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MATTERS SUBJECT TO MEASURES FOR ELECTRONIC PROVISION

FOR THE NOTICE OF THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(MATTERS EXCLUDED FROM THE DELIVERED PAPER-BASED DOCUMENTS)

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(From April 1, 2022 to March 31, 2023)

Bunka Shutter Co., Ltd.

In accordance with the provisions of laws and regulations and Article 21 of the Company's Articles of Incorporation, the above items are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents. Note that, for this ordinary general meeting of shareholders, paper-based documents stating items for which measures for provision in electronic format are to be taken, excluding the above items, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

System to ensure the properness of operations

An outline of the content of the decisions regarding the system to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation and any other system to ensure the properness of the Company's business is as follows.

1) System to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries (hereinafter referred to as the "Group") complies with laws and regulations and the Articles of Incorporation

   A. The Company has established a code of conduct for officers and employees of the Group under the Bunka Shutter Group CSR Charter to ensure that the execution by Directors and employees complies with laws and regulations and the Articles of Incorporation.

   B. The Company's Audit and Supervisory Committee shall conduct audits, etc. of the execution of duties by Directors from the perspectives of legality and properness, including the status of development and operation of the internal control system from an independent standpoint.

   C. The Company's Internal Audit Department shall conduct audits of each department, including subsidiaries, in accordance with the Internal Audit Regulations and other regulations, in cooperation with the Audit and Supervisory Committee, etc.

   D. Based on the Financial Instruments and Exchange Act and related laws and regulations, the Company shall establish a system to respond to internal control over financial reporting and shall continue to develop the system in all of its operations.

   E. For the purpose of prevention, early detection, and early resolution of problems, the Company has established an external whistleblower hotline in accordance with the Whistleblower Protection Regulations and has developed a system to receive reports from all employees of the Group.

   F. In accordance with the Bunka Shutter Group CSR Action Guidelines, the Company shall not have any relationship with antisocial forces or groups that threaten the order and safety of civil society and shall work closely with lawyers, the police, and others to deal with unreasonable demands, etc. in a resolute manner.

   G. Going forward, the Company shall continue to develop compliance and risk management systems as appropriate.

2) System for retaining and managing information regarding the execution of duties by Directors of the Group

   Directors shall appropriately store and manage the minutes of the Board of Directors and other important meetings, internally approved documents, and other information pertaining to the execution of duties (including electromagnetic information) in accordance with laws and regulations, the Articles of Incorporation, and internal regulations such as the Regulations of the Board of Directors and the Document Management Regulations.

3) Regulations and other systems for the management of risk of loss of the Group

   A. With regard to the management of information, internal information, etc. (including electromagnetic information) shall be appropriately managed in accordance with internal regulations such as the Internal Information Management Regulations.

   B. In order to respond promptly to customer inquiries about products, the Company has established a system that clarifies internal rules and other rules, introduces a product history management system, and otherwise establishes a customer service office. The Company shall continue to develop this system in the future.

C. Responsibility for duties and authority are defined for Directors based on the resolution of the Board of Directors, and for employees based on internal regulations such as the Division of Duties Regulations, clarifying where responsibility lies. At the same time, The Company shall strengthen the compliance system and risk management system through company-wide education and enlightenment centered on the department in charge of CSR and other measures.

D. The Company has established the Management Crisis Response Regulations regarding the measures to be taken in the event of a crisis that could have an impact on the Group's management in preparation for the event of emergencies and shall continue to review them as necessary.

4) System to ensure the efficient execution of duties by the Group's Directors

A. Directors shall decide on management execution policies, including medium- and long-term management plans, as well as important management matters, such as matters stipulated by laws and regulations, and supervise the status of the execution of business by employees.

B. Duties, etc. each Director is responsible for are determined by resolution of the Board of Directors, and the authority is distributed to each duty a Director is responsible for.

C. In accordance with the Division of Duties Regulations and other regulations, the Company allocates roles and authority to each department and position, and at the same time, the approval authority of Directors and employees is clearly defined in the Internal Approval Regulations and other regulations.

5) System for reporting to the Company on matters pertaining to the execution of duties by directors of subsidiaries

A. Each subsidiary shall regularly report to the Company on the progress of its business, the state of its assets, and other important matters in accordance with the provisions of the Subsidiary Management Regulations and other regulations.

B. Officers and employees of subsidiaries shall promptly report and provide necessary information when requested to do so by the Company's Audit and Supervisory Committee.

6) System concerning employees to assist duties of the Audit and Supervisory Committee when such Committee requests to have such employees assigned

A. If the Audit and Supervisory Committee requests that employees be assigned to assist with its duties, the employees of the Company shall be appointed.

B. With regard to important matters, the Internal Audit Department, etc. shall, as appropriate, establish a subsidy system for the Audit and Supervisory Committee.

7) Matters concerning the independence of the employees set forth in the preceding item from Directors

In order to ensure the independence of the employees set forth in the preceding item, the consent of the Audit and Supervisory Committee shall be required for appointment, dismissal, and personnel changes.

8) Systems for reporting to the Audit and Supervisory Committee by the Group's Directors and employees and other systems for reporting to the Audit and Supervisory Committee

A. Directors shall report to the Audit and Supervisory Committee any matter resolved by the Board of Directors, which is the decision-making body for business execution, and any matter that may violate laws and regulations or the Articles of Incorporation, and any fact they find that may cause serious damage to the Company.

In addition, Directors who concurrently serve as Audit and Supervisory Committee Members may when deemed necessary, attend important internal meetings and express their opinions.

B. An employee shall report to the Audit and Supervisory Committee any matter that is an act outside the scope of the Company's purpose or any other matter that may violate laws and regulations or the Articles of Incorporation and any fact that an employee finds that may cause significant damage to the Company.

C. In the event that the whistleblower hotline (outside the Company) receives a report from an officer or employee of the Group in accordance with the Whistleblower Protection Regulations, the whistleblower hotline shall report to the department responsible for whistleblowers of the Company, and the department responsible for whistleblowers of the Company shall report the status, etc. of whistleblowing to the Audit and Supervisory Committee.

D. The Group shall prohibit those who have made the above reports from being treated disadvantageously on the grounds that they have made such reports.

9) Matters concerning the procedures for advance payment or reimbursement of expenses arising from the execution of duties by Directors who concurrently serve as Audit and Supervisory Committee Members and other policies concerning the treatment of expenses or liabilities arising from the execution of such duties

If a Director who concurrently serves as an Audit and Supervisory Committee Member requests advance payment of expenses, etc. for the execution of his/her duties, such request shall be accepted, except in cases where it has been proven that the expenses or liabilities for such request are not necessary for the execution of the duties of the Director who concurrently serves as an Audit and Supervisory Committee Member.

10) Other systems to ensure effective audits by the Audit and Supervisory Committee

A. The Audit and Supervisory Committee may if it finds it necessary for the execution of its duties, request reports from Directors, employees, and the financial auditor.

B. The Audit and Supervisory Committee shall regularly exchange information and opinions with the Representative Directors, Executive Directors, etc.

C. The Audit and Supervisory Committee shall exchange information and opinions with the Internal Audit Department and the financial auditor from time to time.

D. A system shall be established in which the Audit and Supervisory Committee can access the minutes of important meetings, including the Board of Directors and the internally approved documents, etc.

Overview of operational status of the system to ensure the properness of operations

An overview of the operational status of the system for ensuring the properness of the Company’s operations during the fiscal year is as follows.

1) Initiatives to ensure compliance

The Company has established the Bunka Shutter Group CSR Charter and others to strengthen the compliance system and prevent illegal acts, and has established a whistleblower hotline at an external lawyer’s office in accordance with the Whistleblower Protection Regulations as a measure aimed at early detection, correction, and recurrence prevention of illegal acts.

In addition, the Company regularly provides compliance education to all officers and employees mainly on various laws and regulations and others related to the Group’s business activities and strives to have them acquire knowledge of laws and regulations and raise awareness of compliance.

2) Efforts to ensure appropriateness and efficiency in the execution of duties

The Company has adopted an operating officer system in order to separate management supervision from business execution, and at the same time, the duties each Director is responsible for are determined by resolution of the Board of Directors and the distribution of roles and authority is clarified.

In the fiscal year under review, the Board of Directors met eight times to discuss and make decisions on important matters based on the opinions, etc. of Outside Directors.

3) Initiatives for the management of risk of loss

In accordance with the provisions of the Management Crisis Response Regulations, the Company has established a system to deal with crises that could have an impact on the Group’s management. During the fiscal year, there were no incidents that would require the establishment of a management crisis task force headed by the President in accordance with the said regulations.

In addition, the Company has established internal regulations related to product warranties in order to promptly respond to accidents caused by product troubles and complaints from customers. The Company has also established a customer service office, which reflects information received from customers in its business activities. The customer service office regularly communicates the information throughout the Company and strives to share the information.

With regard to information management, in accordance with the provisions of the Internal Information Management Regulations, the Information Security Policy, and other regulations, the Company appropriately manages information prior to disclosure and for internal use only. In addition, the Company has established the Specific Personal Information Protection Regulations for the My Number System to ensure the proper management of information on customers and business partners.

4) Initiatives to establish a group governance system

In accordance with the provisions of the Subsidiary Management Regulations and other regulations, each subsidiary regularly reports the progress of its business, the status of its assets, and other important matters to the Director in charge and the department in charge.

In addition, the Company’s Audit and Supervisory Committee and the Internal Audit Department conduct appropriate audits through on-site visits of subsidiaries.

5) Initiatives to ensure effective audits by the Audit and Supervisory Committee

The Company’s Audit and Supervisory Committee consists of five members, including four Outside

Directors. During the fiscal year under review, the Audit and Supervisory Committee held nine meetings and three meetings with the Representative Directors, and all Directors who concurrently serve as Audit and Supervisory Committee Members attended the meetings.

In addition, Directors who concurrently serve as full-time Audit and Supervisory Committee Members attend the Board of Directors meetings, as well as the Meetings of Managing Operating Officers and other important meetings, and if necessary, express their opinions and audit the execution of business by Directors through on-site visits of each department and subsidiary (including remote audits to prevent the spread of COVID-19 and other audits).

Basic policy on company control

1) Basic policy on persons who control decisions concerning financial and business policies of the Company

As a listed company, the Company recognizes the right of shareholders and investors to purchase its shares freely. The Company believes that whether or not to accept a proposal for a large-scale purchase of shares should be based on the will of shareholders, who hold shares of the Company.

However, many large-scale purchases are potentially detrimental to both corporate value and the common interests of shareholders in light of the purpose or manner thereof. Examples of abusive purchases include cases where the shares are purchased without the consent of the company concerned or in a coercive manner that effectively nullifies consent. There are also cases where shareholders are effectively coerced into selling their shares. Furthermore, some large-scale purchases do not provide sufficient information or time for the company's board of directors and shareholders to review the terms of the purchase proposal, etc., or for the board of directors to make an alternative proposal.

The Company believes that persons who control decisions on the Company's financial and business policies should be those who fully understand the various sources of the Company's corporate value, build relationships of trust with the stakeholders who support the Company, and ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders on a sustainable and long-term basis. The Company believes that persons who conduct inappropriate large-scale purchases or similar acts that may damage the corporate value of the Company and, in turn, the common interests of its shareholders are not appropriate as persons who control decisions on the Company's financial and business policies.

Therefore, from the viewpoint of ensuring and enhancing our corporate value and the common interests of our shareholders, in the event of the emergence of persons who intend to conduct large-scale purchases of our shares, we will request necessary and sufficient information for the shareholders to make an appropriate judgment as to whether such purchases are appropriate or not. In addition, the Board of Directors will disclose its opinion, respecting the opinions of independent Outside Directors, and endeavor to secure the information and time necessary for shareholders to consider the matter, and will strive to ensure the corporate value of the Company and the common interests of shareholders by promptly taking appropriate measures from time to time within the scope permitted by the Financial Instruments and Exchange Law, the Companies Act, and other relevant laws and regulations.

2) Special measures to help achieve the Basic Policy

Since its foundation in 1955, the Group has manufactured, sold, and installed shutters, doors, and other building materials for homes and other buildings in accordance with its corporate motto and management philosophy, which are stated below, with the aim of delivering to its customers "safety," "security," and "comfortable environments." In addition to delivering "safety," "security," and "comfortable environments," we also aim to contribute to the development of society through diverse manufacturing and service provision that is people-friendly, society-friendly, and eco-friendly. Moreover, we consider ourselves duty-bound to contribute to people's happiness and well-being, and provide customers with products and services in such a way as to achieve this objective. In this way, we endeavor to make sustainable and long-term improvements in our corporate value and the common interests of shareholders.

Corporate motto

Honesty: Honesty refers to heart-to-heart connections. Earnest, heartfelt connections generate trust.

Hard work: Hard work is the ability to sustain acts of creation.

Service: Service is a voluntary act that helps customers and society.

Management philosophy

We will always act in the interests of our customers.

We will contribute to the development of society by providing outstanding products.

We will strive to move ever forward enterprisingly and harmoniously

Since its foundation, the Group has drawn on its creative idea and product development expertise to release a succession of industry-leading products and services, leading to the formation of an artisanal culture. This artisanal culture is a source of our corporate value alongside our other tangible and intangible corporate resources, which include human resources. Our corporate value is also grounded in the Company's relationship with its many stakeholders, including shareholders, customers, business partners, employees, and members of local communities.

To enhance its corporate value and ensure the common interests of its shareholders, and thus attract long-term and continuous investments from shareholders and investors, the Company has formulated the following special measures to help achieve its Basic Policy set forth in the above 1).

These measures are aimed at further strengthening the relationship of trust with shareholders and other stakeholders, and sustainably improving the corporate value.

The Company has formulated these measures with a full understanding of the sources of its corporate value as described above, and it has fully reviewed them to ensure that they lead to sustainable and long-term improvements in the Company's corporate value and the common interests of shareholders. As such, these measures are in accordance with the Basic Policy set forth in 1) above, are not detrimental to the common interests of shareholders, and are not to perpetuate the position of the Company's executive officers.

(i) Implementation of the Medium-Term Management Plan

The Group is currently implementing a three-year Medium-Term Management Plan from fiscal year 2021 through fiscal year 2023. This Medium-Term Management Plan has the underlying basic theme of "Open The Way To The Future — To Be A Comfortable Environment Solution Group" to independently respond to the rapidly changing social environment and strive to develop the business in a future-oriented way.

During the fiscal year 2021, which is the first year of the new plan, we have worked to expand orders and sales of the shutter and door businesses that are the Mainstay Business under the basic policy of "implementing thorough PDCA practices aimed at improving productivity." Meanwhile, we have also further strengthened the Focused Business including ecology/disaster prevention business, long-life business, overseas business, maintenance business, etc., that will be responsible for the future development of the Group, as well as implementing production line automation and manpower saving based on DX (digital transformation), digitization of business processes and other work style reforms according to changes in the social environment. We have also strengthened design and construction capabilities, maximized group synergies in Japan and overseas, and implemented other measures.

In the fiscal year 2022, under the policy of "Speed Action = Toward a Responsive Organization: From 'Individual Strengths' to 'Team Strengths'," in addition to the initiatives from the previous fiscal year, the Company created "customer satisfaction = excitement beyond customer expectations" through speedy response, improved the "BX brand" and "corporate value," and achieved profit growth that exceeds sales growth. The Company did our utmost to achieve our goals by enhancing collaboration among our "individual strengths" and mobilizing and demonstrating our "team power."

In the fiscal year 2023, the final fiscal year of this Medium-Term Management Plan, the Company will work as a whole to rapidly respond to changes in society and ensure that we achieve "profit growth that exceeds sales growth," without fail, by quickly putting "more concrete measures and more concrete actions" into practice, in order to become an excellent company that continues to grow and develop in a sustainable manner.

(ii) Advancing corporate governance

The Group believes that swift and appropriate business decisions are essential to enhance competitiveness amid the harsh business climate. The Company also considers it essential in the interests of management transparency to ensure that its oversight functions are rigorous and fair. Accordingly, the Company undertakes to improve its systems and disclosure of information in a precise and detailed manner to ensure thoroughgoing corporate governance.

Looking at our management structure, we shifted to a company with an audit and supervisory committee from a company with a board of corporate auditors in June 2017. The Company will ensure further compliance and transparency by developing a system that allows the Audit and Supervisory Committee, which consists of five (5) members who are Directors who concurrently serve as Audit and Supervisory Committee Members with voting rights in the Board of Directors, to audit and supervise the execution of duties of Directors.

In addition, at a meeting of the Board of Directors held on August 31, 2021, the Company resolved to establish the Nomination/Remuneration Committee as a voluntary advisory body to the Board of Directors on the same date, in order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions related to the appointment/dismissal of Directors, etc., and the determination of their remuneration, etc.

With regard to the internal control system, in line with the Basic Policy on the Internal Control System, the Company is making efforts to ensure that all executives and employees throughout the Group are able to carry out all their duties efficiently and fairly, in compliance with laws and regulations, and in a manner that preserves assets.

The Group believes that fulfilling corporate social responsibility is essential for the sustainable improvement of corporate value. In accordance with the Group's "CSR Charter" "CSR Action Guidelines," the Group places emphasis on business activities based on the viewpoint of ESG (Environment, Society and Governance), an important theme for corporate development. The Group seeks customer satisfaction by all employees, ensure honest corporate management by deployment of a corporate compliance system across the Group, promote decarbonization and reduce environmental impact, such as responding to climate change risks. The Group will strive to innovate the way we work to ensure that all our employees are engaged in their work with great value, and also strengthen our efforts to promote sustainable development goals (SDGs), the common global goals. The Group will strengthen our Group's efforts to enhance corporate value and develop a sustainable society.

* Abolition of "the Plan regarding Large-scale Purchases of the Company's shares (takeover defense measures)" (measures set forth in Article 118, item (iii), (b) of the Ordinance for Enforcement of the Companies Act) was resolved by the Board of Directors meeting held on May 12, 2022.

Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance on April 1, 2022	15,051	12,323	57,555	(5,157)	79,773
Change during the fiscal year					
Dividends of surplus			(2,724)		(2,724)
Profit attributable to owners of parent			7,899		7,899
Purchase of treasury shares				(7,305)	(7,305)
Disposal of treasury shares		(43)		808	765
Reversal of revaluation reserve for land			(30)		(30)
Net changes other than shareholders' equity during the fiscal year					
Total change during the fiscal year	–	(43)	5,144	(6,496)	(1,395)
Balance on March 31, 2023	15,051	12,280	62,699	(11,654)	78,377

	Other cumulative comprehensive income					Non-controlling interests	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, 2022	2,975	(76)	(515)	197	2,580	158	82,512
Change during the fiscal year							
Dividends of surplus							(2,724)
Profit attributable to owners of parent							7,899
Purchase of treasury shares							(7,305)
Disposal of treasury shares							765
Reversal of revaluation reserve for land							(30)
Net changes other than shareholders' equity during the fiscal year	(299)	30	1,058	854	1,644	15	1,660
Total change during the fiscal year	(299)	30	1,058	854	1,644	15	264
Balance on March 31, 2023	2,675	(46)	543	1,051	4,224	174	82,776

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: 29

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

MAX DOOR SOLUTIONS PTY LTD is included within the scope of consolidation beginning with the fiscal year under review because our consolidated subsidiary BX BUNKA AUSTRALIA PTY LTD newly acquired its shares on July 1, 2022. Additionally, BX BUNKA NEW ZEALAND LIMITED is included within the scope of consolidation since it was newly established during the fiscal year under review.

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 six other companies, among consolidated subsidiaries, and Steel-Line Garage Doors Australia Pty Ltd, a subsidiary of it, and BX SHINSEI VIETNAM Co., Ltd., and BX BUNKA NEW ZEALAND LIMITED, 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.

F. Provision for share awards for directors (and other officers)

To provide for the issuance of Company’s shares to Directors in accordance with share issuance rules, the Company records an amount based on the estimated share issuance obligation as of the end of the fiscal year under review.

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.

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. Revenues related to the refurbishment business consist primarily of alterations to and/or extensions of houses, and replacement and repair of household equipment, and are recognized as revenues when the performance obligations are fully satisfied.

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.

With regard to construction contracts, the revenue is recognized over a certain period of time as it satisfies its performance obligations. 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 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 the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) 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 27-2 of the Accounting Standard for Fair Value Measurement. There is no impact of this change on the consolidated financial statements.

3. Note on changes in presentation method

(Regarding Consolidated Statements of Income)

Since, during the previous fiscal year, the "Reversal of allowance for doubtful accounts" (5 million yen in the current fiscal year) under non-operating income that was recorded independently was monetarily insignificant, in the current fiscal year it is presented as part of "other non-operating income" under non-operating income.

As for the "Surrender value of insurance policies" (50 million yen in the previous fiscal year) and "Gain on sale of scraps" (109 million yen in the previous fiscal year) that were included as "other non-operating income" for Non-operating income in the previous fiscal year, due to their increased monetary importance they are recorded separately in the current fiscal year. Also, the "commission for purchase of treasury shares" (56 million yen in the previous fiscal year) included in "other non-operating expenses" under non-operating expenses in the previous fiscal year is, due to its increased monetary importance, recorded separately in the current fiscal year.

4. 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 Group holds intangible assets such as goodwill assets acquired through business combinations along with other customer-related assets included among other intangible assets (hereinafter referred to as "goodwill, etc."). These are all amortized on a straight-line basis over the period through which benefits are expected from the future business activities of the company acquired. In valuing goodwill, etc., signs of impairment of goodwill, etc. are identified by examining the achievement of operating income and of operating cash flow based on the business plan projected at the time of acquisition. Furthermore, future business plans will be formulated based on key assumptions regarding market forecasts on the numbers of new housing starts and fluctuations in raw material prices. Thus, impairment losses could potentially be recognized in the consolidated statements of income for the following fiscal year if conditions and matters premised for valuation alter due to a marked change in the operating environment or due to revenue deterioration.

Goodwill ········ 4,259 million yen

Other intangible assets ········ 4,330 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. Also, with regard to the Group's business plans, they will be formulated based on key assumptions regarding market forecasts on the numbers of new housing starts and fluctuations in raw material prices. 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 in the consolidated statements of income for the following fiscal year, causing tax expenses to be incurred.

Deferred tax assets ········ 5,906 million yen

5. Notes to consolidated balance sheet

(1) Accumulated depreciation and cumulative impairment losses of property, plant and equipment 48,496 million yen

(2) Pledged assets

Collateral assets

Buildings and structures ········ 164 million yen
Land ········ 408 million yen
Total ········ 572 million yen

Obligations secured by collateral

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

(3) Discount of notes receivable - trade ········ 200 million yen

Discount of electronically recorded monetary claims - operating ········ 83 million yen

(4) Endorsed and transferred notes receivable - trade ········ 208 million yen

Transfer of electronically recorded monetary claims - operating ········ 270 million yen

6. Notes to consolidated statement of income

(1) Main breakdown of extraordinary income

Gain on sale of non-current assets ········ 1,463 million yen

Gain on sale of investment securities ········ 413 million yen

(2) Main breakdown of extraordinary loss

Impairment losses ········ 164 million yen

Settlement payments ········ 140 million yen

Loss on retirement of non-current assets ········ 118 million yen

Loss on sale of investment securities ········ 31 million yen

7. 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 76th Ordinary General Meeting of Shareholders held on June 21, 2022.

Information on dividend for common stock

Total dividends ········ 1,343 million yen
Dividend per share ········ 20.00 yen
Record date ········ March 31, 2022
Effective date ········ June 22, 2022

2) The following were resolved by a Board of Directors meeting held on November 8, 2022.

Information on dividend for common stock

Total dividends ········ 1,380 million yen
Dividend per share ········ 21.00 yen
Record date ········ September 30, 2022
Effective date ········ December 1, 2022

(Note) The total amount of dividends resolved by the Board of Directors on November 8, 2022 includes 6 million yen of dividends for the Company's shares held by the trust related to the performance-linked and share-based remuneration plan for Directors.

(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 77th Ordinary General Meeting of Shareholders held on June 20, 2023.

Information on dividend for common stock

Source of dividend .... Retained earnings
Total dividends .... 1,293 million yen
Dividend per share .... 21.00 yen
Record date .... March 31, 2023
Effective date .... June 21, 2023

(Note) The total amount of dividends in the proposal to be submitted to the 77th Ordinary General Meeting of Shareholders to be held on June 20, 2023 includes 6 million yen of dividends for the Company's shares held by the trust related to the performance-linked and share-based remuneration plan for Directors.

8. 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 as well as electronically recorded obligations - operating 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. 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

Because fair value of financial instruments is calculated based on a variable factor, the fair value concerned 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, 2023, 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	6,964	6,964	–
Investments in affiliates	4,784	1,925	(2,858)
Total assets	11,749	8,890	(2,858)
Convertible-bond-type bonds with share acquisition rights	9,540	10,971	1,431
Long-term borrowings	24	23	(1)
Lease liabilities	4,196	4,046	(150)
Total liabilities	13,761	15,040	1,279

Stocks with no quoted market price

(Millions of yen)

Category	Carrying amounts recorded on consolidated balance sheet
Unlisted equity securities (Note)	4,368

(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 in connection with the fair value calculation.

Level 1 fair values: Among those inputs connected to the calculation of observable fair value, these are fair values calculated based on reasonable market prices for assets or liabilities that are the object of fair value calculations that will be formed in an active market

Level 2 fair values: Among those inputs connected to the calculation of observable fair value, these are fair values calculated using inputs related to the calculation of fair value other than the inputs for Level 1

Level 3 fair values: Fair values calculated using inputs related to the calculation of unobservable fair value

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 instruments carried on the consolidated balance sheet at fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	6,964	–	–	6,964
Total assets	6,964	–	–	6,964

2) Financial instruments other than those financial instruments carried on the consolidated balance sheet at fair value

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	1,925	–	–	1,925
Total assets	1,925	–	–	1,925
Convertible-bond-type bonds with share acquisition rights	–	10,971	–	10,971
Long-term borrowings	–	23	–	23
Lease liabilities	–	4,046	–	4,046
Total liabilities	–	15,040	–	15,040

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

Long-term borrowings

Fair value of long-term borrowings is measured at present value determined by discounting total principal at a rate likely to apply if a comparable new borrowing were made 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.

9. 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	78,891	—	78,891
Construction-Related Materials Business	80,481	—	80,481
Service Business	26,774	—	26,774
Refurbishment Business	6,367	—	6,367
Reported segments total	192,514	—	192,514
Other (Note)	6,665	—	6,665
Total	199,179	—	199,179

(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 1. Significant matters constituting the basis for preparing consolidated financial statements, (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)······································ 4,810 million yen

Contract assets (balance at end of period) ··· 6,452 million yen

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

Contract liabilities (balance at end of period) ·· 4,047 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 85,435 million yen, and the Group expects to recognize the revenue over periods of 1 to 3 years as performance obligations are fulfilled.

10. Notes on per-share information

(1) Net assets per share ··· 1,348.39 yen

(2) Profit (loss) per share ·· 121.66 yen

(Note) In calculating the amount of net assets per share and current profit (loss) per share, the Company's shares held by the trust for the share-based remuneration for Directors are included in the number of treasury shares, which are deducted from the numbers of shares at the end of the fiscal year and the average number of shares during the fiscal year. (300 thousand Company's shares held by the trust have been included in the numbers of shares at the end of the fiscal year, 184 thousand Company's shares held by the trust have been included in the average number of shares during the fiscal year.)

11. Other notes

(1) Notes on impairment losses

In the current fiscal year, the Group included impairment losses regarding the following asset groups.

Venue	Use	Category
Toda City, Saitama Prefecture	Assets for business use	Buildings and structures, land

The Group in principle classifies its assets by business segment. Idle assets not expected to be used in the future are grouped by individual article unit. Regarding those business assets recorded as impairment losses, because of the decision to sell them, their book value was reduced to a recoverable amount. The amount of that reduction was then recorded under extraordinary losses as an impairment loss. The recoverable amount is measured based on the net realizable value. Land is evaluated based on the real estate appraisal value, and buildings and structures are evaluated to have a net realizable value of zero because they are not expected to be sold.

(Amount of impairment losses)

Buildings and structures ······ 23 million yen

Land ······ 141 million yen

Total ······ 164 million yen

(2) 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, 2022 to March 31, 2023)

(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, 2022	15,051	9,151	3,151	12,302	31	36,000	5,478	41,510	(5,151)	63,712
Change during the fiscal year										
Provision of general reserve						3,000	(3,000)	–		–
Dividend of surplus							(2,724)	(2,724)		(2,724)
Profit (loss)							9,532	9,532		9,532
Acquisition of treasury shares									(7,305)	(7,305)
Disposal of treasury shares			(43)	(43)					808	765
Net changes in items other than shareholders' equity										
Total change during the fiscal year	–	–	(43)	(43)	–	3,000	3,808	6,808	(6,496)	268
Balance on March 31, 2023	15,051	9,151	3,108	12,259	31	39,000	9,286	48,318	(11,648)	63,980

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance on April 1, 2022	2,646	2,646	66,359
Change during the fiscal year			
Provision of general reserve			–
Dividend of surplus			(2,724)
Profit (loss)			9,532
Acquisition of treasury shares			(7,305)
Disposal of treasury shares			765
Net changes in items other than shareholders' equity	(380)	(380)	(380)
Total change during the fiscal year	(380)	(380)	(112)
Balance on March 31, 2023	2,266	2,266	66,247

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 projected 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 share awards for directors (and other officers)

To provide for the issuance of Company’s shares to Directors in accordance with share issuance rules, the Company records an amount based on the estimated share issuance obligation as of the end of the fiscal year under review.

8) 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.

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. Revenues related to the refurbishment business consist primarily of alterations to and/or extensions of houses, and replacement and repair of household equipment, and are recognized as revenues when the performance obligations are fully satisfied.

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.

With regard to construction contracts, the revenue is recognized over a certain period of time as it satisfies its performance obligations. 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 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 the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021) 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 27-2 of the Accounting Standard for Fair Value Measurement. There is no impact of this change on the non-consolidated financial statements.

3. Note on changes in presentation method

(Regarding Statements of Income)

The “commission for purchase of treasury shares” (56 million yen in the previous fiscal year) included in “other non-operating expenses” under non-operating expenses in the previous fiscal year is, due to its increased monetary importance, recorded separately in the current fiscal year.

4. 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.

(Valuation of shares of subsidiaries and associates)

Shares of subsidiaries and associates on the balance sheet include shares of the consolidated subsidiary BX BUNKA AUSTRALIA PTY LTD. The acquisition cost of the shares concerned includes the excess earning power expected at the time of the business combination. In reviewing whether impairment loss is necessary, the Company made this determination by monitoring the degree to which the business plan has been achieved at the time of acquisition and the possibility of achieving the business plan in the future. If the assumptions used for the estimates in question need to be revised due to significant changes in the business environment or a worsening of the earnings position, there may be a serious impact on the value of the company's shares in the financial statements for the following fiscal year.

Additionally, the assumptions used for the estimates in question are omitted from the notes because the same information is presented in the "Notes on accounting estimates" in the Notes to Consolidated Financial Statements.

Shares of subsidiaries and associates ········ 22,251 million yen

(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. Also, with regard to the Company's business plans, they will be formulated based on key assumptions regarding market forecasts on the numbers of new housing starts and fluctuations in raw material prices. 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 in the non-consolidated financial statements for the following fiscal year, causing tax expenses to be incurred.

Deferred tax assets ········ 3,817 million yen

5. Notes to non-consolidated balance sheet

(1) Pledged assets

Collateral assets and their values

Buildings	163 million yen
Structures	0 million yen
Land	408 million yen
Total	572 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 30,560 million yen

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

Short-term monetary claims	3,274 million yen
Long-term monetary claims	7,116 million yen
Short-term liabilities	5,209 million yen
Long-term liabilities	48 million yen

6. Notes to statement of income

Transactions with subsidiaries and associates and certain others

Operating transactions

Net sales	9,237 million yen
Purchases	24,697 million yen
Non-operating transactions	5,762 million yen

7. 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	4,998 thousand shares	6,681 thousand shares	767 thousand shares	10,913 thousand shares

Notes: 1. The increase of 6,681 thousand treasury shares of common stocks is due to the acquisition of treasury shares based on the resolution of the Board of Directors of 6,381 thousand shares, the purchase of 300 thousand shares due to the acquisition of share issuance trusts, and the purchase of shares less than one share unit of 0 thousand shares.

2. The decrease of 767 thousand shares in the number of treasury stocks of common stock was due to the decrease of 467 thousand shares resulting from the conversion of convertible-bond-type bonds with share acquisition rights and the decrease of 300 thousand shares resulting from the disposal to the share issuance trust.

3. The number of shares of treasury stock at the end of the fiscal year under review includes 300 thousand shares of the Company's shares held by a share issuance trust for Directors.

8. 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	3,908 million yen
Provision for bonuses	735 million yen
Loss on valuation of investment securities	607 million yen
Allowance for doubtful accounts	348 million yen
Accrued enterprise tax	86 million yen
Provision for loss on business of subsidiaries and associates	66 million yen
Valuation difference on available-for-sale securities	57 million yen
Impairment losses	56 million yen
Other	339 million yen
Subtotal of deferred tax assets	6,208 million yen
Valuation allowance	(1,261) million yen
Total deferred tax assets	4,947 million yen

Deferred tax liabilities

Valuation difference on available-for-sale securities	(715) million yen
Prepaid pension costs	(396) million yen
Reserve for tax-purpose reduction entry of land	(13) million yen
Other	(4) million yen
Total deferred tax liabilities	(1,129) million yen
Deferred tax assets, net	3,817 million yen

9. 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)	5,740	Notes payable - trade Accounts payable - trade	904 614
Subsidiary	BX Tetsuya Co., Ltd.	Ownership Direct 100.0%	Fund assistance	Fund recovery Receive interest (Note 2)	60 15	Short-term loans receivable Long-term loans receivable (Note 3)	60 1,485
Subsidiary	BX BUNKA VIETNAM Co., Ltd.	Ownership Direct 100.0%	Fund assistance	Fund recovery Receive interest (Note 4)	3 14	Short-term loans receivable Long-term loans receivable (Note 5) Other current assets	18 1,454 0
Subsidiary	STEEL-LINE GARAGE DOORS AUSTRALIA PTY LTD	Ownership Indirect 100.0%	Fund assistance	Lending of fund (Note 6) Fund recovery Receive interest (Note 6)	1,201 208 71	Short-term loans receivable Long-term loans receivable Other current assets	572 3,419 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)	1,284	Accounts receivable - trade Notes receivable - trade	509 1

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 28 million yen in allowance for doubtful accounts. For the fiscal year under review, we recorded 33 million yen in reversal 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 890 million yen in allowance for doubtful accounts. For the fiscal year under review, we recorded 61 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.

10. 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.

11. Notes on per-share information

(1) Net assets per share ························ 1,081.00 yen

(2) Profit (loss) per share ························ 146.76 yen

(Note) In calculating the amount of net assets per share and current profit (loss) per share, the Company's shares held by the trust for the share-based remuneration for Directors are included in the number of treasury shares, which are deducted from the numbers of shares at the end of the fiscal year and the average number of shares during the fiscal year. (300 thousand Company's shares held by the trust have been included in the numbers of shares at the end of the fiscal year, 184 thousand Company's shares held by the trust have been included in the average number of shares during the fiscal year.)

12. 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