

Balance Sheet

As of March 31, 2018

¥ in thousands

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	61,685,092	Current liabilities	56,462,128
Cash and deposits	5,334	Notes payable-trade	1,925,990
Notes receivable-trade	1,919,809	Electronically recorded obligations-operating	4,224,214
Electronically recorded monetary claims-operating	3,029,654	Accounts payable-trade	36,081,907
Accounts receivable-trade	41,004,814	Lease obligations	94,651
Lease investment assets	94,651	Accounts payable-other	1,030,262
Merchandise	1,293,638	Accrued consumption taxes	54,205
Advances payments	12,758,048	Income taxes payable	193,153
Deferred tax assets	241,037	Advance received	12,332,549
Accounts receivable-other	332,213		46,358
Other current assets	1,026,987	Provision for bonuses	396,340
Allowance for doubtful receivables	(21,098)	Other current liabilities	82,495
Non-current assets	1,190,075	Non-current liabilities	164,693
Tangible fixed assets	162,931	Lease obligations	61,541
Buildings	48,411	Provision for directors' retirement benefits	7,333
Furniture and fixtures	20,366	Asset retirement obligations	95,350
Machinery and equipment	76,519	Other non-current liabilities	468
Land	1,776		
Leased assets	15,858	Total liabilities	56,626,822
Intangible fixed assets	69,442	Net assets	
Software	69,442	Shareholders' equity	6,143,721
Investments and other assets	957,701	Common stock	1,165,000
Investment securities	246,390	Capital surplus	3,831
Investment securities in subsidiaries and associates	88,627	Additional paid-in capital	3,831
Lease and guarantee deposits	229,646	Retained earnings	4,974,889
Deferred tax assets	9,716	Appropriated for legal reserve	287,418
Lease investment assets	61,541	Other retained earnings	4,687,471
Prepaid pension cost	251,523	General reserve	781,241
Other investments and other assets	81,247	Retained earnings brought forward	3,906,230
Allowance for doubtful receivables	(10,991)	Valuation and translation adjustments	104,624
		Net unrealized holding gains on available-for-sale securities	68,203
		Net unrealized gains on hedges	36,421
		Total net assets	6,248,345
Total assets	62,875,168	Total liabilities and net assets	62,875,168

Statement of Income

(From April 1, 2017
To March 31, 2018)

¥ in thousands

Account	Amount	
Sales		67,854,511
Cost of sales		59,342,895
Gross profit		8,511,615
Selling, general and administrative expenses		6,197,993
Operating profit		2,313,622
Non-operating income		
Interest income	448	
Dividend income	29,085	
Purchase discounts	35,478	
Foreign exchange gains	6,904	
Tax refund of individually attributable amounts of consolidated taxes	328,798	
Other non-operating income	16,020	416,735
Non-operating expenses		
Interest expenses	6,262	
Other non-operating expenses	15,605	21,868
Ordinary profit		2,708,489
Extraordinary income		
Gains on sales of investment securities	34,377	
Gains on disposal of non-current assets	3,671	38,049
Extraordinary losses		
Loss on valuation of investment securities in subsidiaries and associates	140,687	140,687
Net income before income taxes		2,605,851
Income taxes - current	828,545	
Income taxes - deferred	(122,708)	705,836
Net income		1,900,014

Statement of Changes in Net Assets

〔 From April 1, 2017 to March 31, 2018 〕

¥ 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	3,127,215	4,195,875	5,364,706
Changes of items during the year								
Dividends of surplus						(1,121,000)	(1,121,000)	(1,121,000)
Net income						1,900,014	1,900,014	1,900,014
Net changes of items other than shareholders' equity during the year								
Total changes of items during the year	-	-	-	-	-	779,014	779,014	779,014
Balance at the end of the year	1,165,000	3,831	3,831	287,418	781,241	3,906,230	4,974,889	6,143,721

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gains on available-for-sale securities	Net unrealized gains on hedges	Total valuation and translation adjustments	
Balance at the beginning of the year	63,588	(15,073)	48,514	5,413,221
Changes of items during the year				
Dividends of surplus				(1,121,000)
Net income				1,900,014
Net changes of items other than shareholders' equity during the year	4,614	51,495	56,109	56,109
Total changes of items during the year	4,614	51,495	56,109	835,124
Balance at the end of the year	68,203	36,421	104,624	6,248,345

Notes to Non-Consolidated Financial Statements

Notes to matters concerning significant accounting policies

1. Basis and methods of valuation of assets
 - (1) Basis and methods of valuation of securities
 - Available-for-sale securities
 - Investment securities with fair value Stated at fair value based upon the market value 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) Basis and method of valuation of derivatives Stated at fair value.
 - (3) Basis and method of valuation of inventories Stated at cost, determined by the moving-average method. (Book value is written down when the market price declines below cost.)
 - (2) Methods of depreciation 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 Straight-line method
Computer software for internal use is amortized by the straight-line method over its economic useful life of 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 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	<p>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 projected 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.</p> <p>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.</p>
(4) Provision for directors' retirement benefits	<p>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.</p>
4. Hedging accounting	<p>Method of hedge accounting</p> <p>Unrealized gains and losses on derivatives are principally deferred until realization of the designated hedge items</p> <p>Hedging instruments, hedged items, and hedging policy</p> <p>The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates in accordance with its internal rules.</p> <p>The hedging instruments and hedged items to which hedge accounting is applied during the term are as follows:</p> <p>Hedging instruments: Forward exchange contracts Hedged items: Forecasted transactions denominated in foreign currencies</p> <p>Assessment of hedge effectiveness</p> <p>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.</p>
5. Accounting for consumption taxes and other taxes	<p>Consumption tax is accounted for by the segregated method under which consumption tax is excluded from presentation of sales, cost of sales and expenses.</p>
6. Other	<p>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.</p>
7. Accounting standard issued but not yet effective	<p>“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018, Accounting Standard Board of Japan (ASBJ))</p> <p>“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018, Accounting Standard Board of Japan (ASBJ))</p>

(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 becomes effective in the business year starting on or after January 1, 2018 whereas Topic 606 becomes 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.

Notes to the balance sheet

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|--|------------------------|
| 1. Accumulated depreciation of tangible fixed assets | 236,704 thousand yen |
| 2. Monetary receivables and payables to subsidiaries and affiliates | |
| Short-term monetary receivables | 1,661,040 thousand yen |
| Long-term monetary receivables | 200,572 thousand yen |
| Short-term monetary payables | 840,266 thousand yen |
| 3. Accounting for retirement benefits | |
| The company participates in a defined benefit plan that shares risks between 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, 2018)

Plan assets	37,223,876 thousand yen
Pension obligations under pension financial calculation	33,896,188 thousand yen
Balance	3,327,688 thousand yen

[2] Percentage of contributions paid by the Company under the scheme (From April 1, 2017 to March 31, 2018)

1.86%

4. Treatment of notes matured at the end of the year
Notes are processed on notes clearing dates. As the last day of the year fell on a non-banking date, notes that are due to mature at the beginning of the next fiscal year are included in the balance for the current year.

Notes receivable-trade	174,918 thousand yen
Electronically recorded monetary claims-operating	196,451 thousand yen
Notes payable-trade	219,197 thousand yen
Electronically recorded monetary obligations-operating	824,848 thousand yen

Notes to the Statement of Income

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|--|------------------------|
| 1. Operating transactions with subsidiaries and affiliates | |
| Sales | 2,654,690 thousand yen |
| Purchases | 650,796 thousand yen |
| Selling, general, and administrative expenses | 914,521 thousand yen |
| 2. Non-operating transactions with subsidiaries and affiliates | 324,925 thousand yen |

Notes to the Statement of Changes in Net Assets

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|--|---|
| 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 27, 2017 as follows: |
| | Dividends: ¥1,121,000,000 |
| | Dividend per share: ¥1,121.00 |
| | Date of right allotment: March 31, 2017 |
| | Effective date: June 27, 2017 |
| 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 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 |
| | 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	6,541 thousand yen
Losses on valuation of inventories	10,549 thousand yen
Provision for bonuses	122,866 thousand yen
Business taxes payable	35,723 thousand yen
Unrealized gains or losses on hedges	145 thousand yen
Asset retirement obligations	29,558 thousand yen
Revenue recognized on percentage-of-completion	76,698 thousand yen
Accounts during transition to defined contribution pension plan	41,943 thousand yen
Loss on valuation of investment securities in subsidiaries and associates	43,613 thousand yen
Other	16,551 thousand yen
Total deferred tax assets	<u>384,188 thousand yen</u>
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	(30,642) thousand yen
Deferred gains or losses on hedges	(16,508) thousand yen
Prepaid pension cost	(77,972) thousand yen
Asset retirement cost	(8,311) thousand yen
Total deferred tax liabilities	<u>(133,433) thousand yen</u>
Net deferred tax assets	250,755 thousand yen

Notes to fixed assets used for leases

In addition to the fixed assets included in the balance sheet, some of office equipment and computers are used under finance leases that do not transfer the ownership of the assets to the lessee.

Notes to financial instruments

1. Matters concerning the status of financial instruments

The Company limits its investments to short-term deposits etc. and raise 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 of equity instruments on a quarterly basis.

The company finances its working capital through loans payable. Derivatives are entered into 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 amounts of financial instruments shown on the balance sheet, their fair value, and the differences between them as of March 31, 2018 are as follows:

	¥ in thousands		
	Amounts shown on the balance sheet *	Fair value *	Differences
(1) Cash and deposits	5,334	5,334	-
(2) Notes receivable-trade	1,919,809	1,919,809	-
(3) Electronically recorded monetary claims-operating	3,029,654	3,029,654	-
(4) Accounts receivable-trade	41,004,814	41,004,814	-
(5) Lease investment assets	156,193	169,441	13,248
(6) Advance payments	12,758,048	12,758,048	-
(7) Accounts receivable-other	332,213	332,213	-
(8) Derivatives assets	125,835	125,835	-
(9) Deposits paid	755,408	755,408	-
(10) Investment securities			
Available-for-sale securities	172,240	172,240	-
(11) Lease and guarantee deposits	229,646	229,311	(334)
(12) Notes payable-trade	(1,925,990)	(1,925,990)	-
(13) Electronically recorded obligations-operating	(4,224,214)	(4,224,214)	-
(14) Accounts payable-trade	(36,081,907)	(36,081,907)	-
(15) Lease obligations	(156,193)	(157,498)	(1,305)
(16) Accounts payable-other	(1,030,262)	(1,030,262)	-
(17) Advance received	(12,332,549)	(12,332,549)	-
(18) Deposits received	(46,358)	(46,358)	-
(19) Derivatives liabilities	(62,409)	(62,409)	-

* 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 value of these items is estimated by discounting future cash flows by an interest rate that would be used for entering into a lease agreement under the same terms and conditions and for the same remaining term.

(8) Derivatives assets (19) Derivatives liabilities

The fair value of these items is estimated based on the prices obtained from the counterparties.

(10) Investment securities

The fair value of investment securities is estimated based on the prices quoted by the securities exchanges.

(11) Lease and guarantee deposits

The fair value of lease and guarantee deposits is estimated by discounting future cash flows 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 value of these items approximates the book value as they are settled in the short term.

Note 2: Unlisted shares (investment securities of 74,150 thousands of yen and investment securities in subsidiaries and associates of 88,627 thousands of 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

Type	Name	Percentage of voting rights held by the Company (or by the related party)	Company's relationship with the related party	Transaction details	Transaction amount (Thousand yen)	Account	Closing balance (Thousand yen)
Parent company	Sumitomo Corporation	100% directly held by the related party	Business consignment	Business consignment (business management advisory fees)	206,591	Accounts payable-other	-
			Consolidated tax payment	Tax refund of individually attributable amounts of consolidated taxes	328,798	Accounts receivable-other	328,798

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 consolidated basis.

Notes to per share information

1. Net assets per share	¥6,248.35
2. Net income per share	¥1,900.01

Significant subsequent events

1. Significant transfer of business

The Company entered into a business transfer agreement with Sumisho Machinery Trade Corporation on March 31, 2018 and its business was transferred to the Company effective on April 1, 2018.

[1] Name of transferrer	Sumisho Machinery Trade Corporation
[2] Details of business transferred	Business activities carried out by the Infrastructure Plant Division
[3] Date of transfer	April 1, 2018