

Balance Sheet

As of March 31, 2020

¥ in thousands

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	52,636,494	Current liabilities	45,446,668
Cash and deposits	9,364	Notes payable-trade	462,217
Notes receivable-trade	1,906,261	Electronically recorded obligations-operating	4,874,567
Electronically recorded monetary claims-operating	3,842,415	Accounts payable-trade	31,229,388
Accounts receivable-trade	37,643,014	Short-term loan payable	1,496,987
Merchandise	1,607,284	Lease obligations	68,941
Advance payments	5,092,813	Accounts payable-other	801,055
Accounts receivable-other	297,793	Income taxes payable	153,698
Consumption taxes receivable	174,095	Advance received	5,683,307
Other current assets	2,082,224	Deposits received	47,637
Allowance for doubtful receivables	(18,772)	Provision for bonuses	440,637
		Other current liabilities	188,229
Non-current assets	1,998,490	Non-current liabilities	584,953
Tangible fixed assets	704,958	Lease obligations	351,678
Buildings	178,668	Provision for directors' retirement benefits	19,331
Furniture and fixtures	51,409	Asset retirement obligations	200,004
Machinery and equipment	50,580	Other non-current liabilities	13,939
Land	1,776		
Leased assets	422,524	Total liabilities	46,031,622
Intangible fixed assets	67,784	Net assets	
Software	67,784	Shareholders' equity	8,653,190
		Common stock	5,300,000
Investments and other assets	1,225,748	Capital surplus	3,831
Investment securities	291,773	Additional paid-in capital	3,831
Investment securities in subsidiaries and associates	88,627	Retained earnings	3,349,359
Lease and guarantee deposits	329,353	Appropriated for legal reserve	287,418
Deferred tax assets	241,756	Other retained earnings	3,061,940
Prepaid pension cost	200,717	General reserve	781,241
Other investments and other assets	83,928	Retained earnings brought forward	2,280,699
Allowance for doubtful receivables	(10,409)	Valuation and translation adjustments	(49,827)
		Net unrealized holding gains on available-for-sale securities	29,737
		Net unrealized gains (losses) on hedges	(79,565)
Total assets	54,634,985	Total net assets	8,603,362
		Total liabilities and net assets	54,634,985

Statement of Income

From April 1, 2019

To March 31, 2020

¥ in thousands

Account	Amount	
Sales		88,828,706
Cost of sales		79,074,170
Gross profit		9,754,536
Selling, general and administrative expenses		7,213,953
Operating profit		2,540,583
Non-operating income		
Interest income	338	
Dividend income	18,442	
Purchase discounts	32,590	
Tax refund of individually attributable amounts of consolidated taxes	296,098	
Other non-operating income	10,161	357,632
Non-operating expenses		
Interest expenses	9,338	
Foreign exchange losses	43,906	
Other non-operating expenses	13,092	66,337
Ordinary profit		2,831,878
Extraordinary gains		
Gains on disposal of non-current assets	10,638	10,638
Extraordinary losses		
Impairment losses	58,200	
Loss on sales of investment securities	251	
Loss on disposal of non-current assets	10,794	69,246
Net income before income taxes		2,773,270
Income taxes - current	750,035	
Income taxes - deferred	21,379	771,415
Net income		2,001,855

Statement of Changes in Net Assets

From April 1, 2019 to March 31, 2020

¥ 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	4,376,844	5,445,504	6,614,335
Changes of items during the year								
Issuance of shares	4,135,000							4,135,000
Dividends of surplus						(4,098,000)	(4,098,000)	(4,098,000)
Net income						2,001,855	2,001,855	2,001,855
Net changes of items other than shareholders' equity during the year								
Total changes of items during the year	4,135,000	-	-	-	-	(2,096,144)	(2,096,144)	2,038,855
Balance at the end of the year	5,300,000	3,831	3,831	287,418	781,241	2,280,699	3,349,359	8,653,190

	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	70,767	(15,636)	55,130	6,669,466
Changes of items during the year				
Issuance of shares				4,135,000
Dividends of surplus				(4,098,000)
Net income				2,001,855
Net changes of items other than shareholders' equity during the year	(41,029)	(63,928)	(104,958)	(104,958)
Total changes of items during the year	(41,029)	(63,928)	(104,958)	1,933,896
Balance at the end of the year	29,737	(79,565)	(49,827)	8,603,362

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 fair 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 on 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.

(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 general receivables, an allowance is estimated based on the customers' financial position and internal credit rating.
As for 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, a 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 to be 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.
- Adoption of tax effect accounting for the transition from the consolidated tax payment system to the group tax sharing system.
- As for the items subjected to the transition to the group tax sharing system established under the Act for Partial Amendment to the Income Tax Act, etc., (Act No.8 of 2020), as well as to the review of the non-consolidated taxation system in association therewith, the Company has not applied the provisions of Section 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, February 16, 2018), but has applied the provisions of the Income Tax Act before the amendment to the amounts of deferred tax assets and deferred tax liabilities, by virtue of Section 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39, March 31, 2020).

7. Notes to accounting standard issued but not yet effective “Accounting Standard for Revenue Recognition”
(ASBJ Statement No. 29, March 31, 2020, Accounting Standard Board of Japan (ASBJ))
“Implementation Guidance on Accounting Standard for Revenue Recognition”
(ASBJ Guidance No. 30, March 31, 2020, Accounting Standard Board of Japan (ASBJ))
- (1) Overview
- The International Accounting Standard Board (IASB) and the Financial Accounting Standard Board (FASB) jointly developed a 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 relevant 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 that 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 standards on financial statements is under review.

Notes to the balance sheet

1. Accumulated depreciation of tangible fixed assets	269,209 thousand yen
2. Guarantee obligations	
A guarantee is provided for a subsidiary's debt obligations to a financial institution.	
SC Machinex Asia Ltd.	334,000 thousand yen
3. Monetary receivables and payables to subsidiaries and affiliates	
Short-term monetary receivables	3,350,860 thousand yen
Long-term monetary receivables	295,590 thousand yen
Short-term monetary payables	844,437 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, 2020)

Plan assets	43,104,830 thousand yen
Pension obligations under pension financial calculation	38,146,192 thousand yen
Balance	4,958,638 thousand yen

(2) Percentage of contributions paid by the Company under the scheme (as of March 31, 2020)

1.84%

Notes to the Statement of Income

1. Operating transactions with subsidiaries and affiliates	
Sales	3,850,413 thousand yen
Purchases	725,492 thousand yen
Selling, general, and administrative expenses	911,985 thousand yen
2. Non-operating transactions with subsidiaries and affiliates	279,728 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	2,000,000 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 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
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 23, 2020 as follows:
	Dividends: ¥1,885,000,000
	Dividend per share: ¥942.50
	Date of right allotment: March 31, 2020
	Effective date: June 23, 2020
	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	5,819 thousand yen
Losses on valuation of inventories	15,883 thousand yen
Provision for bonuses	136,597 thousand yen
Business taxes payable	31,622 thousand yen
Unrealized gains or losses on hedges	35,746 thousand yen
Asset retirement obligations	62,001 thousand yen
Loss on valuation of investment securities in subsidiaries and associates	43,613 thousand yen
Depreciation	18,506 thousand yen
Other	20,106 thousand yen
Total deferred tax assets	<u>369,897 thousand yen</u>
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	(13,360) thousand yen
Prepaid pension cost	(62,222) thousand yen
Asset retirement cost	<u>(52,558) thousand yen</u>
Total deferred tax liabilities	(128,141) thousand yen
Net deferred tax assets	241,756 thousand yen

Notes to transactions with related parties

¥ in thousands

Type	Name	Percentage of voting rights held by the Company (or by the related party)	Company's relationship with the related party	Transaction detail	Transaction amount	Account	Closing balance	
Parent company	Sumitomo Corporation	100% directly held by the related party	Business consignment	Business consignment (business management advisory fees)	170,699	Accounts payable-other	-	
				Business outsourcing/Selling goods	2,863,292	Accounts receivable-trade	653,131	
				Consolidated tax payment	296,098	Accounts receivable-other	296,098	
				Fund deposit	Fund deposit	838,786	Deposits paid	1,641,154
					Interest income	46	Accounts receivable-other	3
				Capital increase	4,135,000	-	-	
Affiliated company	SUMITOMO DEUTSCHLAND GMBH	-	Purchased goods	Purchased goods	510,621	Accounts payable-trade	76,199	
						Advance payments	1,234,120	

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.

Note 3: Regarding fund deposits, since it is difficult to grasp the transaction amount and the settlement of funds is being performed at any time, the average balance during the period is stated.

Notes to per share information

1. Net assets per share ¥4,301.68
2. Net income per share ¥1,176.05

Significant subsequent events

1. Business combination by stock acquisition

The Company acquired 85% of the issued shares of SC Hiroshima Energy Corporation (hereinafter "SCHE") from Sumitomo Corporation on April 1, 2020.

(1) Purpose of stock acquisition

The Company provided technical support and administrative service for SCHE, and contributed to SCHE's stable operation. As a result of this acquisition, the Company will be responsible for management and sales of SCHE. The Company aims to further increase the corporate value of SCHE by enhancing communication, accelerating its decision making process, and effectively utilizing internal resources of the Company.

(2) The other party for stock acquisition

Sumitomo Corporation

(3) The company whose shares were acquired

1. Name

SC Hiroshima Energy Corporation

2. Business content

Energy supply

3. Scale at the end of FY2019

Common stock 490,000 thousand yen

(4) Timing of stock acquisition

April 1, 2020

(5) Number of shares acquired, acquisition price, ownership ratio after acquisition

1) Number of shares acquired : 8,330 shares

2) Acquisition price : 520,625 thousand yen

3)Ownership ratio after acquisition : 95%