

Balance Sheet

As of March 31, 2021

¥ in thousands

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	53,565,440	Current liabilities	47,888,942
Cash and deposits	14,362	Notes payable-trade	279,755
Notes receivable-trade	1,014,357	Electronically recorded obligations-operating	4,397,166
Electronically recorded monetary claims-operating	3,367,880	Accounts payable-trade	31,229,487
Accounts receivable-trade	35,222,271	Short-term loan payable	1,178,836
Merchandise	6,992,830	Lease obligations	76,832
Advance payments	4,090,324	Accounts payable-other	1,066,126
Accounts receivable-other	199,660	Income taxes payable	97,986
Consumption taxes receivable	447,856	Advances received	9,026,542
Other current assets	2,233,817	Deposits received	25,590
Allowance for doubtful receivables	(17,919)	Allowance for bonuses	388,479
		Other current liabilities	122,137
Non-current assets	2,781,287	Non-current liabilities	681,404
Property, plant and equipment	844,900	Lease obligations	473,405
Buildings	170,471	Allowance for directors' retirement benefits	7,994
Furniture and fixtures	69,179	Asset retirement obligations	200,004
Machinery and equipment	56,383		
Land	1,776		
Leased assets	547,090		
		Total liabilities	48,570,347
Intangible assets	85,340	Net assets	
Software	85,340	Shareholders' equity	7,710,115
		Common stock	5,300,000
Investments and other assets	1,851,047	Capital surplus	3,831
Investment securities	252,749	Additional paid-in capital	3,831
Shares of subsidiaries and associates	658,252		
Lease and guarantee deposits	344,156	Retained earnings	2,406,283
Deferred tax assets	358,731	Legal reserve	476,418
Prepaid pension cost	162,851	Other retained earnings	1,929,865
Other investments	84,586	General reserve	781,241
Allowance for doubtful receivables	(10,279)	Retained earnings brought forward	1,148,624
		Valuation and translation adjustments	66,266
		Net unrealized gain on available-for-sale securities	49,426
		Deferred gain on hedges	16,840
		Total net assets	7,776,382
Total assets	56,346,728	Total liabilities and net assets	56,346,728

Statement of Income

From April 1, 2020

To March 31, 2021

¥ in thousands

Account	Amount	
Net sales		62,884,417
Cost of sales		55,249,673
Gross profit		7,634,743
Selling, general and administrative expenses		6,635,420
Operating profit		999,322
Non-operating income		
Interest income	369	
Foreign exchange gains	62,755	
Dividend income	29,991	
Purchase discounts	28,738	
Gain on refunds of individually attributable amounts of consolidated taxes	196,597	
Other non-operating income	16,133	334,585
Non-operating expenses		
Interest expenses	19,953	
Other non-operating expenses	24,155	44,108
Ordinary profit		1,289,800
Extraordinary gains		
Gain on sales of investment securities	4,122	4,122
Extraordinary losses		
Loss on sales of investment securities	5	5
Net income before income taxes		1,293,917
Income taxes - current	521,126	
Income taxes - deferred	(169,133)	351,993
Net income		941,924

Statement of Changes in Net Assets

From April 1, 2020 to March 31, 2021

¥ in thousands

	Shareholders' equity							Total shareholders' equity
	Common stock	Capital surplus		Legal reserve	Retained earnings		Total retained earnings	
		Additional paid-in capital	Total capital surplus		Other retained earnings			
					General reserve	Retained earnings brought forward		
Balance at the beginning of the year	5,300,000	3,831	3,831	287,418	781,241	2,280,699	3,349,359	8,653,190
Change of items during the year								
Dividends of surplus						(1,885,000)	(1,885,000)	(1,885,000)
Provision of legal reserve associated with dividends of surplus				189,000		(189,000)	0	0
Net income						941,924	941,924	941,924
Net change in items other than shareholders' equity								
Total change of items during the year	-	-	-	189,000	-	(1,132,075)	(943,075)	(943,075)
Balance at the end of the year	5,300,000	3,831	3,831	476,418	781,241	1,148,624	2,406,283	7,710,115

	Valuation and translation adjustments			Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gain on hedges	Total valuation and translation adjustments	
Balance at the beginning of the year	29,737	(79,565)	(49,827)	8,603,362
Change of items during the year				
Dividends of surplus				(1,885,000)
Provision of legal reserve associated with dividends of surplus				0
Net income				941,924
Net change in items other than shareholders' equity	19,689	96,405	116,094	116,094
Total change of items during the year	19,689	96,405	116,094	(826,980)
Balance at the end of the year	49,426	16,840	66,266	7,776,382

Notes to Non-Consolidated Financial Statements

Notes on significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

Available-for-sale securities

Investment securities with fair value

Stated at fair value based on the quoted market prices at the end of the current fiscal year

(Net unrealized gains or losses on shares and other securities are included in net assets and the cost of securities sold is determined using the moving average method.)

Investment securities without fair value

Stated at cost, determined using the moving-average method

Shares of subsidiaries and associates

Stated at cost, determined using 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 using the moving-average method

(Carrying amount is written down when the market price declines below cost.)

2. Depreciation methods for non-current assets

(1) Property, plant and equipment (except for leased assets)

Declining-balance method

(For buildings acquired on or after April 1, 2016, the straight-line method is used.)

(2) Intangible 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 ownership of the assets to the lessee are depreciated using the straight-line method over the lease period, assuming no residual value.

3. Recognition basis for allowances

(1) Allowance for doubtful receivables

Allowance for doubtful receivables is recognized at the estimated amounts of uncollectible accounts receivable from customers.

As for general receivables, the allowance is estimated based on the customers' financial position and internal credit ratings.

As for specific doubtful accounts, their collectibility is individually reviewed and the allowance is recognized at the estimated uncollectible amounts.

(2) Allowance for bonuses

Allowance for bonuses is recognized at the estimated amount of bonuses attributable to the current fiscal year in preparation for the payment of bonuses to employees.

- (3) Allowance for retirement benefits
- Allowance for retirement benefits for employees is recognized based on the estimated amounts of projected retirement benefit obligations and plan assets at the end of the current fiscal year.
- In determining the projected retirement benefit obligations, benefit calculation formula is used to attribute the expected retirement benefit payments to periods of service until the end of the current fiscal year.
- If the estimated amount of the plan assets exceed that of the projected retirement benefit obligations at the end of the current fiscal year, the excess amount is recognized as prepaid pension cost.
- Unrecognized prior service cost is amortized using the straight-line method over a period of 13 years within the employees' average remaining years of service.
- Unrecognized actuarial gains and losses are amortized using the straight-line method over a period of 13 years within the employees' average remaining years of service, from the year following the year in which the gains or losses occur.
- (4) Allowance for directors' retirement benefits
- Allowance for directors' retirement benefits is recognized based on the amounts that are payable at the end of the current fiscal year in accordance with the Company's Directors' Retirement Benefits Payment Rule.
4. Other significant basis for preparation of the financial statements
- (1) Hedge accounting
- Method of hedge accounting
- Gains and losses on hedging instruments are generally deferred until the designated hedged items are realized.
- Hedging instruments, hedged items, and hedging policy
- The Company hedges its 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 current fiscal year are as follows:
- Hedging instruments: Forward exchange contracts
Hedged items: Forecasted transactions denominated in foreign currencies
- Assessment of hedge effectiveness
- The quantitative effectiveness test is omitted, because the critical terms of forecasted transactions correspond with those of forward exchange contracts, and the hedge relationship is considered to be perfectly effective.
- (2) Accounting for consumption taxes and others
- Consumption taxes are accounted for using the tax-exclusion method, under which consumption taxes are deducted from net sales, cost of sales and expenses.
- (3) Adoption of consolidated tax payment system
- The Company, as a consolidated subsidiary of Sumitomo Corporation, adopts the consolidated tax payment system, under which Sumitomo Corporation is a consolidated taxpayer.
- (4) Adoption of tax effect accounting related to the transition from the consolidated tax payment system to the group total 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 (Accounting Standard Board of Japan ("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 (PITE No. 39, March 31, 2020).

5. Accounting standards issued but not yet effective

“Accounting Standard for Revenue Recognition”
(ASBJ Statement No. 29, March 31, 2020.)

“Implementation Guidance on Accounting Standard for Revenue Recognition”
(ASBJ Guidance No. 30, March 31, 2020)

(1) Overview

A comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as performance obligations are met.

(2) Scheduled date of application

The above accounting standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of the application of the above accounting standards, etc.

The effect of applying "Accounting Standards for Revenue Recognition" on the financial statements is currently being evaluated and the amount is undetermined. For transactions in which the Company acts as an agent, the revenue is recognized on a net basis. As a result, it is expected that net sales will decrease.

Notes to the balance sheet

1. Accumulated depreciation of property, plant and equipment	391,045 thousand yen
2. Guarantee obligations	
A guarantee is provided for a subsidiary's debt obligations to a financial institution.	
SC Machinex Asia Ltd.	354,000 thousand yen
3. Monetary receivables and payables to subsidiaries and affiliates	
Short-term monetary receivables	3,086,685 thousand yen
Long-term monetary receivables	295,590 thousand yen
Short-term monetary payables	581,375 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, 2021)

Plan assets	44,897,599 thousand yen
Pension obligations under pension financial calculation	41,101,609 thousand yen
Balance	3,795,989 thousand yen

(2) Percentage of contributions paid by the Company under the scheme (as of March 31, 2021)

1.94%

Notes to the Statement of Income

1. Operating transactions with subsidiaries and affiliates	
Sales	2,832,071 thousand yen
Purchases	611,150 thousand yen
Selling, general, and administrative expenses	653,158 thousand yen
2. Non-operating transactions with subsidiaries and affiliates	224,090 thousand yen

Notes to the Statement of Changes in Net Assets

1. Number of issued shares as of the end of the current fiscal year	
Ordinary shares	2,000,000 shares
2. Distribution of surplus made during the current fiscal year	The year-end dividends was approved at a shareholders' meeting 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
3. Distribution of surplus to be made after the end of the current fiscal year	The following year-end dividends will be proposed at a shareholders' meeting to be held on June 22, 2021 as follows:
	Dividends: ¥1,045,000,000
	Dividend per share: ¥522.50
	Date of right allotment: March 31, 2021
	Effective date: June 22, 2021
	Dividends are paid out of: Other retained earnings

Notes on tax effect accounting

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

Deferred tax assets	
Allowance for doubtful receivables	5,555 thousand yen
Losses on valuation of inventories	20,516 thousand yen
Allowance for bonuses	120,428 thousand yen
Business taxes payable	21,057 thousand yen
Asset retirement obligations	62,001 thousand yen
Loss on valuation of shares of subsidiaries and associates	43,613 thousand yen
Tax sales recognition	185,866 thousand yen
Depreciation	12,465 thousand yen
Other	16,353 thousand yen
Total deferred tax assets	<u>487,862 thousand yen</u>
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	(22,206) thousand yen
Deffered gain on hedges	(7,565) thousand yen
Prepaid pension cost	(50,483) thousand yen
Asset retirement cost	(48,874) thousand yen
Total deferred tax liabilities	<u>(129,130) thousand yen</u>
Net deferred tax assets	358,731 thousand yen

Notes on financial instruments

1. Status of financial instruments

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

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

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

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

2. Fair value of financial instruments

The carrying amounts, fair values, and the differences between them for financial instruments held as of March 31, 2021 are as follows:

	¥ in thousands		
	Carrying amounts *	Fair value *	Differences
(1) Cash and deposits	14,362	14,362	-
(2) Notes receivable-trade	1,014,357	1,014,357	-
(3) Electronically recorded monetary claims-operating	3,367,880	3,367,880	-
(4) Accounts receivable-trade	35,222,271	35,222,271	-
(5) Accounts receivable-other	199,660	199,660	-
(6) Derivatives assets	120,326	120,326	-
(7) Deposits paid	1,894,809	1,894,809	-
(8) Investment securities			
Available-for-sale securities	128,149	128,149	-
(9) Lease and guarantee deposits	344,156	339,488	(4,668)
(10) Notes payable-trade	(279,755)	(279,755)	-
(11) Electronically recorded obligations-operating	(4,397,166)	(4,397,166)	-
(12) Accounts payable-trade	(31,229,487)	(31,229,487)	-
(13) Short-term loan payable	(1,178,836)	(1,178,836)	-
(14) Lease obligations	(550,238)	(475,354)	74,884
(15) Accounts payable-other	(1,066,126)	(1,066,126)	-
(16) Deposits received	(25,590)	(25,590)	-
(17) Derivatives liabilities	(106,322)	(106,322)	-

* Liabilities are presented in parentheses.

Note 1: Calculation method of the fair value of financial instruments, and the matters relating to securities and derivatives

(1) Cash and deposits (2) Notes receivable-trade (3) Electronically recorded monetary claims -operating (4) Accounts receivable-trade (5) Accounts receivable-other (7) Deposits paid

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

(6) Derivatives assets (17) Derivatives liabilities

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

(8) Investment securities

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

(9) Lease and guarantee deposits

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

(10) Notes payable-trade (11) Electronically recorded obligations-operating (12) Accounts payable-trade (13) Short-term loan payable (15) Accounts payable-other (16) Deposits received

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

(14) Lease obligation

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.

Note 2: Unlisted shares (investment securities of 124,600 thousand yen and shares of subsidiaries and associates of 658,252 thousand yen, as shown on the balance sheet) have no market value and their future cash flows are not able to be estimated, and it is extremely difficult to determine their fair value.

Therefore, these unlisted shares are not included in “(8) Investment securities, Available-for-sale securities”.

Notes on transactions with related parties

¥ in thousand

Type	Name	Percentage of voting rights held by the company or by the related party	Company's relationship with the related party	Transaction detail	Amount	Account	Closing balance	
Parent company	Sumitomo Corporation	100% directly held by the related party		Business management advisory fees	21,000	Accounts payable-other	-	
				Business consignment				
				Business outsourcing/Selling goods	2,587,089	Accounts receivable-trade	951,134	
				Tax refund based on consolidated tax payment	196,597	Accounts receivable-other	196,597	
				Fund deposit	388,858	Deposits paid	1,894,809	
				Interest income	38	Accounts receivable-other	-	
				Acquisition of subsidiary shares	520,625	-	-	
Affiliated company	SUMITOMO DEUTSCHLAND GMBH	-	Purchased goods	Purchased goods	4,289,529	Accounts payable-trade Advance payments	471,289 327,959	

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: As for fund deposits, the average balance during the period is stated because settlement of funds is made at any time and it is difficult to identify the transaction amount.

Note 4: The acquisition cost of shares is determined through discussions based on net assets.

Notes on per share information

1. Net assets per share ¥3,888.19
2. Net income per share ¥470.96

Significant subsequent events

Not applicable