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# INTERNET DISCLOSURE INFORMATION FOR THE NOTICE OF THE 76TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Consolidated Statement of Changes in Shareholders' Equity
Notes to Consolidated Financial Statements
Non-consolidated Statement of Changes in Shareholders' Equity
Notes to Non-consolidated Financial Statements
(From April 1, 2021 to March 31, 2022)

## Bunka Shutter Co., Ltd.

We inform shareholders of consolidated statement of changes in shareholders' equity, notes to consolidated financial statements, non-consolidated statement of changes in shareholders' equity, and notes to non-consolidated financial statements by posting them on the Company's official website under laws and Article 21 of the Articles of Incorporation.

# Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance on April 1, 2021 | 15,051 | 12,304 | 54,171 | (157) | 81,370 |
| Cumulative effects of changes in accounting policies | | | (6) | | (6) |
| Restated balance | 15,051 | 12,304 | 54,164 | (157) | 81,363 |
| Change during the fiscal year | | | | | |
| Dividend of surplus | | | (3,316) | | (3,316) |
| Profit (loss) attributable to owners of parent | | | 6,706 | | 6,706 |
| Acquisition of treasury shares | | | | (5,000) | (5,000) |
| Disposal of treasury shares | | 0 | | 0 | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 19 | | | 19 |
| Net changes other than shareholders' equity during the fiscal year | | | | | |
| Total change during the fiscal year | — | 19 | 3,390 | (5,000) | (1,590) |
| Balance on March 31, 2022 | 15,051 | 12,323 | 57,555 | (5,157) | 79,773 |

| | Other cumulative comprehensive income | | | | | Non-controlling interest | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Cumulative adjustments for retirement benefits | Total other cumulative comprehensive income | | |
| Balance on April 1, 2021 | 3,960 | (76) | (995) | 45 | 2,933 | 178 | 84,482 |
| Cumulative effects of changes in accounting policies | | | | | | | |
| Restated balance | 3,960 | (76) | (995) | 45 | 2,933 | 178 | 84,475 |
| Change during the fiscal year | | | | | | | |
| Dividend of surplus | | | | | | | (3,316) |
| Profit (loss) attributable to owners of parent | | | | | | | 6,706 |
| Acquisition of treasury shares | | | | | | | (5,000) |
| Disposal of treasury shares | | | | | | | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | 19 |
| Net changes other than shareholders' equity during the fiscal year | (985) | — | 479 | 152 | (352) | (20) | (373) |
| Total change during the fiscal year | (985) | — | 479 | 152 | (352) | (20) | (1,963) |
| Balance on March 31, 2022 | 2,975 | (76) | (515) | 197 | 2,580 | 158 | 82,512 |

**Notes to Consolidated Financial Statements**

**1. Significant matters constituting the basis for preparing consolidated financial statements**

(1) Matters related to scope of consolidation

1) Consolidated companies

Number of consolidated subsidiaries: 27

Principal consolidated subsidiaries: BX Shinsei Seiki Co., Ltd.
Bunka Shutter Services Co., Ltd.
BX Yutoriform Co., Ltd.
BX Tenpal Co., Ltd.
BX Nishiyama Tetsumou Co., Ltd.
BX BUNKA AUSTRALIA PTY LTD

2) Non-consolidated subsidiaries

Not applicable

(2) Matters related to application of the equity method

1) Non-consolidated subsidiaries to which the equity method was applied

Number of affiliates to which the equity method was applied: 2

Principal companies: FUJISASH CO., LTD.
EUROWINDOW, JSC.

2) Non-consolidated subsidiaries and affiliates to which the equity method was not applied

Principal companies: Bunka Shutter Akita Sales Co., Ltd.
Bunka Shutter Takaoka Sales Co., Ltd.

Reason why the equity method was not applied:
Two affiliates were excluded from the scope of consolidation because even the exclusion would have little effect on the consolidated financial statements and they were insignificant in view of profit (loss) (equity interest value) and retained earnings (equity interest value).

Matters regarding fiscal year: For companies to which the equity method was applied and whose balance sheet date differs from that of the Company, the non-consolidated financial statements for the fiscal year of such companies were used.

(3) Matters regarding the fiscal year for consolidated subsidiaries

December 31 of each year is the balance sheet date for BX BUNKA VIETNAM CO., LTD. and BX BUNKA AUSTRALIA PTY LTD, and five other companies, among consolidated subsidiaries, and STEEL-LINE GARAGE DOORS AUSTRALIA PTY LTD, a subsidiary of it, and BX SHINSEI VIETNAM Co., Ltd., so their financial statements on the balance sheet date are used for preparing consolidated financial statements. However, adjustments required for consolidation were made regarding significant transactions that occurred during the period until the consolidated balance sheet date.

The balance sheet date of other consolidated subsidiaries is identical to the consolidated balance sheet date.

(4) Matters related to accounting policies

1) Standards and methods for valuation of significant assets

A. Securities

* Available-for-sale securities

Securities other than stocks, etc. with no quoted market price

Stated at fair value (valuation difference is accounted for by using the direct net asset adjustment method, and cost of securities sold is calculated by the gross average method)

Stocks, etc. with no quoted market price

Stated at cost by using the gross average method

B. Inventories

Stated at cost (carrying amount is calculated by the book value write-down method due to a decline in profitability)

Finished goods and work in process

Stated mainly by using the gross average method

Raw materials

Stated mainly at the latest purchase price

Merchandise and supplies

Stated mainly by using the specific identification method

2) Methods for depreciation and amortization for significant depreciable and amortizable assets

A. Property, plant and equipment (except for lease assets and right-of-use assets)

The declining-balance method is used by the Company and its domestic consolidated subsidiaries, and the straight-line method is used by overseas consolidated subsidiaries. However, the straight-line method is used by the Company and its domestic consolidated subsidiaries for buildings (excluding building auxiliary equipment) acquired on or after April 1, 1998 and building auxiliary equipment and structures acquired on or after April 1, 2016.

Main useful lives are as follows.

| | |
|---|---|
| Buildings and structures | 3–65 years |
| Machinery, equipment and vehicles | 3–17 years |

Depreciable assets whose acquisition cost is 100,000 yen or more but less than 200,000 yen are depreciated by the straight-line method over three years.

B. Intangible assets (except for lease assets and right-of-use assets)

Intangible assets (except for lease assets and right-of-use assets) are amortized by using the straight-line method

Internal-use computer software is amortized by the straight-line method over an internal useful life (five years)

Customer-related assets and technology-related assets, etc. are amortized in accordance with their economic useful lives.

C. Lease assets

* Lease assets related to finance lease transactions with title transfer

Lease assets related to finance lease transactions with title transfer are depreciated by a depreciation method applied to non-current assets held by the Company

* Lease assets related to finance lease transactions without title transfer

Lease assets related to finance lease transactions without title transfer are depreciated to a residual value of zero by the straight-line method with the lease periods as their useful lives.

D. Right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of their useful life and the lease time.

3) Recognition standards for significant allowances and provisions

A. Allowance for doubtful accounts

To prepare for potential defaults on accounts receivable - trade and loans receivable, an allowance for doubtful accounts is recorded in the estimated amounts of unrecoverable receivables: i) in accordance with actual rates of bad debts incurred in the past for ordinary receivables; and ii) by estimating collectable amounts individually for specific receivables such as those feared to be defaulted on.

B. Provision for bonuses

To prepare for paying bonuses to employees, a provision for bonuses is recorded in an amount projected to be paid out.

C. Provision for bonuses for directors (and other officers)

To prepare for paying bonuses to directors (and other officers), a provision for bonuses for directors (and other officers) is recorded in an amount projected to be paid out.

D. Provision for loss on construction contracts

To prepare for loss on work sure to occur due to work completion, a provision for loss on construction contracts is recorded in a loss amount projected to be incurred for the next fiscal year onward on works whose work cost in excess of their order intake value has become able to be estimated reasonably, among works in progress at fiscal year end whose estimated work cost is highly likely to exceed their order intake value.

E. Provision for retirement benefits for directors (and other officers)

To prepare for paying retirement benefits to directors (and other officers), the Company and its consolidated subsidiaries recorded a provision for retirement benefits for directors (and other officers) in a total amount required to be paid out at the end of each fiscal year under their internal rules.

On June 29, 2006, when an ordinary general meeting was held, we abolished the directors' (and other officers') retirement benefits program and decided to pay any applicable amount of benefit corresponding to directors' and corporate auditors' past term of office to them when they retire. Therefore, no provision for directors' (and other officers') retirement benefits has since been recorded with such provision being reversed when they retire.

4) Accounting methods for retirement benefits

A. Method to attribute estimated retirement benefit to periods

In calculating retirement benefit obligations, a benefit calculation standard is used for attributing an estimated retirement benefit value to the period until the balance sheet date for the fiscal year under review.

B. Amortization methods for actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service years of employees when they occur.

Actuarial gains or losses are amortized in an amount prorated by the straight-line method over a fixed number of years (10 years) within the average remaining service years of employees when they occur in a fiscal year, starting from the fiscal year after the fiscal year in which they occur.

C. Accounting treatment of unrecognized actuarial gains and losses and unrecognized prior service costs

Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded after adjustment of tax effect as cumulative adjustments for retirement benefits under other cumulative comprehensive income in net assets.

D. Use of a simplified method for small enterprises

Certain consolidated subsidiaries use a simplified method which deems, as liability for retirement benefits, an amount required to be paid as retirement benefits if all employees retired voluntarily as of the balance sheet date for calculating liability for retirement benefits as well as retirement benefit expenses.

5) Recognition standard for significant revenues and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. For construction for which the progress rate in the fulfillment of performance obligations cannot be estimated reasonably, the cost recovery method is applied. In addition, for construction contracts with a short duration, revenue is recognized at the point when the performance obligations are completely fulfilled, instead of applying the cost recovery method.

The primary business activities of the Group are the manufacturing and sale of shutters for factories and warehouses, shutters for stores, etc. in the shutter business, of doors for commercial and residential buildings, partitions for schools, and doors and exteriors, etc. for construction-related materials business. With regard to the sales of these products, the Company recognizes revenue at the time of delivery of a product since it considers that the customer obtains control over the product and performance obligations are fulfilled at the time of delivery of the product. For revenue related to maintenance services, which mainly relate to the maintenance of merchandise and finished products, the Company has a performance obligation to provide maintenance services based on the contract with the customer. Said maintenance contracts stipulate a transaction for which performance obligation is fulfilled over a certain time and the revenue is recognized according to the degree of progress toward fulfillment of performance obligation. When the Group is involved in sales for merchandise as an agent, the revenue is recognized at the net amount.

Moreover, the revenue is measured at the amount of consideration promised in the contract with the customer after deduction of returned goods, trade discounts, and rebates.

The contracts do not contain a significant financing component as the consideration for transactions is received within one year after the performance obligation is fulfilled.

6) Standard for translating significant foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated monetary claims and liabilities are translated into Japanese yen at a spot exchange rate prevailing on the balance sheet date, and any foreign currency translation difference is accounted for as profit or loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at a spot exchange rate prevailing on the balance sheet date, and revenues and expenses are translated into Japanese yen at the average exchange rate for each fiscal year. Any foreign currency translation difference is accounted for under foreign currency translation adjustments under net assets.

7) Method of significant hedge accounting

A. Method of hedge accounting

Deferred hedge accounting is applied. The *furiate-shori* (designated exceptional hedge accounting under the Japanese GAAP) is applied to hedge a foreign exchange fluctuation risk that meets designated hedge accounting requirements.

B. Hedging instrument and hedged item

Hedging instrument and hedged item to which hedge accounting is applied are as follows.

Hedging instrument: Forward exchange contracts

Hedged item: Foreign currency-denominated trade payables due to the import of merchandise and foreign currency-denominated forecast transactions

C. Hedge policy

Hedging is carried out within a balance of foreign currency-denominated trade payables mainly for the purpose of avoiding foreign exchange fluctuation risk for import purchasing.

D. Method of assessing hedge effectiveness

The Company assesses hedge effectiveness by using a fluctuation rate as determined by comparing a cumulative hedged item's market fluctuation or cash flow fluctuation with a cumulative hedging instrument's market fluctuation or cash flow fluctuation.

8) Goodwill amortization method and amortization period

Goodwill is amortized by the straight-line method over a period during which the effect is reasonably estimated to be recognized.

## 2. Note on change in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, the following changes have been made regarding construction contracts. The Company had previously applied the percentage-of-completion method to the completed portion of construction contracts for which the outcome of the construction work was deemed certain, and the completed-contract method to the completed portion of other construction contracts. However, from the beginning of the fiscal year under review, the Company has changed to a method of recognizing revenue over a certain period of time as performance obligations are fulfilled. For construction for which the progress rate in the fulfillment of performance obligations cannot be estimated reasonably, the cost recovery method is applied. In addition, for construction contracts with a short duration, revenue is recognized at the point when the performance obligations are completely fulfilled, instead of applying the cost recovery method.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the fiscal year under review.

In addition, "notes and accounts receivable - trade" under "current assets" of the consolidated balance sheet as of the end of the previous fiscal year has been included in "notes and accounts receivable - trade, and contract assets" from the fiscal year under review, and "other" under "current liabilities" has been included in "contract liabilities" from the fiscal year under review.

As a result, compared with before the application of the Accounting Standards for Revenue Recognition, in the consolidated balance sheet for the fiscal year under review, "merchandise and finished goods" decreased by 6,129 million yen, “other” in current assets decreased 1,228 million yen, and “other” in current liabilities decreased 4,998 million yen, while “notes and accounts receivable - trade, and contract assets” increased 4,810 million yen and “contract liabilities” increased 2,450 million yen. In the consolidated statement of income for the fiscal year under review, net sales increased 7,358 million yen and cost of sales also increased 7358 million yen. The impact of this change on operating income, ordinary income, and income before income taxes was immaterial.

The impact of this change on per-share information was immaterial.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact of this change on the consolidated financial statements.

## 3. Note on accounting estimates

Shown below are items whose values were recognized in the consolidated financial statements for the fiscal year under review due to accounting estimates and which could potentially affect the consolidated financial statements for the next fiscal year.

(Valuation of goodwill)

The Company Group holds intangible assets such as goodwill and customer-related assets (“goodwill”). In valuing goodwill, signs of impairment of goodwill are identified in a broad consideration of the extent of achievement for a business plan at the time of acquisition, as well as of the likelihood of future business plan achievement. Thus, impairment losses could potentially be recognized if conditions and matters premised for valuation alter due to a marked change in the operating environment or due to revenue deterioration.

Goodwill ········ 4,021 million yen

Other intangible assets ········ 4,655 million yen

(Deferred tax assets)

The Company Group recognizes deferred tax assets for future deductible temporary differences judged to be recoverable from taxable income calculated based on a future business plan. Recoverability for deferred tax assets depends on future taxable income estimates. Any changes in conditions and matters premised for the estimates may decrease the future taxable income, and deferred tax assets could potentially decrease, causing tax expenses to be incurred.

Deferred tax assets ········ 6,033 million yen

## 4. Notes to consolidated balance sheet

(1) Accumulated depreciation and cumulative impairment losses of property, plant and equipment ········ 47,156 million yen

(2) Pledged assets

Collateral assets

| | |
|---|---|
| Buildings and structures | 176 million yen |
| Land | 408 million yen |
| Total | 585 million yen |

Obligations secured by collateral

Short-term loans payable ······ 460 million yen
Total ······ 460 million yen

(3) Discount of notes receivable - trade ······ 169 million yen

Discount of electronically recorded monetary claims - operating ······ 67 million yen

(4) Endorsed and transferred notes receivable - trade ······ 190 million yen

Transfer of electronically recorded monetary claims - operating ······ 229 million yen

**5. Notes to consolidated statement of income**

(1) Main breakdown of extraordinary income

Gain on sale of investment securities ······ 1,134 million yen

Gain on sale of non-current assets ······ 12 million yen

(2) Main breakdown of extraordinary loss

Loss on sale of investment securities ······ 35 million yen

Loss on retirement of non-current assets ······ 14 million yen

**6. Notes to consolidated statement of changes in shareholders' equity**

(1) Total number of shares outstanding on the balance sheet date for the fiscal year under review

Common stock ······ 72,196,000 shares

(2) Dividend of surplus paid during the fiscal year under review

1) The following were resolved by the 75th Ordinary General Meeting of Shareholders held on June 22, 2021.

Information on dividend for common stock

Total dividends ······ 1,972 million yen
Dividend per share ······ 27.50 yen
Record date ······ March 31, 2021
Effective date ······ June 23, 2021

2) The following were resolved by a Board of Directors meeting held on November 4, 2021.

Information on dividend for common stock

Total dividends ······ 1,343 million yen
Dividend per share ······ 20.00 yen
Record date ······ September 30, 2021
Effective date ······ December 1, 2021

(3) Dividend of surplus to be paid after the balance sheet date for the fiscal year under review

The following will be resolved by the 76th Ordinary General Meeting of Shareholders held on June 21, 2022.

Information on dividend for common stock

Source of dividend ...... Retained earnings
Total dividends ...... 1,343 million yen
Dividend per share ...... 20.00 yen
Record date ...... March 31, 2022
Effective date ...... June 22, 2022

## 7. Notes on financial instruments

(1) Conditions of financial instruments

1) Management policy for financial instruments

The Group obtains financing required in light of its business plan for engaging in the business of manufacturing and selling shutters and building materials. We obtain needed working capital through loans from financial institutions such as banks. We enter into derivative transactions to avoid the following risks and have a policy not to carry out any speculative transactions.

2) Financial instruments and risks

Trade receivables including notes and accounts receivable - trade and contract assets, and electronically recorded monetary claims - operating are exposed to customer's credit risk.

Investment securities are stocks of companies to which the Company has business relations and listed stocks are exposed to market price fluctuation risk.

Maturities of trade payables including notes and accounts payable - trade are mostly within four months.

Short-term loans payable is mainly for financing pertaining to the operating transactions, and long-term loans payable and lease liabilities related to finance lease transactions are mainly for financing pertaining to the facility investment. Convertible-bond-type bonds with share acquisition rights are for financing pertaining to the mergers and acquisitions funds. Security deposits received are deposits received from tenants for rental properties and security deposits provided for operating transactions. These are mostly with fixed interest rate, therefore, are not exposed to interest rate fluctuation risk.

The Company has entered into derivative transactions, which are foreign exchange forward contracts for hedging future fluctuation of foreign exchange rates of trade payables denominated in foreign currency. For hedging instrument and hedged item, hedge policy, and method of assessing hedge effectiveness, etc. related to hedge accounting, please refer to 1. Significant matters constituting the basis for preparing consolidated financial statements, (4) Matters related to accounting policies, 7) Method of significant hedge accounting above.

3) Financial instruments risk management

A. Credit risk (risk relating to breach of contract by business partner) management

The Group regularly monitors major business partners' status and performs due date and balance controls by business partner, and rapidly understands and mitigates the collectability issues due to deterioration of financial condition, etc. of trade receivables.

In utilizing derivative transactions, because the counterparties to the derivatives are limited to financial institutions with high credit ratings, the Company anticipates very little credit risk.

B. Market risk (foreign exchange or interest-rate fluctuation risk) management

To mitigate the interest payment rate fluctuation risk of loans payable, the Group mainly raises funds with fixed interest rate.

Regarding investment securities, the Group regularly monitors a stock price and an issuer's (business partner's) financial status, and continuously considers whether the Group holds the stock with taking into account market conditions and relations with business partners.

The respective department executed and managed derivative transactions in accordance with the transaction authority and the transaction limit by obtaining an in-charge approval.

C. Funding liquidity risk (risk of being unable to make payments on due date) management

The Group manages liquidity risk through the funds management plans, which are prepared and updated on a timely basis by a department in charge based on reports submitted by each business unit, as well as by maintaining sufficient liquidity on hand at all times.

4) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments is calculated based on a variable factor, and the fair value might differ if different assumptions are used.

(2) Information on fair values of financial instruments

Carrying amounts recorded on the consolidated balance sheet, fair values, and difference between them on March 31, 2022, are as follows. Note that stocks, etc. with no quoted market price are not included in investment securities. Since notes on cash are omitted and fair value for deposits, notes and accounts receivable - trade, and contract assets, electronically recorded monetary claims - operating, notes and accounts payable - trade, electronically recorded obligations - operating, short-term loans payable, etc. approximates to the carrying amount due to being settled within a short period of time, notes are omitted.

(Millions of yen)

| | Carrying amounts recorded on consolidated balance sheet | Fair value | Difference |
|---|---|---|---|
| Investment securities | | | |
| Available-for-sale securities | 7,483 | 7,483 | – |
| Investments in affiliates | 4,678 | 2,133 | (2,545) |
| Total assets | 12,161 | 9,616 | (2,545) |
| Convertible-bond-type bonds with share acquisition rights | 10,000 | 10,730 | 730 |
| Lease liabilities | 4,154 | 4,032 | (122) |
| Total liabilities | 14,154 | 14,762 | 607 |

Stocks with no quoted market price

(Millions of yen)

| Category | Carrying amounts recorded on consolidated balance sheet |
|---|---|
| Unlisted equity securities (Note) | 3,949 |

(Note) As unlisted equity securities have no market value, they are excluded from fair value presentation.

(3) Matters concerning fair value of financial instruments and breakdown by input level

Fair values of financial instruments are classified into the following three (3) levels depending on the observability and significance of the input used in the fair value calculation.

Level 1: Fair value calculated based on the (unadjusted) quoted price in an active market for the same asset or liability

Level 2: Fair value calculated based on directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value calculated based on significant unobservable inputs

If multiple inputs with a significant impact are used for the fair value calculation, the fair value of a financial instrument is classified to the lowest priority level of fair value calculation in which each input belongs.

1) Financial assets which are stated at fair value on the consolidated balance sheet

(Millions of yen)

| Category | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Available-for-sale securities | 7,483 | – | – | 7,483 |
| Total assets | 7,483 | – | – | 7,483 |

2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheet

(Millions of yen)

| Category | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Investments in affiliates | 2,133 | – | – | 2,133 |
| Total assets | 2,133 | – | – | 2,133 |
| Convertible-bond-type bonds with share acquisition rights | – | 10,730 | – | 10,730 |
| Lease liabilities | – | 4,032 | – | 4,032 |
| Total liabilities | – | 14,762 | – | 14,762 |

(Note) Description of the valuation techniques and inputs used in the fair value calculation

Assets

Investment securities

Fair value of listed stocks is based on the quoted price on the securities exchange. As listed stocks are traded on active markets, their fair value is classified as Level 1.

Liabilities

Convertible-bond-type bonds with share acquisition rights

The fair value of convertible-bond-type bonds with share acquisition rights is measured using the price provided by counterparty financial institutions and is classified as Level 2.

Lease liabilities

Fair value of lease liabilities is measured at present value determined by discounting total principal at a rate likely to apply if a comparable contract were entered into and is classified as Level 2.

## 8. Notes on revenue recognition

(1) Information on disaggregation of revenue

The Group is composed of four reported segments: Shutter Business; Construction-Related Materials Business; Service Business and Refurbishment Business. The operating results of these reported segments are regularly reviewed by the Company’s Board of Directors for making decisions about allocation of corporate resources and assessing their performance. Therefore, revenue recorded from these four businesses is presented as sales. The relationship between the disaggregated revenue and segment sales is as follows.

(Millions of yen)

| | Revenue from contracts with customers | Other revenue | Sales to external customers |
|---|---|---|---|
| Shutter Business | 70,019 | – | 70,019 |
| Construction-Related Materials Business | 74,874 | – | 74,874 |
| Service Business | 25,179 | – | 25,179 |
| Refurbishment Business | 5,733 | – | 5,733 |
| Reported segments total | 175,806 | – | 175,806 |
| Other (Note) | 6,506 | – | 6,506 |
| Total | 182,313 | – | 182,313 |

(Note) The category "Other" is an operating segment which is not included in the reported segments, and it includes water-sealing business, solar power system business, real estate leasing business, insurance agency business and architecture design business.

(2) Information that serves as a basis for understanding revenues

The Group has branches by area, makes an overall strategy by area of the products and services it handles and develops business activities. Shutter Business manufactures and sells shutters for factories and warehouses and shutters for stores. Construction-Related Materials Business manufactures and sells doors for commercial and residential buildings, partitions for schools and doors or exteriors for houses. Service Business provides maintenance and repair services for existing shutters and building materials. Refurbishment Business offers services of alteration to and/or extension of houses and replacement and repair of household equipment.

Timing of fulfillment of the performance obligations and transaction prices under contracts with customers, and circulation method of amounts allocated to the performance obligations are as stated in (4) Matters related to accounting policies, 5) Recognition standard for significant revenues and expenses.

(3) Information for understanding the amount of revenue of the fiscal year under review and the next fiscal year and beyond

A. Balance of contract assets and contract liabilities

The year-end balances of contract assets and contract liabilities arising from contracts with customers are as follows.

Contract assets (balance at beginning of period)······ 4,233 million yen

Contract assets (balance at end of period) ······ 4,810 million yen

Contract liabilities (balance at beginning of period) ······ 2,538 million yen

Contract liabilities (balance at end of period) ······ 3,152 million yen

On the consolidated balance sheet, contract assets are recorded under "notes and accounts receivable - trade, and contract assets." Contract liabilities constitutes the balance of unfulfilled performance obligations in the Company's construction contracts as of the end of the fiscal year.

B. Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations at the end of the fiscal year under review is 74,493 million yen, and the Group expects to recognize the revenue over periods of 1 to 3 years as performance obligations are fulfilled.

## 9. Notes on per-share information

(1) Net assets per share ······ 1,225.96 yen

(2) Profit (loss) per share ······ 97.97 yen

## 10. Other notes

Commitment line agreements

The Company entered into commitment line agreements with four trading banks on October 23, 2020 in order to obtain working capital efficiently.

Shown below is an unexecuted balance of loans under commitment line agreements at the end of the fiscal year under review.

| | |
|---|---|
| Total value of commitment line agreements | 7,000 million yen |
| Executed loan balance | – million yen |
| Difference | 7,000 million yen |

## Non-consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | | |
| | | | | | Other retained earnings | | | | | |
| | Share capital | Legal capital surplus | Other capital surplus | Total capital surplus | Reserve for tax-purpose reduction entry of land | General reserve | Retained earnings brought forward | Total retained earnings | Treasury shares | Total shareholders' equity |
| Balance on April 1, 2021 | 15,051 | 9,151 | 3,151 | 12,302 | 31 | 31,000 | 7,929 | 38,961 | (151) | 66,164 |
| Change during the fiscal year | | | | | | | | | | |
| Provision of general reserve | | | | | | 5,000 | (5,000) | – | | – |
| Dividends of surplus | | | | | | | (3,316) | (3,316) | | (3,316) |
| Profit (loss) | | | | | | | 5,865 | 5,865 | | 5,865 |
| Purchase of treasury shares | | | | | | | | | (5,000) | (5,000) |
| Disposal of treasury shares | | | 0 | 0 | | | | | 0 | 0 |
| Net changes in items other than shareholders' equity | | | | | | | | | | |
| Total change during the fiscal year | – | – | 0 | 0 | – | 5,000 | (2,451) | 2,548 | (5,000) | (2,451) |
| Balance on March 31, 2022 | 15,051 | 9,151 | 3,151 | 12,302 | 31 | 36,000 | 5,478 | 41,510 | (5,151) | 63,712 |

| | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance on April 1, 2021 | 3,648 | 3,648 | 69,812 |
| Change during the fiscal year | | | |
| Provision of general reserve | | | – |
| Dividends of surplus | | | (3,316) |
| Profit (loss) | | | 5,865 |
| Purchase of treasury shares | | | (5,000) |
| Disposal of treasury shares | | | 0 |
| Net changes in items other than shareholders' equity | (1,002) | (1,002) | (1,002) |
| Total change during the fiscal year | (1,002) | (1,002) | (3,453) |
| Balance on March 31, 2022 | 2,646 | 2,646 | 66,359 |

**Notes to Non-consolidated Financial Statements**

**1. Information on significant accounting policies**

(1) Standards and methods for valuation of assets

1) Investments in subsidiaries and affiliates Stated at cost by using the gross average method

2) Available-for-sale securities

* Securities other than stocks, etc. with no quoted market price:
Stated at fair value (valuation difference is accounted for by using the direct net asset adjustment method, and cost of securities sold is calculated by the gross average method)

* Stocks, etc. with no quoted market price:
Stated at cost by using the gross average method

3) Inventories

* Finished goods and work in process····· Stated at cost by using the gross average method (balance sheet values are calculated by the book value write-down method due to a decline in profitability)

* Merchandise and supplies················ Stated at cost by the specific identification method (balance sheet values are calculated by the book value write-down method due to a decline in profitability)

* Raw materials······························ Stated at the latest purchase prices (balance sheet values are calculated by the book value write-down method due to a decline in profitability)

(2) Methods for depreciation and amortization for non-current assets

1) Property, plant and equipment (except for lease assets) are depreciated by the declining-balance method.

However, the straight-line method is used for buildings (excluding building auxiliary equipment) acquired on or after April 1, 1998 and building auxiliary equipment and structures acquired on or after April 1, 2016.

Main useful lives are as follows.

Buildings 3–65 years
Machinery and equipment 3–17 years

Depreciable assets whose acquisition cost is 100,000 yen or more but less than 200,000 yen are depreciated by the straight-line method over three years.

2) Intangible assets (except for lease assets) are amortized by the straight-line method.

Internal-use computer software is amortized by the straight-line method over an internal useful life (five years)

3) Lease assets

* Lease assets related to finance lease transactions without title transfer

Lease assets related to finance lease transactions without title transfer are depreciated to a residual value of zero by the straight-line method with the lease periods as their useful lives.

(3) Standard for translating foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated monetary claims and liabilities are translated into Japanese yen at a spot exchange rate prevailing on the balance sheet date, and any foreign currency translation difference is accounted for as profit or loss.

(4) Recognition standards for allowances and provisions

1) Allowance for doubtful accounts ······ To prepare for potential defaults on accounts receivable - trade and loans receivable, an allowance for doubtful accounts is recorded in the estimated amounts of unrecoverable receivables: i) in accordance with actual rates of bad debts incurred in the past for ordinary receivables; and ii) by estimating collectable amounts individually for specific receivables such as those feared to be defaulted on.

2) Provision for loss on investments ······ To prepare for potential loss on investments in subsidiaries and affiliates, we record a provision for loss on investments in consideration of their assets.

3) Provision for bonuses ··················· To prepare for paying bonuses to employees, a provision for bonuses is recorded in an amount projected to be paid out.

4) Provision for bonuses for directors (and other officers)

To prepare for paying bonuses to directors (and other officers), a provision for bonuses for directors (and other officers) is recorded in an amount likely to be paid out.

5) Provision for loss on construction contracts

To prepare for loss on work sure to occur due to work completion, a provision for loss on construction contracts is recorded in a loss amount likely to be incurred for the next fiscal year onward on works whose work cost in excess of their order intake value has become able to be estimated reasonably, among works in progress at fiscal year end whose estimated work cost is highly likely to exceed their order intake value.

6) Provision for retirement benefits ······ To prepare for paying retirement benefits to employees, we record a provision for retirement benefits in accordance with estimated retirement benefit obligations and defined benefit plans at the end of the fiscal year under review.

A. Method to attribute estimated retirement benefit to periods

In calculating retirement benefit obligations, a benefit calculation standard is used for attributing an estimated retirement benefit value to the period until the balance sheet date for the fiscal year under review.

B. Amortization methods for actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service years of employees when they occur.

Actuarial gains or losses are amortized in an amount prorated by the straight-line method over a fixed number of years (10 years) within the average remaining service years of employees when they occur in a fiscal year, starting from the fiscal year after the fiscal year in which they occur.

7) Provision for loss on business of subsidiaries and associates

The Company provides provision for loss on business of subsidiaries and associates based on the estimated amount of loss to be borne by the Company in excess of the investments made to those subsidiaries and associates.

(5) Recognition standard for revenues and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. For construction for which the progress rate in the fulfillment of performance obligations cannot be estimated reasonably, the cost recovery method is applied. In addition, for construction contracts with a short duration, revenue is recognized at the point when the performance obligations are completely fulfilled, instead of applying the cost recovery method.

The primary business activities of the Company are the manufacturing and sale of shutters for factories and warehouses, shutters for stores, etc. in the shutter business, of doors for commercial and residential buildings, partitions for schools, and doors and exteriors, etc. for construction-related materials business. With regard to the sales of these products, the Company recognizes revenue at the time of delivery of a product since it considers that the customer obtains control over the product and performance obligations are fulfilled at the time of delivery of the product. For revenue related to maintenance services, which mainly relate to the maintenance of merchandise and finished products, the Company has a performance obligation to provide maintenance services based on the contract with the customer. Said maintenance contracts stipulate a transaction for which performance obligation is fulfilled over a certain time and the revenue is recognized according to the degree of progress toward fulfillment of performance obligation.

Moreover, the revenue is measured at the amount of consideration promised in the contract with the customer after deduction of returned goods, trade discounts, and rebates.

The contracts do not contain a significant financing component as the consideration for transactions is received within one year after the performance obligation is fulfilled.

## 2. Note on change in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, the following changes have been made regarding construction contracts. The Company had previously applied the percentage-of-completion method to the completed portion of construction contracts for which the outcome of the construction work was deemed certain, and the completed-contract method to the completed portion of other construction contracts. However, from the beginning of the fiscal year under review, the Company has changed to a method of recognizing revenue over a certain period of time as performance obligations are fulfilled. For construction for which the progress rate in the fulfillment of performance obligations cannot be estimated reasonably, the cost recovery method is applied. In addition, for construction contracts with a short duration, revenue is recognized at the point when the performance obligations are completely fulfilled, instead of applying the cost recovery method.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, but there is no effect on the opening balance of retained earnings of the fiscal year under review. However, the new accounting policy has not been applied retrospectively to contracts in which almost all of the revenue has been recognized before the beginning of the current fiscal year in accordance with the previous treatment by applying the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition.

In addition, "notes and accounts receivable - trade" under "current assets" of the non-consolidated balance sheet as of the end of the previous fiscal year has been included in "notes receivable - trade," "accounts receivable - trade," and "contract assets" from the fiscal year under review, and "advances received" under "current liabilities" has been included in "contract liabilities" from the fiscal year under review.

As a result, compared with before the application of the Accounting Standards for Revenue Recognition, in the non-consolidated balance sheet for the fiscal year under review, "merchandise and finished goods" decreased by 6,129 million yen, "advanced payments to suppliers" decreased 1,228 million yen, and "advances received" decreased 4,998 million yen, while "contract assets" increased 4,810 million yen and "contract liabilities" increased 2,450 million yen. In the non-consolidated statement of income for the fiscal year under review, net sales increased 7,358 million yen and cost of sales also increased 7,358 million yen. The impact of this change on operating income, ordinary income, and income before income taxes was immaterial.

In addition, the impact of this change on per-share information was immaterial.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact of this change on the non-consolidated financial statements.

## 3. Note on accounting estimates

Shown below are items whose values were recognized in the non-consolidated financial statements for the fiscal year under review due to accounting estimates and which could potentially affect the non-consolidated financial statements for the next fiscal year.

(Deferred tax assets)

The Company recognizes deferred tax assets for future deductible temporary difference judged to be recoverable from taxable income calculated based on a future business plan. Recoverability for deferred tax assets depends on future taxable income estimates. Any changes in conditions and matters premised for the estimates may decrease the future taxable income, and deferred tax assets could potentially decrease, causing tax expenses to be incurred.

Deferred tax assets ······ 3,697 million yen

## 4. Notes to non-consolidated balance sheet

(1) Pledged assets

| | | |
|---|---|---|
| Collateral assets and their values | | |
| | Buildings | 175 million yen |
| | Structures | 0 million yen |
| | Land | 408 million yen |
| | Total | 585 million yen |
| Obligations secured by collateral | | |
| | Short-term loans payable | 460 million yen |
| | Total | 460 million yen |

(2) Accumulated depreciation and cumulative impairment losses of property, plant and equipment ······ 29,782 million yen

(3) Receivables from subsidiaries and associates and payables to subsidiaries and associates

| | |
|---|---|
| Short-term monetary claims | 3,075 million yen |
| Long-term monetary claims | 6,549 million yen |
| Short-term liabilities | 4,930 million yen |
| Long-term liabilities | 44 million yen |

## 5. Notes to statement of income

Transactions with subsidiaries and associates and certain others

Operating transactions

| | |
|---|---|
| Net sales | 9,060 million yen |
| Purchases | 21,932 million yen |
| Non-operating transactions | 2,149 million yen |

## 6. Notes to non-consolidated statement of changes in shareholders' equity

Matters related to class of treasury stock and the number of shares of treasury stock

| Class of stock | Beginning number of shares for the fiscal year under review | Increase in number of shares for the fiscal year under review | Decrease in number of shares for the fiscal year under review | Ending number of shares for the fiscal year under review |
|---|---|---|---|---|
| Common stock | 480 thousand shares | 4,518 thousand shares | 0 thousand shares | 4,998 thousand shares |

Notes: 1. The increase of 4,518 thousand treasury shares of common stocks is due to the purchase of treasury shares based on the resolution of the Board of Directors of 4,518 thousand shares and the purchase of shares less than one share unit of 0 thousand shares.

2. The decrease of 0 thousand treasury shares of common stocks is due to the sale of shares less than one share unit.

## 7. Notes on tax effect accounting

Breakdown of deferred tax assets and deferred tax liabilities by main cause of occurrence

Deferred tax assets

| | |
|---|---|
| Provision for retirement benefits | 3,978 million yen |
| Provision for bonuses | 686 million yen |
| Loss on valuation of investment securities | 597 million yen |
| Allowance for doubtful accounts | 339 million yen |
| Accrued enterprise tax | 79 million yen |
| Valuation difference on available-for-sale securities | 60 million yen |
| Impairment losses | 56 million yen |
| Provision for loss on business of subsidiaries and associates | 54 million yen |
| Provision for loss on investments | 36 million yen |
| Other | 313 million yen |
| Subtotal of deferred tax assets | 6,202 million yen |
| Valuation allowance | (1,247) million yen |
| Total deferred tax assets | 4,955 million yen |

Deferred tax liabilities

| | |
|---|---|
| Valuation difference on available-for-sale securities | (885) million yen |
| Prepaid pension costs | (353) million yen |
| Reserve for tax-purpose reduction entry of land | (13) million yen |
| Other | (4) million yen |
| Total deferred tax liabilities | (1,258) million yen |
| Deferred tax assets, net | 3,697 million yen |

## 8. Notes on transactions with interested parties

Subsidiaries and affiliates

(Millions of yen)

| Category | Company name | Ratio of voting rights held | Relationship with interested parties | Transaction description | Transaction value | Account | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Subsidiary | BX Bunka Panel Co., Ltd. | Ownership Direct 100.0% | Purchase of finished goods from BX Bunka Panel Co., Ltd. | Purchase of finished goods from BX Bunka Panel Co., Ltd. (Note 1) | 5,024 | Notes payable - trade<br>Accounts payable - trade | 947<br>648 |
| Subsidiary | BX Tetsuya Co., Ltd. | Ownership Direct 100.0% | Fund assistance | Fund recovery<br>Receive interest (Note 2) | 58<br>16 | Short-term loans receivable<br>Long-term loans receivable (Note 3) | 60<br>1,545 |
| Subsidiary | BX BUNKA VIETNAM Co., Ltd. | Ownership Direct 100.0% | Fund assistance | Fund recovery<br>Receive interest (Note 4) | 2<br>11 | Short-term loans receivable<br>Long-term loans receivable (Note 5)<br>Other current assets | 16<br>1,336<br>0 |
| Subsidiary | STEEL–LINE GARAGE DOORS AUSTRALIA PTY LTD | Ownership Indirect 100.0% | Fund assistance | Lending of fund (Note 6)<br>Fund recovery<br>Receive interest (Note 6) | 333<br>344<br>54 | Short-term loans receivable<br>Long-term loans receivable<br>Other current assets | 418<br>2,715<br>1 |
| Affiliate | FUJISASH CO., LTD. | Ownership Direct 23.5% | Sales of finished goods from the Company | Sales of finished goods from the Company (Note 7) | 1,489 | Accounts receivable - trade<br>Notes receivable - trade<br>Contract assets | 381<br>0<br>151 |

Consumption taxes are not included in the transaction values, among numbers shown above. Consumption taxes are included in balance at end of period.

Terms and conditions of transaction and policy on deciding them

Notes:
1. We decide to purchase finished goods from BX Bunka Panel Co., Ltd. under terms and conditions identical to ones for ordinary transactions.
2. We decide to lend money to BX Tetsuya Co., Ltd. in consideration of market interest rates. No security is pledged with the Company.
3. For the loans receivable from BX Tetsuya Co., Ltd., we recorded 62 million yen in allowance for doubtful accounts. For the fiscal year under review, we recorded 13 million yen in provision of allowance for doubtful accounts.
4. We decide to lend money to BX BUNKA VIETNAM CO., LTD in consideration of market interest rates. No security is pledged with the Company.
5. For the loans receivable from BX BUNKA VIETNAM CO., LTD, we recorded 828 million yen in allowance for doubtful accounts. For the fiscal year under review, we recorded 131 million yen in provision of allowance for

doubtful accounts.

6. We decide to lend money to STEEL-LINE GARAGE DOORS AUSTRALIA PTY LTD in consideration of market interest rates. No security is pledged with the Company.
7. We decide to sell our finished goods under terms and conditions identical to ones for ordinary transactions.

**9. Notes on revenue recognition**

As the information for understanding revenue from contracts with customers is the same as the description in "Notes on revenue recognition" in the Notes to Consolidated Financial Statements, this information has been omitted.

**10. Notes on per-share information**

(1) Net assets per share ········ 987.52 yen

(2) Profit (loss) per share ········ 85.64 yen

**11. Other notes**

Commitment line agreements

The Company entered into commitment line agreements with four trading banks on October 23, 2020 in order to obtain working capital efficiently.

Shown below is an unexecuted balance of loans under commitment line agreements at the end of the fiscal year under review

| | |
|---|---|
| Total value of commitment line agreements | 7,000 million yen |
| Executed loan balance | – million yen |
| Difference | 7,000 million yen |