yen
Provision for bonuses	130,751 thousand yen
Business taxes payable	32,475 thousand yen
Unrealized gains or losses on hedges	7,025 thousand yen
Asset retirement obligations	44,795 thousand yen
Revenue recognized on percentage-of-completion	36,488 thousand yen
Accounts during transition to defined contribution pension plan	19,784 thousand yen
Loss on valuation of investment securities in subsidiaries and associates	43,613 thousand yen
Other	18,122 thousand yen
Total deferred tax assets	<u>357,448 thousand yen</u>
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	(31,793) thousand yen
Prepaid pension cost	(71,308) thousand yen
Asset retirement cost	(38,365) thousand yen
Total deferred tax liabilities	<u>(141,467) thousand yen</u>
Net deferred tax assets	215,981 thousand yen



## Notes to financial instruments

### 1. Matters concerning the status of financial instruments

The Company limits its investments to short-term deposits etc. and raises funds through loans from Sumitomo Corporation.

The Company monitors the credit risk of customers to mitigate the credit losses in accordance with its management rules.

The Company monitors the fair value of investment securities which mainly comprised equity instruments on a quarterly basis.

The Company finances its working capital through borrowings. Derivatives are entered to hedge the foreign currency risks of forecasted transactions in accordance with internal foreign currency risk management rules.

### 2. Matters concerning the fair value of financial instruments etc.

The carrying amounts, fair values, and the differences between them for financial instruments as of March 31, 2019 are as follows:

	¥ in thousands		
	Carrying amounts *	Fair value *	Differences
(1) Cash and deposits	1,510	1,510	-
(2) Notes receivable-trade	3,064,511	3,064,511	-
(3) Electronically recorded monetary claims-operating	5,004,470	5,004,470	-
(4) Accounts receivable-trade	34,425,654	34,425,654	-
(5) Lease investment assets	61,460	64,608	3,147
(6) Advance payments	10,423,300	10,423,300	-
(7) Accounts receivable-other	359,660	359,660	-
(8) Derivatives assets	20,098	20,098	-
(9) Deposits paid	1,252,346	1,252,346	-
(10) Investment securities			
Available-for-sale securities	177,622	177,622	-
(11) Lease and guarantee deposits	327,210	330,214	3,003
(12) Notes payable-trade	(873,940)	(873,940)	-
(13) Electronically recorded obligations-operating	(7,259,420)	(7,259,420)	-
(14) Accounts payable-trade	(31,264,846)	(31,264,846)	-
(15) Lease obligations	(277,438)	(266,241)	(11,197)
(16) Accounts payable-other	(1,079,426)	(1,079,426)	-
(17) Advance received	(10,119,666)	(10,119,666)	-
(18) Deposits received	(91,238)	(91,238)	-
(19) Derivatives liabilities	(49,449)	(49,449)	-

\* Liabilities are presented in parentheses.

Note 1: Matters concerning the calculation of the fair value of financial instruments, and securities and derivatives

(1) Cash and deposits (2) Notes receivable-trade (3) Electronically recorded monetary claims -operating (4) Accounts receivable-trade (6) Advance payments (7) Accounts receivable-other (9) Deposits paid

The fair value of these items approximates the book value as they are settled in the short term.

(5) Lease investment assets (15) Lease obligations

The fair values of these items are estimated by discounting future cash flows by interest rates that would be used for entering into lease agreements under the same terms and conditions and for the same remaining terms.

(8) Derivatives assets (19) Derivatives liabilities

The fair values of these items are estimated based on the prices obtained from the counterparty financial institutions.

(10) Investment securities

The fair values of investment securities are estimated based on the prices quoted by the securities exchanges.

(11) Lease and guarantee deposits

The fair values of lease and guarantee deposits are estimated by discounting future cash flows to be generated at the time when the properties are expected to be surrendered, by the yields of government bonds.

(12) Notes payable-trade (13) Electronically recorded obligations-operating (14) Accounts payable-trade (16) Accounts payable-other (17) Advance received (18) Deposits received

The fair values of these items approximate the book values as they are settled in the short term.

Note 2: Unlisted shares (investment securities of 74,150 thousand yen and investment securities in subsidiaries and associates of 88,627 thousand yen, as shown on the balance sheet) have no market value and their future cash flows cannot be estimated, and it is extremely difficult to determine their fair value.

Therefore, these unlisted shares are not included in "(10) Investment securities, Available-for-sale securities".

## Notes to transactions with related parties

1. Type	Parent company
2. Name	Sumitomo Corporation
3. Percentage of voting rights held by the Company (or by the related party)	100% directly held by the related party
4. Company's relationship with the related party	
(1) Business consignment	
Transaction details	Business consignment (business management advisory fees)
Transaction amount	215,738 thousand yen
Account	Accounts payable-other
Closing balance	-
(2) Consolidated tax payment	
Transaction details	Tax refund of individually attributable amounts of consolidated taxes
Transaction amount	359,330 thousand yen
Account	Accounts receivable-other
Closing balance	359,330 thousand yen

Note 1: The transaction amounts do not include consumption taxes.

Note 2: The Company receives a tax refund of certain individually attributable portions of income taxes paid on a consolidated basis.

## Notes to per share information

1. Net assets per share	¥6,669.47
2. Net income per share	¥2,423.61

## Significant subsequent events

Not applicable