

Balance Sheet

As of March 31, 2022

¥ in thousands

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	48,893,080	Current liabilities	42,370,179
Cash and deposits	2,771	Notes payable-trade	51,717
Notes receivable-trade	968,548	Electronically recorded obligations-operating	3,400,114
Electronically recorded monetary claims-operating	3,173,543	Accounts payable-trade	30,433,889
Accounts receivable-trade	37,153,372	Short-term loan payable	1,281,781
Advance payments	2,094,225	Lease obligations	79,419
Accounts receivable-other	281,245	Accounts payable-other	851,546
Consumption taxes receivable	93,493	Income taxes payable	148,745
Other current assets	5,145,731	Contract liabilities	5,441,042
Allowance for doubtful receivables	(19,853)	Deposits received	21,003
		Provision for bonuses	525,556
		Other current liabilities	135,362
Non-current assets	2,826,798	Non-current liabilities	634,902
Tangible fixed assets	809,249	Lease obligations	422,803
Buildings	157,647	Provision for directors' retirement benefits	12,095
Furniture and fixtures	117,455	Asset retirement obligations	200,004
Machinery and equipment	37,058		
Land	1,776	Total liabilities	43,005,082
Leased assets	495,311		
Intangible fixed assets	231,112	Net assets	
Software	231,112	Shareholders' equity	8,614,919
		Common stock	5,300,000
Investments and other assets	1,786,437	Capital surplus	3,831
Investment securities	233,291	Additional paid-in capital	3,831
Investment securities in subsidiaries and associates	658,252	Retained earnings	3,311,088
Lease and guarantee deposits	343,471	Appropriated for legal reserve	581,418
Deferred tax assets	348,683	Other retained earnings	2,729,669
Prepaid pension cost	131,101	General reserve	781,241
Other investments and other assets	81,795	Retained earnings brought forward	1,948,428
Allowance for doubtful receivables	(10,159)	Valuation and translation adjustments	99,878
		Net unrealized holding gains on available-for-sale securities	42,014
		Deferred gains on hedges	57,863
Total assets	51,719,879	Total net assets	8,714,797
		Total liabilities and net assets	51,719,879

Statement of Income

From April 1, 2021

To March 31, 2022

¥ in thousands

Account	Amount	
Sales		9,192,181
Gross profit		9,192,181
Selling, general and administrative expenses		7,022,819
Operating profit		2,169,362
Non-operating income		
Interest income	218	
Dividend income	232,686	
Purchase Rebates	29,247	
Refund of individually attributable amounts of consolidated taxation system	263,959	
Other non-operating income	19,366	545,478
Non-operating expenses		
Interest expenses	23,262	
Foreign exchange losses	45,331	
Other non-operating expenses	9,553	78,146
Ordinary profit		2,636,693
Extraordinary gains		
Gains on sales of investment securities	2,250	
Gain on disposal of non-current assets	3,554	5,804
Extraordinary losses		
Losses on sales of investment securities	455	455
Net income before income taxes		2,642,042
Income taxes - current	697,292	
Income taxes - deferred	(5,053)	692,238
Net income		1,949,804

Statement of Changes in Net Assets

From April 1, 2021 to March 31, 2022

¥ in thousands

	Shareholders' equity							
	Common stock	Capital surplus		Appropriated for legal reserve	Retained earnings			Total shareholders' equity
		Additional paid-in capital	Total capital surplus		Other retained earnings		Total retained earnings	
				General reserve	Retained earnings brought forward			
Balance at the beginning of the year	5,300,000	3,831	3,831	476,418	781,241	1,148,624	2,406,283	7,710,115
Changes of items during the year								
Dividends of surplus						(1,045,000)	(1,045,000)	(1,045,000)
Accumulation of the retained earnings Reserve associated with dividends of Surplus				105,000		(105,000)	0	0
Net income						1,949,804	1,949,804	1,949,804
Net changes of items other than shareholders' equity during the year								
Total changes of items during the year	-	-	-	105,000	-	799,804	904,804	904,804
Balance at the end of the year	5,300,000	3,831	3,831	581,418	781,241	1,948,428	3,311,088	8,614,919

	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	49,426	16,840	66,266	7,776,382
Changes of items during the year				
Dividends of surplus				(1,045,000)
Accumulation of the retained earnings Reserve associated with dividends of Surplus				0
Net income				1,949,804
Net changes of items other than shareholders' equity during the year	(7,412)	41,023	33,611	33,611
Total changes of items during the year	(7,412)	41,023	33,611	938,415
Balance at the end of the year	42,014	57,863	99,878	8,714,797

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
 - Securities other than shares that do not have a 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.)
 - Shares that do not have a 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
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. Accounting policy for recognition of significant revenues and expenses The company principally sells equipment and provides related ancillary services. Depending upon the terms of contracts, revenue is recognized at the time of delivery or shipment, or upon the attainment of customer acceptance.
Revenue is recognized at the net amounts received from customers, offset with the commissions or other payments for the third parties, as the company acts as an intermediary or agent in ordinary business transactions.

5. Other important notes that are the basis for preparing financial statements

(1) 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.

(2) 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.

(3) Adoption of consolidated taxation system

The Company adopts a consolidated tax payment system as a consolidated subsidiary of Sumitomo Corporation, which is its parent company under the consolidated taxation system.

(4) Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system since the fiscal year ending March 31, 2023. Having regard to paragraph 3 of “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), however, the Company does not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system. “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the year ending March 31, 2023.

Notes to changes in accounting policies

(The application of accounting standards for revenue recognition)

The Company applies "Accounting Standards for Revenue Recognition"(ASBJ Statement No. 29, March 31, 2020) and related guidance (hereinafter referred to as "Revenue Recognition Accounting Standards") from the beginning of this fiscal year, and the revenue is recognized in the amounts expected to be received from the customer in exchange for promised goods or services at the timing when the control over the goods or services is transferred to the customers.

In the past, we have recognized the revenue related to some transactions on a gross basis. However, the Company changed the method to recognized the revenue and started to recognize the revenue on a net basis since we act as an agent to sell the goods or services.

Due to the application of Revenue Recognition Accounting Standards, "advance payment", disclosed as "current liability" on the balance sheet of the previous fiscal year, is disclosed as "contract liability" from this fiscal year. The application of the Revenue Recognition Accounting Standards is in accordance with the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standards.

As a result, "Sales" and "Cost of sales" on the statement of income for this fiscal year decreased by 67,913,063 thousand yen, compared to "Sales" and "Cost of sales" in the situation that the previous standards were applied. There was no impact on gross profit, operating income, ordinary profit, net income before income taxes on the statement of income, or the beginning balance of the retained earnings on the statement of changes in net assets.

In addition, as the Company acts as an agent under the Revenue Recognition Accounting Standards, "Inventories", disclosed in "Current assets" on the balance sheet of the previous fiscal year is disclosed as "Other current assets".

(The Application of Accounting Standard for Fair Value Measurement)

The Company applies "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and related guidance (hereinafter referred to as "Accounting Standards for Fair Value Measurement") from the beginning of this fiscal year, and prospectively applies the new accounting policies under Accounting Standards for Fair Value Measurement in accordance with the transitional provision set out in paragraph 19 of the ASBJ Statement No. 30 and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

There is no effect on the non-consolidated financial statements in this fiscal year.

Notes to the balance sheet

1. Accumulated depreciation of tangible fixed assets	507,955 thousand yen
2. Guarantee obligations	
A guarantee is provided for a subsidiary's debt obligations to a financial institution.	
SC Machinex Asia Ltd.	368,000 thousand yen
3. Monetary receivables and payables to subsidiaries and affiliates	
Short-term monetary receivables	799,330 thousand yen
Long-term monetary receivables	295,590 thousand yen
Short-term monetary payables	1,081,000 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, 2022)

Plan assets	52,532,951 thousand yen
Pension obligations under pension financial calculation	43,577,769 thousand yen
Balance	8,955,182 thousand yen

(2) Percentage of contributions paid by the Company under the scheme (as of March 31, 2022)

1.96%

Notes to the Statement of Income

1. Operating transactions with subsidiaries and affiliates	
Sales	2,318,623 thousand yen
Selling, general, and administrative expenses	606,767 thousand yen
2. Non-operating transactions with subsidiaries and affiliates	543,775 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 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
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 28, 2022 as follows:
	Dividends: ¥1,810,000,000
	Dividend per share: ¥905.00
	Date of right allotment: March 31, 2022
	Effective date: June 28, 2022
	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	6,154 thousand yen
Losses on valuation of inventories	34,915 thousand yen
Provision for bonuses	162,922 thousand yen
Business taxes payable	32,449 thousand yen
Asset retirement obligations	62,001 thousand yen
Loss on valuation of investment securities in subsidiaries and associates	43,613 thousand yen
Tax sales recognition	112,855 thousand yen
Depreciation	6,015 thousand yen
Other	18,458 thousand yen
Total deferred tax assets	<u>479,389 thousand yen</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(18,876) thousand yen
Deffered gains or losses on hedges	(25,996) thousand yen
Prepaid pension cost	(40,641) thousand yen
Asset retirement cost	(45,191) thousand yen
Total deferred tax liabilities	<u>(130,706) thousand yen</u>
Net deferred tax assets	348,683 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 relating to notes receivable-trade and Accounts receivable-trade to mitigate credit losses in accordance with its risk management rules.

Investment securities mainly consist of stocks, and the Company monitors the fair value of listed stocks 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 balance sheet amount, market value, and the differences between them as of March 31, 2022 are as follows. Shares that do not have a market value (balance sheet amount: investment securities of 118,850 thousand yen and Investment securities in subsidiaries and associates of 658,252 thousand yen) are not included in the following table.

In addition, notes are omitted for cash and deposits, Notes receivable-trade, Accounts receivable-trade, Electronically recorded monetary claims-operating, Accounts receivable-other, Notes payable-trade, Electronically recorded obligations-operating, Accounts payable-trade, Short-term loan payable, Accounts payable-other, and Deposits received because they are settled in a short period of time and their market value approximates the book value.

	¥ in thousands		
	Carrying amounts *	Fair value *	Differences
(1) Derivatives assets	149,378	149,378	-
(2) Investment securities			
Available-for-sale securities	114,441	114,441	-
(3) Lease and guarantee deposits	343,471	334,399	(9,071)
(4) Lease obligations	(502,222)	(423,802)	78,419
(5) Derivatives liabilities	(135,142)	(135,142)	-

* Liabilities are presented in parentheses.

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

(1) Derivatives assets and (5) Derivatives liabilities

The fair values of these items are estimated based on the market prices of similar contracts.

(2) Investment securities

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

(3) 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.

(4) 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.

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	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	2,195,578	Accounts receivable-trade	462,279
				Business outsourcing			
				Proxy sales of goods			
				Fund deposit	263,959	Accounts receivable-other	263,959
				Fund deposit	281,022	Short-term loan payable	420,146
			Interest income	28	Accounts receivable-other	-	
Affiliated company	SUMITOMO DEUTSCHLAND GMBH	-	Proxy purchase of goods	Payment of the proxy purchase considerations of goods	1,644,373	Accounts payable-trade	278,097
						Advance payments	289,004

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 ¥4,357.40
2. Net income per share ¥974.90

Significant subsequent events

Not applicable