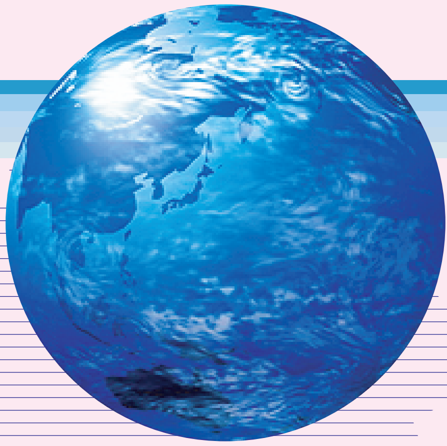


ANNUAL REPORT 2022

SUMITOMO MITSUI CONSTRUCTION CO.,LTD.

CONTENTS

PROFILE

Sumitomo Mitsui Construction Co., Ltd. (SMCC) is a leading Japanese construction company with operations that span the globe. The company was created in 2003 through the merger of two long established and experienced companies, Sumitomo Construction Co., Ltd and Mitsui Construction Co., Ltd.

Since its formation, SMCC has risen to the challenge of providing flexible and adaptable solutions to the varying demands of customers, with a management philosophy that emphasizes pursuing total customer satisfaction, increasing shareholder value, respect for the efforts of its employees, and contributing both to society and the environment.

The company is a leading proponent of many cutting edge technologies which are utilized in the erection of skyscrapers, the seismic reinforcement of buildings, the pre-stressed concrete structures and underground structures.

The key strength of experience combined with a proactive attitude allows SMCC to aggressively develop new technological applications. The company will continue to actively pursue the future, specializing and focusing on these core areas and thereby ensuring that Sumitomo Mitsui Construction Co., Ltd maintains its position as one of the leading Japanese construction companies operating around the world.

THE MESSAGE FROM THE PRESIDENT

I. Review of Fiscal Year ended March 31, 2022

In the fiscal year ended on March 31, 2022, while there were some signs of recovery as the severe situation of Japan's economy due to the impact of COVID-19 gradually eased, the situation remains unpredictable due to factors such as renewed waves of infections caused by new variants, skyrocketing prices of raw materials and global supply constraints.

As economic and social activities start to head toward normality, the effects of various government policies and the improvement of overseas economies are expected to contribute to the recovery of the economy. However, amid a sense of uncertainty due to the situation in Ukraine and other factors, the impacts of the trends of the international financial and capital markets, resources prices, and overseas economies remain highly unpredictable, and we consider that we will still need to carefully monitor these trends.

In regard to the domestic construction market, public-sector investments, including measures for building national resilience, were consistent, but although some signs of recovery were seen in private-sector investments, the competitive environment continues to be severe, partly due to the impact of skyrocketing prices of building materials.

Against this background, the SMCC Group has placed its highest priority on establishing measures to protect the safety and health of all of its stakeholders, including employees and clients, and maintaining stable business management. In addition, the Group accelerated measures and investments based on the "Mid-term Management Plan 2019-2021," which was in its final year, and was strategically committed to establishing a strong management foundation.

The consolidated results of the SMCC Group for this fiscal year are as follows: net sales for the year were 403.3 billion yen, an 18.3 billion yen decrease over the previous fiscal year. In profit/loss figures, due to drastically worsened profitability of major building construction projects in the second quarter of the fiscal year, operating loss was 7.5 billion yen (operating profit of 15.6 billion yen in the previous fiscal year), and ordinary loss was 8.3 billion yen (ordinary profit of 13.1 billion yen in the previous fiscal year). Net loss attributable to the shareholders of the parent company was 7.0 billion yen (net profit attributable to the shareholders of the parent company of 8.7 billion yen in the previous fiscal year).

[Consolidated results] (Unit: billion yen)

	FY2020	FY2021	Increase/(decrease)	Ratio (%)
Net sales	421.6	403.3	(18.3)	(4.4)
Operating profit (loss)	15.6	(7.5)	(23.0)	-
Ordinary profit (loss)	13.1	(8.3)	(21.4)	-
Net profit (loss) attributable to the shareholders of the parent company	8.7	(7.0)	(15.8)	-

II. Management Strategy, Business Environment and Company Issues

<Basic management policy and business environment>

The SMCC Group aims to be "a construction company that globally supports and connects 'People' and 'Communities' with new value" as it aims for the realization of its long-term vision, "Vision 2030," that it formulated in 2019. Under the "Mid-term Management Plan 2019-2021," the first stage in the path toward "Vision 2030," the Group has pushed ahead with various measures with the theme of "Accelerate Changes," but the business environment surrounding the SMCC Group dramatically changed in the aftermath of the spread of the new coronavirus.

We have now formulated the "Mid-term Management Plan 2022-2024" as the second stage in the path toward "Vision 2030," setting the theme of "Toward new growth – Realizing a sustainable society." Amid radical social changes, we will seek to realize a sustainable society and sustained growth of the SMCC Group by continuing to meet requests from society with technological expertise and services.

In December 2021, we established a Basic Policy on Sustainability as an expression of the SMCC Group's goal of sustainable management, and in March 2022, we undertook a review of the important matters that are to be prioritized (which we identify as "Materiality"). In doing so, we will further strengthen our initiatives toward the solution of social issues.

In terms of disclosure of information regarding climate change risk, we will make efforts to enhance the contents of disclosures regarding governance, strategies, risk management, and targets and indicators, based on the proposals of the Task Force on Climate-related Financial Disclosure (TCFD).

<Mid- to long-term management strategy>

On the path toward the realization of our long-term vision, "Vision 2030," we have established "Toward new growth" as the theme of the "Mid-term Management Plan 2022-2024," and we will implement the measures under that plan.

"Vision 2030"

A construction company that globally supports and connects "People" and "Communities" with new value
"Vision 2030" pursued with four new values
(1) Revolutionize construction process -Next-generation construction system- (2) Diverse services extended from construction (3) Sustainable technology (4) Global human resources

"Mid-term Management Plan 2022-2024"

Theme: "Toward new growth – Realizing a sustainable society"		
By precisely understanding social trends such as the growing worldwide awareness over sustainability and acting accordingly, we will connect them to new growth and the realization of a sustainable society.		
Basic Policy-1	Improve Earning Power	
	(i)	Enhance Ability to Win Orders
	(ii)	Enhance On-Site Management
Basic Policy-2	Foray into Growth Areas	
	(i)	Enhance Efforts toward a Sustainable Society
	(ii)	Expansion of Overseas Business -Make Bases Self-subsistent & Enhance Networking
	(iii)	Sophistication of Construction System
Basic Policy-3	Enhance Human Resource Base	
	(i)	Realize Diversity & Inclusion
	(ii)	Improve Employee Engagement
	(iii)	Development of Human Resources

Consolidated management targets (FY2024 targets)

- Performance targets

Consolidated net sales	500 billion yen
Consolidated operating profit	20 billion yen

- Financial targets

ROE	10% or higher
Total return ratio	50% approx.

- Non-financial targets

Safety		Deaths/serious accidents: "None" Frequency rate: 0.6 or less (construction divisions), 0.5 or less (company-wide)
Quality		Defective results: "None"
Carbon Neutrality	CDP assessment	A
	Scope 1+2	-20% (Base year 2020)
	Scope 3	-10% (Base year 2020)
Human Rights	Human rights due diligence (DD)	Human rights DD in place (response to human rights risk)
	Build human rights protection mechanism	To be put into operation from FY2023
Productivity		Amount of work completed per employees' total

	work time: 5% improvement
Employee Engagement	4.0 or more (average based on a total score of 5)*

* Indicators on work engagement in organizational diagnosis survey

Reference: Picture of 2030 (Performance/financial targets)

Consolidated net sales	650 billion yen
Consolidated operating profit	35 billion yen
ROE	12% or higher

The Group will continue to execute growth investments, envisaging the expansion of business domains through M&As and new business creation, and will aim for the realization of its future vision through dramatic growth in its overseas business and steady growth of its business in Japan.

Business results forecasts for FY2022, the first year of the Mid-term Management Plan, are as follows.

	(Consolidated financial results forecast)	(Non-consolidated financial results forecast)
Awarded contract amount	———	¥325.0 billion
Net sales	¥465.0 billion	¥336.3 billion
Operating profit	¥16.0 billion	¥10.0 billion
Ordinary profit	¥13.5 billion	¥8.7 billion
Net profit	¥8.6 billion	¥6.0 billion
Net profit attributable to the shareholders of the parent company	¥8.0 billion	—

<Issues for the Company>

(1) Amid the prolonging of the COVID-19 pandemic, the Company will continue to prioritize the safety and health, including mental health, of all of its stakeholders and employees. We will carefully assess changes in social conditions, make timely and accurate decisions, and promptly implement countermeasures to ensure proper execution of our business plans.

(2) Regarding the case involving the construction of an apartment building located in Yokohama City, on November 28, 2017, Mitsui Fudosan Residential Co., Ltd. (hereinafter "MFR"), which is one of the developers of the apartment building, initiated a lawsuit against the Company and two piling companies claiming approximately 45.9 billion yen (subsequently increased to approximately 51.0 billion yen on July 11, 2018, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) as the alleged rebuilding cost for the entire apartment building. However, we consider that MFR's claim lacks a legal foundation and factual reasons, and will continue to make appropriate arguments in that court proceeding.

(3) In the fiscal year ended on March 31, 2022, the Company logged hefty losses due to worsened profitability of major building construction projects. These losses were caused by a compounding of unforeseen factors that required major changes to construction processes, which resulted in the logging of all future envisaged losses being recorded at once in the fiscal year ended on March 31, 2022. Given that the major contributing factor was insufficient pre-contract technological deliberations, the Company has reinforced its systems for stricter pre-contract screening and strengthened its organizational and personnel structures for the support of work sites after contracts have been awarded.

In addition, the Company has promptly taken concrete measures, such as the early detection of construction risks and their reflection in construction planning through the construction of a front-loading system.

近藤 重敏

Shigetoshi Kondo
Representative Director,
President

Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.
and Consolidated Subsidiaries

Year ended March 31, 2022
with Independent Auditor's Report

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 6-(c), 10 and 11)*	¥ 70,974	¥ 75,532	$ 579,900
Trade notes receivable, accounts receivable on completed construction contracts and other *(Notes 6-(a), 11 and 17)*	197,169	190,177	1,610,989
Inventories *(Notes 6-(b) and 6-(f))*	27,882	30,496	227,812
Other current assets	19,615	19,522	160,266
Allowance for doubtful receivables	(1)	(1)	(8)
Total current assets	315,640	315,727	2,578,968
Non-current assets:			
Property and equipment, at cost:			
Land *(Notes 6-(c) and 6-(d))*	16,316	16,156	133,311
Buildings and structures *(Note 6-(c))*	17,066	15,969	139,439
Machinery, equipment and vehicles *(Note 6-(c))*	39,216	26,556	320,418
Construction in progress	370	1,009	3,023
Accumulated depreciation	(38,930)	(30,920)	(318,081)
Property and equipment, net	34,040	28,772	278,127
Intangible fixed assets	6,808	3,140	55,625
Investments and other assets:			
Investments in securities *(Notes 6-(c), 11 and 12)*	20,954	18,891	171,206
Deferred tax assets *(Note 15)*	10,601	3,968	86,616
Investments in unconsolidated subsidiaries and affiliates	817	1,053	6,675
Asset for retirement benefits *(Note 14)*	127	160	1,037
Other *(Note 6-(c))*	5,976	6,028	48,827
Allowance for doubtful receivables	(891)	(916)	(7,280)
Total investments and other assets	37,584	29,185	307,083
Total non-current assets	78,433	61,099	640,844
Total assets	¥394,073	¥376,826	$3,219,813

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable, accounts payable on construction contracts and other (*Note 11)*	¥ 89,634	¥ 88,732	$ 732,363
Electronically recorded payable (*Note 11)*	29,347	29,782	239,782
Short-term bank loans and current portion of long-term debt *(Notes 6-(c), 6-(h), 11 and 23)*	1,988	8,662	16,243
Lease obligations	781	605	6,381
Accrued expenses	7,435	8,083	60,748
Income tax payable	3,110	1,463	25,410
Advances received on construction contracts in progress *(Notes 6-(g) and 17)*	28,635	25,601	233,965
Reserve for defects on completed construction projects	489	749	3,995
Allowance for losses on construction contracts *(Note 6-(f))*	19,611	995	160,233
Allowance for contingency loss	2,159	2,159	17,640
Other current liabilities	24,215	21,831	197,851
Total current liabilities	207,409	188,665	1,694,656
Long-term liabilities:			
Corporate Bond payable	5,000	5,000	40,853
Long-term debt *(Notes 6-(c), 6-(h), 11 and 23)*	57,806	49,518	472,309
Lease obligations	1,889	1,249	15,434
Deferred tax liability on land revaluation *(Note 6-(d))*	574	575	4,689
Allowance for share-based payment	57	36	465
Liability for retirement benefits *(Note 14)*	18,389	18,562	150,249
Other long-term liabilities	3,245	2,910	26,513
Total long-term liabilities	86,963	77,852	710,540
Contingent liabilities *(Notes 6-(e) and 19)*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	98,071
Common stock:			
Authorized:			
533,892,994 shares in 2022 and 2021			
Issued and outstanding:			
162,673,321 shares in 2022 and 2021			
Retained earnings	85,714	96,001	700,334
Treasury stock, at cost:			
6,382,798 shares in 2022 and 5,511,604 shares in 2021	(3,907)	(3,504)	(31,922)
Total shareholders' equity	93,811	104,499	766,492
Accumulated other comprehensive income:			
Unrealized holding gain on securities	(555)	407	(4,534)
Deferred (loss) on hedging instruments, net of taxes *(Note 13)*	(92)	(147)	(751)
Land revaluation *(Note 6-(d))*	70	71	571
Translation adjustments	(1,001)	(1,622)	(8,178)
Retirement benefits liability adjustment *(Note 14)*	(843)	(803)	(6,887)
Total accumulated other comprehensive income	(2,422)	(2,094)	(19,789)
Non-controlling interests	8,313	7,902	67,922
Total net assets	99,701	110,308	814,617
Total liabilities and net assets	¥394,073	¥376,826	$3,219,813

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales *(Notes 7-(a), 17 and 18)*	¥403,275	¥421,619	$3,294,999
Cost of sales *(Notes 7-(b) and 7-(d))*	385,096	382,684	3,146,466
Gross profit	18,178	38,935	148,525
Selling, general and administrative expenses *(Notes 7-(c), 7-(d) and 14)*	25,638	23,351	209,477
Operating income (loss)	(7,459)	15,584	(60,944)
Other income (expenses):			
Interest and dividend income	814	791	6,650
Payments received from insurance claims	93	117	759
Interest expense	(987)	(1,082)	(8,064)
Exchange gain (loss), net	429	(894)	3,505
Financing related expenses	(410)	(608)	(3,349)
Commission for loan commitment agreement	(512)	(628)	(4,183)
Gain on sales of property and equipment *(Note 7-(e))*	17	15	138
Gain on sales of investment in securities *(Note 12-(c))*	19	8	155
Gain on bargain purchase	—	547	—
Gain on sales of shares of subsidiaries and affiliates	—	330	—
Gain on liquidation of subsidiaries and affiliates	6	—	49
Loss on sales and disposal of property and equipment *(Note 7-(f))*	(191)	(145)	(1,560)
Other, net	(314)	(535)	(2,565)
	(1,036)	(2,083)	(8,464)
Profit (loss) before income taxes	(8,495)	13,500	(69,409)
Income taxes *(Note 15)*:			
Current	4,083	3,757	33,360
Deferred	(6,026)	219	(49,236)
	(1,942)	3,977	(15,867)
Profit (loss)	(6,552)	9,522	(53,533)
Profit (loss) attributable to:			
Non-controlling interests	469	779	3,832
Owners of parent	¥ (7,022)	¥ 8,743	$ (57,373)
	(Yen)		(U.S. dollars) (Note 3)
Profit (loss) per share *(Note 20)*	¥ (44.93)	¥ 55.33	$ (0.367)

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Profit (loss)	¥(6,552)	¥ 9,522	$(53,533)
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(962)	2,681	(7,860)
Deferred gain on hedging instruments, net of taxes	54	8	441
Translation adjustments	620	(528)	5,065
Retirement benefits liability adjustments	(29)	12	(236)
Total other comprehensive income *(Note 8)*	(316)	2,174	(2,581)
Comprehensive income	¥(6,869)	¥11,697	$(56,123)
Comprehensive income attributable to:			
Owners of the parent	¥(7,349)	¥10,915	$(60,045)
Non-controlling interests	480	781	3,921

The accompanying notes are an integral part of these statements.

	Year ended March 31, 2022				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Millions of yen)				
Balance at the beginning of the period	¥12,003	¥—	¥96,001	¥(3,504)	¥104,499
Cumulative effects of changes in accounting policies			(414)		(414)
Restated balance	12,003	—	95,586	(3,504)	104,085
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		(1)			(1)
Dividends from surplus			(2,828)		(2,828)
Loss attributable to owners of the parent			(7,022)		(7,022)
Purchases of treasury stock				(502)	(502)
Disposition of treasury stock		(20)		100	79
Reversal of land revaluation			1		1
Transfer from retained earnings to additional paid-in capital		21	(21)		—
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	(9,872)	(402)	(10,274)
Balance at the end of the period	¥12,003	¥—	¥85,714	¥(3,907)	¥ 93,811

	Year ended March 31, 2022							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Millions of yen)							
Balance at the beginning of the period	¥407	¥(147)	¥71	¥(1,622)	¥(803)	¥(2,094)	¥7,902	¥110,308
Cumulative effects of changes in accounting policies								(414)
Restated balance	407	(147)	71	(1,622)	(803)	(2,094)	7,902	109,894
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(1)
Dividends from surplus								(2,828)
Loss attributable to owners of the parent								(7,022)
Purchases of treasury stock								(502)
Disposition of treasury stock								79
Reversal of land revaluation								1
Transfer from retained earnings to additional paid-in capital								—
Net changes in items other than shareholders' equity	(962)	54	(1)	621	(40)	(328)	410	81
Total changes in items during the period	(962)	54	(1)	621	(40)	(328)	410	(10,192)
Balance at the end of the period	¥(555)	¥ (92)	¥70	¥(1,001)	¥(843)	¥(2,422)	¥8,313	¥ 99,701

	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	Year ended March 31, 2022				
	Shareholders' equity				
	(Thousands of U.S. dollars) (Note 3)				
Balance at the beginning of the period	$98,071	$—	$784,385	$(28,629)	$853,819
Cumulative effects of changes in accounting policies			(3,382)		(3,382)
Restated balance	98,071	—	780,995	(28,629)	850,437
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		(8)			(8)
Dividends from surplus			(23,106)		(23,106)
Loss attributable to owners of the parent			(57,373)		(57,373)
Purchases of treasury stock				(4,101)	(4,101)
Disposition of treasury stock		(163)		817	645
Reversal of land revaluation			8		8
Transfer from retained earnings to additional paid-in capital		171	(171)		—
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	(80,660)	(3,284)	(83,944)
Balance at the end of the period	$98,071	$—	$700,334	$(31,922)	$766,492

	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Year ended March 31, 2022							
	Accumulated other comprehensive income							
	(Thousands of U.S. dollars) (Note 3)							
Balance at the beginning of the period	$3,325	$(1,201)	$580	$(13,252)	$(6,560)	$(17,109)	$64,564	$901,282
Cumulative effects of changes in accounting policies								(3,382)
Restated balance	3,325	(1,201)	580	(13,252)	(6,560)	(17,109)	64,564	897,900
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(8)
Dividends from surplus								(23,106)
Loss attributable to owners of the parent								(57,373)
Purchases of treasury stock								(4,101)
Disposition of treasury stock								645
Reversal of land revaluation								8
Transfer from retained earnings to additional paid-in capital								—
Net changes in items other than shareholders' equity	(7,860)	441	(8)	5,073	(326)	(2,679)	3,349	661
Total changes in items during the period	(7,860)	441	(8)	5,073	(326)	(2,679)	3,349	(83,274)
Balance at the end of the period	$(4,534)	$ (751)	$571	$ (8,178)	$(6,887)	$19,789	$67,922	$814,617

Year ended March 31, 2021

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' Equity
	(Millions of yen)				
Balance at the beginning of the period	¥12,003	—	¥91,084	¥(3,118)	¥99,969
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		35	(36)		(0)
Dividends from surplus			(3,792)		(3,792)
Profit attributable to owners of the parent			8,743		8,743
Purchases of treasury stock				(503)	(503)
Disposition of treasury stock		(35)		117	81
Reversal of land revaluation			1		1
Transfer from retained earnings to additional paid-in capital					—
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	4,916	(386)	4,530
Balance at the end of the period	¥12,003	—	¥96,001	¥(3,504)	¥104,499

Year ended March 31, 2021

	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred (loss) gain on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Millions of yen)							
Balance at the beginning of the period	¥(2,274)	¥(156)	¥73	¥(1,130)	¥(775)	¥(4,264)	¥6,738	¥102,443
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(0)
Dividends from surplus								(3,792)
Profit attributable to owners of the parent								8,743
Purchases of treasury stock								(503)
Disposition of treasury stock								81
Reversal of land revaluation								1
Transfer from retained earnings to additional paid-in capital								—
Net changes in items other than shareholders' equity	2,682	8	(1)	(491)	(27)	2,170	1,164	3,334
Total changes in items during the period	2,682	8	(1)	(491)	(27)	2,170	1,164	7,865
Balance at the end of the period	¥ 407	¥(147)	¥71	¥(1,622)	¥(803)	¥(2,094)	¥7,902	¥110,308

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

March 31, 2022

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Profit (loss) before income taxes	¥(8,495)	¥13,500	$(69,409)
Depreciation and amortization	3,296	2,701	26,930
Decrease in allowance for doubtful receivables	(24)	(57)	(196)
Decrease in reserve for defects on completed construction projects	(265)	(209)	(2,165)
Increase in allowance for losses on construction contracts	18,685	380	152,667
Increase in allowance for share-based payment	23	21	187
Decrease in liability for retirement benefits	(201)	(156)	(1,642)
Loss on sales and disposal of property and equipment	173	130	1,413
Interest and dividend income	(814)	(791)	(6,650)
Interest expense	987	1,082	8,064
Exchange (gain) loss, net	(565)	(109)	(4,616)
Gain on bargain purchase	—	(547)	—
Gain on sales of shares of subsidiaries and affiliates	—	(330)	—
Gain on liquidation of subsidiaries and affiliates	(6)	—	(49)
(Increase) decrease in trade notes receivable, accounts receivable on completed construction contracts and other	(2,467)	24,546	(20,156)
(Increase) decrease in inventories	(1,965)	288	(16,055)
Decrease (increase) in other assets	574	(2,447)	4,689
(Decrease) increase in retirement benefits liability adjustments included in accumulated other comprehensive income	(17)	58	(138)
Decrease in trade notes payable, accounts payable on construction contracts and other	(407)	(24,772)	(3,325)
Increase in advances received on construction contracts in progress	4,123	3,756	33,687
Increase in other liabilities	287	5,304	2,344
Other	(16)	416	(130)
Subtotal	12,904	22,764	105,433
Interest and dividends received	792	831	6,471
Interest paid	(988)	(1,059)	(8,072)
Income taxes paid	(2,711)	(5,813)	(22,150)
Net cash provided by operating activities	9,996	16,723	81,673
Investing activities			
Decrease in fixed deposits	875	1,117	7,149
Purchases of property and equipment	(3,722)	(2,703)	(30,410)
Proceeds from sales of property and equipment	51	58	416
Purchases of intangible fixed assets	(497)	(957)	(4,060)
Purchases of investments in securities	(3,865)	(1)	(31,579)
Proceeds from sales of investments in securities	302	37	2,467
Disbursements for loans receivable	(23)	(16)	(187)
Proceeds from collection of loans receivable	84	179	686
Purchases of shares of subsidiaries resulting in change in scope of consolidation *(Note 10)*	(6,211)	(195)	(50,747)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation *(Note 10)*	—	(299)	—
Other	26	98	212
Net cash used in investing activities	(12,980)	(2,681)	(106,054)

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Financing activities			
Decrease in short-term bank loans	¥(1,173)	¥(7,520)	$ (9,584)
Proceeds from long-term debt	10,000	29,000	81,706
Payments of long-term debt	(7,212)	(12,111)	(58,926)
Increase in long-term loans of employees	332	408	2,712
Proceeds from issuance of corporate bonds	—	5,000	—
Increase in treasury stock	(502)	(503)	(4,101)
Cash dividends paid	(2,822)	(3,785)	(23,057)
Cash dividends paid for non-controlling shareholders	(126)	(122)	(1,029)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(0)	—
Other	(643)	(651)	(5,253)
Net cash (used in) provided by financing activities	(2,148)	9,713	(17,550)
Effect of exchange rate changes on cash and cash equivalents	648	(6)	5,294
Net (decrease) increase in cash and cash equivalents	(4,483)	23,748	(36,628)
Cash and cash equivalents at beginning of the year	69,591	45,842	568,600
Cash and cash equivalents at end of the year *(Note 10)*	¥65,108	¥69,591	$531,971

The accompanying notes are an integral part of these statements.

1. Basis of Preparation

The accompanying consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. (the “Company”) and consolidated subsidiaries (collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of the cost over the underlying net assets at fair value at the respective dates of acquisition of the consolidated subsidiaries (goodwill) or the excess of fair value of the net assets acquired over cost (negative goodwill) is charged or credited to income in the year of acquisition.

Investments in affiliates not accounted for by the equity method are principally stated at cost.

The Company had 22 consolidated subsidiaries and 1 affiliate accounted for by the equity method as of March 31, 2022.

(b) Fiscal Year of Consolidated Subsidiaries

All foreign consolidated subsidiaries (11 companies) have a fiscal year that ends on December 31. The accompanying consolidated financial statements were prepared based on the financial statements as of the same date. Necessary adjustments for consolidation were made on significant transactions that took place during the period between the fiscal year-end of the subsidiaries and the fiscal year-end of the Company.

(c) Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. For other securities, securities other than shares, etc. with no market value are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Shares, etc. with no market value are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Inventories other than materials and supplies are stated at cost determined by the specific identification method. Materials and supplies are valued at cost determined by the average method. Cost of real estate for sale and materials and supplies is written down when their carrying amounts become unrecoverable.

(e) Depreciation and Amortization

(1) Property and equipment (except leased assets) and investments in real estate

Depreciation of property and equipment (except leased assets) and investments in real estate is determined primarily by the declining-balance method based on the estimated useful lives and the residual value of the respective assets as prescribed in the Corporation Tax Law of Japan except that the straight-line method is applied to office buildings (except facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

Depreciation at all overseas subsidiaries is determined by the straight-line method or by the declining-balance method based on the estimated useful lives of the respective assets.

(2) Intangible fixed assets (except leased assets)

Amortization of intangible fixed assets (except leased assets) is calculated by the straight-line method based on the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan. Amortization of computer software for internal use is calculated by the straight-line method over the estimated useful lives of 5 years.

(e) Depreciation and Amortization (continued)

(3) Leased assets

Depreciation of leased assets under finance leases other than those that transfer the ownership of the leased assets to the lessees is calculated by the straight-line method over the lease term with a residual value of zero.

(f) Advances Received on Construction Contracts in Progress

As is customary in Japan, the Company and its domestic consolidated subsidiaries receive payments from customers on an installment basis in accordance with the terms of the respective construction contracts.

(g) Allowance for Doubtful Receivables

An allowance for doubtful receivables has been provided for future losses on general receivables at an amount calculated by applying the percentage of actual losses on collection experienced in the past, and an uncollectible amount for doubtful receivables estimated based on an individual assessment of each receivable and probability of collection.

(h) Reserve for Defects on Completed Construction Projects

A reserve has been provided at an estimated amount for the fiscal year's sales proceeds in order to cover the liability for future costs of defects of the completed construction projects.

(i) Allowance for Losses on Construction Contracts

An allowance has been provided based on the estimated amount for the future losses on construction projects in progress at the fiscal year end which are anticipated to be substantial losses in the future.

(j) Allowance for Contingency Loss

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.

(k) Allowance for Share-based Payment

An allowance has been provided based on the estimated amount for share-based payment liability as of March 31, 2022 in order to cover payments of share to directors based on a share-based payment regulation.

(l) Accounting for Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2022.

(2) Amortization of actuarial gain or loss and prior service cost

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (mainly 11 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 11 years), which are shorter than the average remaining years of service of the employees.

(m) Recognition of Revenues and Costs

The Group is primarily engaged in civil construction and building construction, providing construction design and construction work services as well as other related services to its domestic and overseas customers.

In civil and building construction, the Group primarily enters into long-term construction contracts. For such contracts, the completion and delivery of construction work is identified as a performance obligation. Performance obligations are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably measured, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

(n) Derivatives and Hedge Accounting

(1) Method of hedge accounting

Derivative financial instruments are mainly stated at fair value except those accounted for under deferred hedge accounting.

Interest rate swaps qualifying for hedge accounting and meeting specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements is charged or credited to income (short-cut method).

(n) Derivatives and Hedge Accounting (continued)

(2) Hedging instruments and hedged items

Hedging instruments:	Interest rate swaps Forward foreign exchange contracts
Hedged items:	Interest on debt Future foreign currency transactions

(3) Hedging policy

The Company utilizes interest rate swaps only for the purpose of hedging future risks of fluctuation of interest rates.

(4) Assessment of hedge effectiveness

An evaluation of hedge effectiveness for interest rate swaps by principle method is performed on a quarterly basis to confirm that there is a strong correlation between hedged items and hedging instruments by comparing accumulated amount of the change of cash flows of hedged items and accumulated amount of the change of cash flows of hedging instruments to assess whether the forward contract qualifies for hedge accounting. However, the evaluation of hedge effectiveness is omitted in case of interest rate swaps meeting specific matching criteria.

An evaluation of hedge effectiveness for a forward foreign exchange contract is performed on a quarterly basis to confirm that amount of the forward foreign exchange contract is within amount of the underlying hedged item to assess whether the forward foreign exchange contract qualifies for hedge accounting.

(o) Method and Period of Amortization of Goodwill

In principle, goodwill is amortized on a straight-line basis over the period for which goodwill is expected to have an effect, which shall not exceed 20 years.

(p) Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased, which can easily be converted to cash and are subject to little risk of change in value, are considered cash equivalents.

(q) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the amounts calculated for financial reporting purposes and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

The Company has adopted the consolidated taxation system.

(q) Income Taxes (continued)

Effective from the next fiscal year, the Company and some of its domestic consolidated subsidiaries will transition to the group tax sharing system from the consolidated taxation system. However, with respect to the transition to the group tax sharing system established by the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group tax sharing system, the amounts of deferred tax assets and deferred tax liabilities will be based on the provisions of the tax act before the revision, instead of applying the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued on February 16, 2018) in accordance with the treatment provided in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39 issued on March 31, 2020).

Effective from the beginning of the next fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42 issued on August 12, 2021), which provides information on the treatment of accounting and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

(r) Accounting Method of Joint Ventures for Construction Project

Assets, liabilities, costs and profits for a joint venture project are mainly recognized on pro-rata basis of investment ratio of each members.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥122.39 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2022. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

4. Significant Accounting Estimates

For the year ended March 31, 2022

(a) Provision for Contingent Loss

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	As of March 31, 2022	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Allowance for contingency loss	¥2,159	$17,640

(a) Provision for Contingent Loss (continued)

(2) Information on significant accounting estimates for the item above

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.

Mitsui Fudosan Residential Co., Ltd. (hereinafter as "MFR"), which is one of the developers of the apartment, initiated a lawsuit against the Company and two piling companies on November 28, 2017, claiming about 45.9 billion yen (which amount increased to approximately 51.0 billion yen on July 11, 2018, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) as alleged rebuilding cost for the whole structure of the apartment. The Company considers that MFR's claim lacks legal foundation and reason, and will continue to make appropriate arguments in that court proceeding.

(b) Recognition of Revenues from Construction Contracts

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	As of March 31, 2022	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net sales of construction contracts, etc. related to performance obligations to be satisfied over time	¥346,875	$2,834,177

(2) Information on significant accounting estimates for the item above

For construction contracts, etc. whose performance obligations are satisfied over time, the progress toward complete satisfaction of a performance obligation is measured and net sales of completed construction contracts are recognized over time based on such progress toward satisfaction of the performance obligation.

It is necessary to estimate total revenues and costs of a project reasonably upon recognition. The Group's results may fluctuate due to changes in net sales and costs of completed construction contracts as a result of negotiations with clients, unanticipated incurrence of costs, or other reasons.

4. Significant Accounting Estimates (continued)

For the year ended March 31, 2021

(a) Provision for Contingent Loss

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	As of March 31, 2021
	(Millions of yen)
Allowance for contingency loss	¥2,159

(2) Information of significant accounting estimates for the item above

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.

Mitsui Fudosan Residential Co., Ltd. (hereinafter as "MFR"), which is one of the developers of the apartment, initiated a lawsuit against the Company and two piling companies on November 28, 2017, claiming about 45.9 billion yen (which amount increased to approximately 51.0 billion yen on July 11, 2018) as alleged rebuilding cost for the whole structure of the apartment. The Company considers that MFR's claim lacks legal foundation and reason, and will continue to make appropriate arguments in that court proceeding.

(b) Recognition of Net Sales based on Percentage-of-Completion Method

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	As of March 31, 2021
	(Millions of yen)
Net sales recognized based on percentage-of-completion method	¥339,470

(2) Information of significant accounting estimates for the item above

Net sales of completed construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. It is necessary to estimate total revenue and cost of a project reasonably upon the recognition.

The Group's results may fluctuate due to changes in net sales and costs of completed construction contracts affected by design changes or additional contracts generated from negotiations with clients, unpredictable changes of global politics, economics and social conditions, natural disasters, unforeseeable facts found after commencement of construction works, and/or modification of construction works caused by changes of project site situation.

5. Changes in Accounting Policies

(a) Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes resulting from the application of the Revenue Recognition Standard, etc. are as follows.

Recognition of revenues from construction contracts:

The Company previously applied the percentage-of-completion method for construction contracts whose percentage of completion can be reliably estimated, and the completed-contract method for other construction contracts. However, when control over goods or services is transferred to a customer over time, the Company has changed the method of recognizing revenue to one where revenue is recognized over time as it satisfies its performance obligation to transfer the goods or services to customers. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably measured, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the current fiscal year.

As a result of this change, compared with the figures before the application of the Revenue Recognition Standard, etc., in the consolidated statements of income for the current fiscal year, net sales decreased by ¥2,488 million ($20,328 thousand), cost of sales decreased by ¥2,896 million ($23,662 thousand), operating loss decreased by ¥408 million ($3,333 thousand), and loss before income taxes decreased by ¥630 million ($5,147 thousand).

(a) Accounting Standard for Revenue Recognition (continued)

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings decreased by ¥414 million ($3,382 thousand) in the consolidated statements of changes in net assets.

The impact of this change on per share information is described in the relevant section.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not presented.

(b) Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019). This application will have no impact on the consolidated financial statements.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on July 4, 2019), notes pertaining to the previous fiscal year are not presented.

6. Notes to Consolidated Balance Sheets

(a) Receivables and Contract Assets from Contracts with Customers

Receivables and contract assets from contracts with customers included in trade notes receivable, accounts receivable on completed construction contracts and other as of March 31, 2022 were as follows:

	As of March 31,	
	2022	**2022**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Trade notes receivable	¥ 3,988	$ 32,584
Accounts receivable on completed construction contracts and other	77,431	632,657
Contract assets	115,750	945,747
	¥197,169	$1,610,989

(b) Inventories

The components of inventories as of March 31, 2022 and 2021 were as follows:

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 49	¥ 1,547	$ 400
Materials and supplies	5,736	4,694	46,866
Costs on uncompleted construction contracts	22,096	24,252	180,537
Real estate for sale	–	2	–
	¥27,882	¥30,496	$227,812

(c) Pledged Assets

The following assets were pledged at March 31, 2022 and 2021 principally as collateral for short-term bank loans, long-term debt, and guarantees (such as guarantees for the completion of construction contracts):

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ –	¥ 0	$ –
Land	6,070	6,070	49,595
Buildings and structures, net of accumulated depreciation	550	596	4,493
Machinery, equipment and vehicles, net of accumulated depreciation	159	164	1,299
Investments in securities	4	4	32
Securities	139	–	1,135
Others (Investments and other assets)	10	10	81
	¥6,933	¥6,846	$56,646

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2022 and 2021 were summarized as follows:

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,258	¥1,258	$10,278
Buildings and structures, net of accumulated depreciation	293	291	2,393
Machinery, equipment and vehicles, net of accumulated depreciation	159	164	1,299
	¥1,711	¥1,715	$13,979

The secured liabilities as of March 31, 2022 and 2021 were summarized as follows:

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥ 12	¥ 12	$ 98
[Including current portion of long-term debt]	[12]	[12]	[98]
Long-term debt	56	68	457

(d) Land Revaluation

Land for operations was revalued by two consolidated subsidiaries under the Law for Land Revaluation during the year ended March 31, 2001. Land for operations was revalued by consolidated subsidiaries under the Law for Land Revaluation during the year ended March 31, 2002. The revaluation amounts are shown as a separate component of net assets.

The market value of the land was less than the revalued book amount by ¥720 million ($5,882 thousand) and ¥1,058 million at March 31, 2022 and 2021, respectively.

(e) Contingent Liabilities

At March 31, 2022 and 2021, the Company and its consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantors of bank loans to employees (house building fund)	¥2	¥3	$16
As guarantors of bank loans to Amenity Life Co., Ltd.	637	787	5,204
Advance deposits	482	–	3,938

(f) Estimated Loss on Uncompleted Construction Contracts

An estimated loss on uncompleted construction contracts was recognized and included as part of inventories but was not offset against the amount on the balance sheet. It has been recorded as an allowance for losses on construction contracts in the amounts of ¥207 million ($1,691 thousand) and ¥103 million as of March 31, 2022 and 2021, respectively.

(g) Contract Liabilities

Advances received on construction contracts in progress included contract liabilities in the amount of ¥28,635 million ($233,965 thousand) as of March 31, 2022.

(h) Financial Covenants

For the year ended March 31, 2022

(1) The Company has entered into a loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2016 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2014 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the loan commitment agreement is immaterial as of March 31, 2022.

Unused amount on loan commitment agreement as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$163,412
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$163,412

(2) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including five different banks from (1) above) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2017 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2016 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,250 million ($18,383 thousand) in long-term debt (including the current portion) as of March 31, 2022.

(h) Financial Covenants (continued)

(3) The Company has entered into a committed syndicated loan contract dated on March 30, 2018 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2018 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2017 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$81,706
Loan balance outstanding	10,000	10,000	81,706
Difference (unused portion)	¥ –	¥ –	$ –

(4) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks (including six different banks from (3) above) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2019 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

(h) Financial Covenants (continued)

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$81,706
Loan balance outstanding	10,000	10,000	81,706
Difference (unused portion)	¥ –	¥ –	$ –

(5) The Company has entered into a general syndicated committed loan contract dated on June 25, 2020 with its twenty-five banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million ($122,559 thousand) in long-term debt as of March 31, 2022.

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥15,000	¥15,000	$122,559
Loan balance outstanding	15,000	15,000	122,559
Difference (unused portion)	¥ –	¥ –	$ –

(6) The Company has entered into a syndicated loan contract dated on September 29, 2020 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

(h) Financial Covenants (continued)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,200 million ($17,975 thousand) in long-term debt (including the current portion) as of March 31, 2022.

(7) The Company has entered into a syndicated loan contract dated on March 29, 2021 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

(8) The Company has entered into a loan commitment agreement dated on May 25, 2021 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the loan commitment agreement is immaterial as of March 31, 2022.

Unused amount on loan commitment agreement as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥30,000	¥–	$245,118
Loan balance outstanding	–	–	–
Difference (unused portion)	¥30,000	¥–	$245,118

(h) Financial Covenants (continued)

(9) The Company has entered into a loan commitment agreement dated on June 25, 2021 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the loan commitment agreement is immaterial as of March 31, 2022.

Unused amount on loan commitment agreement as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥–	$163,412
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥–	$163,412

(10) The Company has entered into a syndicated loan contract dated on March 28, 2022 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

(11) The Company has entered into a committed syndicated loan contract dated on March 28, 2022 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

(h) Financial Covenants (continued)

Total consolidated net assets at the end of each fiscal year beginning March 31, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2022.

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥7,000	¥–	$57,194
Loan balance outstanding	–	–	–
Difference (unused portion)	¥7,000	¥–	$57,194

For the year ended March 31, 2021

(1) The Company has entered into a loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2016 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2014 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

(h) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

(2) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2017 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2014 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥5,500 million in long-term debt (including the current portion) as of March 31, 2021.

(3) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including different 5 banks from above (2)) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2017 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2016 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,750 million in long-term debt (including the current portion) as of March 31, 2021.

(4) The Company has entered into a committed syndicated loan contract dated on March 30, 2018 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

(h) Financial Covenants (continued)

Total consolidated net assets at the end of each fiscal year beginning March 31, 2018 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2017 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2021.

Unused amount on the committed syndicated loan contract as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ –	¥ –

(5) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks (including different 6 banks from above (4)) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2019 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2021.

(h) Financial Covenants (continued)

Unused amount on the committed syndicated loan contract as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ –	¥ –

(6) The Company has entered into a loan commitment agreement dated on June 25, 2020 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2021.

Unused amount on loan commitment agreement as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the agreement	¥30,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	¥30,000	¥–

(7) The Company has entered into a loan commitment agreement dated on June 25, 2020 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020.

(h) Financial Covenants (continued)

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2021.

Unused amount on loan commitment agreement as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the agreement	¥50,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	¥50,000	¥–

(8) The Company has entered into a general syndicated committed loan contract dated on June 25, 2020 with its twenty-five banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million in long-term debt as of March 31, 2021.

Unused amount on the committed syndicated loan contract as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the agreement	¥15,000	¥–
Loan balance outstanding	15,000	–
Difference (unused portion)	¥ –	¥–

(h) Financial Covenants (continued)

(9) The Company has entered into a syndicated loan contract dated on September 29, 2020 with Sumitomo Mitsui Banking Corporation as arranger and Sumitomo Mitsui Trust Bank, Limited as co-arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥3,400 million in long-term debt (including the current portion) as of March 31, 2021.

(10) The Company has entered into a syndicated loan contract dated on March 29, 2021 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2021.

7. Notes to Consolidated Statements of Income

(a) Revenue from Contracts with Customers

Net sales are not presented separately for revenues from contracts with customers and other revenues. The amounts of revenues from contracts with customers are presented in "Notes to the Consolidated Financial Statements (Segment Information, etc.)."

(b) Allowance for Losses on Construction Contracts Included in Cost of Sales

The allowance for losses on construction contracts was included in cost of sales in the amounts of ¥19,219 million ($157,030 thousand) and ¥725 million for the years ended March 31, 2022 and 2021, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses at March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥11,918	¥11,369	$ 97,377
Retirement benefit expenses	658	659	5,376
Provision of allowance for doubtful receivables	0	7	0
Other	13,061	11,314	106,716
Total	¥25,638	¥23,351	$209,477

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥2,484 million ($20,295 thousand) and ¥2,748 million for the years ended March 31, 2022 and 2021, respectively.

(e) Gain on Sales of Property and Equipment

The significant components of gain on sales of property and equipment for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥ 0	¥ 0	$ 0
Machinery, equipment and vehicles	17	5	138
Land	–	9	–
Total	¥17	¥15	$138

(f) Loss on Sales and Disposal of Property and Equipment

The significant components of loss on sales and disposal of property and equipment for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥191	¥139	$1,560
Loss on sales	0	6	0
Total	¥191	¥145	$1,560

8. Notes to Consolidated Statements of Comprehensive Income

Amount of recycling and amount of income tax effects associated with other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain (loss) on securities:			
Changes in items during the period	¥(1,370)	¥3,859	$(11,193)
Amount of recycling	(16)	–	(130)
Before income tax effect adjustment	(1,387)	3,859	(11,332)
Income tax effect adjustment	424	(1,177)	3,464
Unrealized holding gain (loss) on securities	(962)	2,681	(7,860)
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	78	12	637
Amount of recycling	–	–	–
Before income tax effect adjustment	78	12	637
Income tax effect adjustment	(23)	(3)	(187)
Deferred gain on hedging instruments, net of taxes	54	8	441
Translation adjustments:			
Changes in items during the period	620	(528)	5,065
Amount of recycling	–	–	–
Before income tax effect adjustment	620	(528)	5,065
Income tax effect adjustment	–	–	–
Translation adjustments	620	(528)	5,065
Retirement benefits liability adjustments:			
Changes in items during the period	(34)	(17)	(277)
Amount of recycling	16	75	130
Before income tax effect adjustment	(17)	58	(138)
Income tax effect adjustment	(11)	(46)	(89)
Retirement benefits liability adjustments	(29)	12	(236)
Total other comprehensive income (loss)	¥ (316)	¥2,174	$ (2,581)

9. Notes to Consolidated Statements of Changes in Net Assets

(a) Type and Number of Shares Issued and Treasury Stock

For the year ended March 31, 2022

	Balance at April 1, 2021	Increase	Decrease	Balance at March 31, 2022
		(Number of shares)		
Shares issued:				
Common stock	162,673,321	–	–	162,673,321

	Balance at April 1, 2021	Increase	Decrease	Balance at March 31, 2022
		(Number of shares)		
Treasury stock:				
Common stock	5,511,604	1,035,490	164,296	6,382,798

Note 1: Increase of common stock is due to the purchase of fractional 5,990 shares and the acquisition of treasury stock of 1,029,500 shares based on the resolution of the board of directors held on February 10, 2021.

Note 2: Decrease of common stock is due to the sale of fractional 277 shares in response to shareholder requests and the disposition of treasury stock of 164,019 shares as the compensation of restricted stocks based on the resolution of the board of directors held on July 20, 2021.

For the year ended March 31, 2021

	Balance at April 1, 2020	Increase	Decrease	Balance at March 31, 2021
		(Number of shares)		
Shares issued:				
Common stock	162,673,321	–	–	162,673,321

	Balance at April 1, 2020	Increase	Decrease	Balance at March 31, 2021
		(Number of shares)		
Treasury stock:				
Common stock	4,648,600	1,038,152	175,148	5,511,604

Note 1: Increase of common stock is due to the purchase of fractional 7,884 shares and the acquisition of treasury stock of 1,029,300 shares based on the resolution of the board of directors held on February 10, 2021.

Note 2: Decrease of common stock is due to the sale of fractional 798 shares in response to shareholder requests and the disposition of treasury stock of 174,350 shares as the compensation of restricted stocks based on the resolution of the board of directors held on July 21, 2020.

Note 3: Increase of common stock of 968 shares is due to the acquisition without compensation caused by a decrease of one of the members of the board of directors

(b) Dividends

(1) Dividends paid

For the year ended March 31, 2022

Resolution	Type of shares	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Total dividends *(Thousands of U.S. dollars)*	Dividends per share *(U.S. dollars)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2021	Common stock	¥2,828	¥18.00	$23,106	$0.147	March 31, 2021	June 30, 2021

For the year ended March 31, 2021

Resolution	Type of shares	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2020	Common stock	¥3,792	¥24.00	March 31, 2020	June 29, 2020

(2) Dividends with the cut-off date in the year ended March 31, 2022 and the effective date in the year ending March 31, 2023 were as follows:

Resolution	Type of shares	Source of dividends	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Total dividends *(Thousands of U.S. dollars)*	Dividends per share *(U.S. dollars)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	Common stock	Retained earnings	¥3,125	¥20.00	$25,533	$0.163	March 31, 2022	June 30, 2022

Dividends with the cut-off date in the year ended March 31, 2021 and the effective date in the year ending March 31, 2022 were as follows:

Resolution	Type of shares	Source of dividends	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2021	Common stock	Retained earnings	¥2,828	¥18.00	March 31, 2021	June 30, 2021

10. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2022 and 2021 were as follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥70,974	¥75,532	$579,900
Time deposits with maturities of over three months	(5,865)	(5,940)	(47,920)
Cash and cash equivalents	¥65,108	¥69,591	$531,971

Assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock

For the year ended March 31, 2022

Antara Koh Private Limited and its subsidiaries Antara Koh (Myanmar) Ltd, AKM Sdn. Bhd and Antara Koh (Malaysia) Sdn. Bhd were consolidated as the company's subsidiaries by acquisition of stocks. Detail of assets and liabilities of the subsidiaries at the time of consolidation, acquisition price of stocks and net payments for acquisition at March 31, 2022 were as follows:

	Years ended March 31,	
	2022	2022
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥2,515	$20,549
Non-current assets	4,668	38,140
Goodwill	2,919	23,849
Current liabilities	(1,589)	(12,983)
Non-current liabilities	(859)	(7,018)
Acquisition price of stocks	7,654	62,537
Accounts payable included in acquisition price of stocks	(638)	(5,212)
Cash and cash equivalents	(804)	(6,569)
Balance: payments for acquisition	¥6,211	$50,747

10. Notes to Consolidated Statements of Cash Flows (continued)

For the year ended March 31, 2021

Sumitomo Mitsui Construction Steel Structures Engineering Co. Ltd. and its subsidiary DPS Bridge Works Co., Ltd. were consolidated as the company's subsidiaries by acquisition of stocks. Detail of assets and liabilities of the subsidiaries at the time of consolidation, acquisition price of stocks and net payments for acquisition at March 31, 2021 were as follows:

	Years ended March 31, 2021
	(Millions of yen)
Current assets	¥16,727
Non-current assets	5,606
Current liabilities	(18,033)
Non-current liabilities	(2,089)
Non-controlling interests	(663)
Gain on bargain purchase	(547)
Acquisition price of stocks	1,000
Cash and cash equivalents	(804)
Balance: payments for acquisition	¥ 195

Assets and liabilities of a company that was excluded from scope of consolidation due to sale of stock

For the year ended March 31, 2022

Not applicable.

For the year ended March 31, 2021

Amenity Life Co., Ltd. was excluded from scope of consolidation due to sales of stocks. Detail of assets and liabilities of Amenity Life Co., Ltd. at the time of sales, selling price of stocks and net payments for sales at March 31, 2021 were as follows:

	Years ended March 31, 2021
	(Millions of yen)
Current assets	¥ 305
Non-current assets	780
Current liabilities	(114)
Non-current liabilities	(1,301)
Gain on sales of stocks	330
Selling price of stocks	0
Cash and cash equivalents	(259)
Balance: payments for sales	¥(259)

11. Financial Instruments

(a) Overview

(1) Policy for financial instruments

The Group limits investments of surplus funds to short-term bank deposits and raises necessary funds through bank loans.

In addition, the Group only uses derivatives for hedging risk of fluctuation of foreign currency exchange rates or interest rates, not for speculative transactions.

(2) Types of financial instruments and related risk and risk management system

Trade notes receivable, accounts receivable on completed construction contracts and other are exposed to credit risk in relation to customers and trading partners. Also, the Group's main investments in securities are shares of companies, and they are exposed to market price fluctuation risk.

Management of credit risks (Risks of default by customers and trading partners)

The Company manages due dates and balances of trade notes receivable, accounts receivable on completed construction contracts and other for individual customers and trading partners through its internal systems and monitors their credit status. These systems enable the Group to identify any concerns for doubtful receivables at an early stage and reduce risks of uncollectible amounts. Consolidated subsidiaries also manage credit risks in the same manner as the Company. The Company minimizes credit risks by mainly holding held-to-maturity securities with high credit ratings.

Management of market risks (Risks of fluctuations in currency exchange and interest rates)

The Company and certain consolidated subsidiaries hold trade receivables in foreign currencies. However, the risk of fluctuations in the currency exchange rate is not significant because a similar amount of trade payables is also held, and the Company utilizes foreign exchange forward contracts to hedge the risk of changes in the foreign currency exchange rate.

Loan payables are mainly used for operating funds. The Group manages loan payables by flexibly preparing or revising its fund management plans.

Derivatives are foreign currency exchange forward contracts held for the purpose of hedging future risk of fluctuation of foreign currency exchange rate of the monetary liabilities denominated in foreign currencies, and interest rate swaps held for the purpose of hedging future risk of fluctuation of interest rates on loan payables.

Derivative transactions are carried out in accordance with the Companies' internal rules on transactions, and with highly rated financial institutions used as counter parties to reduce the risk of default.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and assessment of hedge effectiveness is found in Note 2-(n).

(a) Overview (continued)

(3) Supplementary explanation of the fair value of financial instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, applying different assumptions may result in different fair values.

In addition, the amounts of derivatives in Note 13 "Derivatives and Hedge Accounting" are not necessarily indicative of the actual market risk involved in the derivative transactions.

(b) Fair Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, fair value, and the difference at March 31, 2022 and 2021, were as shown below.

	As of March 31, 2022					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
		(Millions of yen)			*(Thousands of U.S. dollars)*	
Trade notes receivable, accounts receivable on completed construction contracts and other	¥197,169	¥197,102	¥(67)	$1,610,989	$1,610,442	$ (547)
Securities and investments in securities (*2)	17,554	17,556	2	143,426	143,443	16
Held-to-maturity securities	209	211	2	1,707	1,723	16
Other securities	17,345	17,345	–	141,719	141,719	–
Total assets	¥214,724	¥214,658	¥(65)	$1,754,424	$1,753,885	$ (531)
Trade notes payable, accounts payable on construction contracts and other	¥ 89,634	¥ 89,634	¥ –	$ 732,363	$732,363	$ –
Electronically recorded payable	29,347	29,347	–	239,782	239,782	–
Short-term bank loans and current portion of long-term debt	1,988	1,986	(1)	16,243	16,226	(8)
Corporate bonds	5,000	4,974	(25)	40,853	40,640	(204)
Long-term debt	57,806	57,393	(412)	472,309	468,935	(3,366)
Total liabilities	¥183,776	¥183,336	¥(440)	$1,501,560	$1,497,965	$(3,595)
Derivative transactions (*3)	¥ (133)	¥ (133)	¥ –	$ (1,086)	$ (1,086)	$ –

(*1): Since "cash and deposits" are cash and deposits are settled in a short period of time, their fair value approximates their book value. Therefore, information on "cash and deposits" is omitted.

(*2): Shares, etc. with no market value are not included in "Securities and investments in securities." The consolidated balance sheet amount of such financial instruments (unlisted stocks) was ¥4,095 million ($33,458 thousand).

(*3): Assets and liabilities arising from derivative transactions are shown at net value. If total is liabilities, amounts is shown as "( )."

(b) Fair Value of Financial Instruments (continued)

	As of March 31, 2021		
	Carrying value	Fair value	Difference
		(Millions of yen)	
Trade notes receivable, accounts receivable on completed construction contracts and other	¥190,177	¥190,155	¥ (22)
Securities and investments in securities (*2)	15,404	15,405	1
Held-to-maturity securities	117	118	1
Other securities	15,287	15,287	–
Total assets	¥205,581	¥205,560	¥ (20)
Trade notes payable, accounts payable on construction contracts and other	¥ 88,732	¥ 88,732	¥ –
Electronically recorded payable	29,782	29,782	–
Short-term bank loans and current portion of long-term debt	8,662	8,572	(89)
Corporate bonds	5,000	4,979	(20)
Long-term debt	49,518	48,832	(685)
Total liabilities	¥181,695	¥180,899	¥(796)
Derivative transactions (*3)	¥ 211	¥ 211	¥ –

(*1): Cash and deposits are omitted because they are cash and their fair value approximates their book value as deposits are settled in a short period of time.

(*2): Unlisted stocks of ¥4,278 million are not included in "Securities and investments in securities" because they have no market value and their fair value cannot be reliably measured.

(*3): Assets and liabilities arising from derivative transactions are shown at net value. If total is liabilities, amounts is shown as "( )."

(b) Fair Value of Financial Instruments (continued)

Note 1: The redemption schedule for monetary claims and held-to-maturity debt securities with maturity dates subsequent to March 31, 2022 and 2021

	As of March 31, 2022							
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)				*(Thousands of U.S. dollars)*			
Deposits	¥ 70,947	¥ –	¥–	¥–	$ 579,679	$ –	$–	$–
Trade notes receivable, accounts receivable on completed construction contracts and other	179,144	18,025	–	–	1,463,714	147,275	–	–
Securities and investments in securities								
Held-to-maturity securities (bonds)	147	62	–	–	1,201	506	–	–
	¥250,238	¥18,087	¥–	¥–	$2,044,595	$147,781	$–	$–

	As of March 31, 2021			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)			
Deposits	¥ 75,528	¥ –	¥–	¥–
Trade notes receivable, accounts receivable on completed construction contracts and other	180,705	9,472	–	–
Securities and Investments in securities				
Held-to-maturity securities (bonds)	47	69	–	–
	¥256,280	¥9,541	¥–	¥–

Note 2: The redemption schedule for corporate bonds, long-term debt and other interest bearing debt with maturity dates subsequent to March 31, 2022 and 2021. See Note 22 and 23.

(c) Fair Value Information by Level within the Fair Value Hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(c) Fair Value Information by Level within the Fair Value Hierarchy (continued)

(1) Financial assets and liabilities measured at fair value

	As of March 31, 2022							
	Fair Value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Millions of yen)				*(Thousands of U.S. dollars)*			
Securities and investments in securities								
Other securities								
Stock	¥17,345	¥ –	¥–	¥17,345	$141,719	$ –	$–	$141,719
Total assets	¥17,345	¥ –	¥–	¥17,345	$141,719	$ –	$–	$141,719
Derivative transactions								
Hedge accounting is applied	¥ –	¥133	¥–	¥ 133	$ –	$1,086	$–	$ 1,086
Total liabilities	¥ –	¥133	¥–	¥ 133	$ –	$1,086	$–	$ 1,086

(2) Financial instruments other than those measured at fair value

	As of March 31, 2022							
	Fair Value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Millions of yen)				*(Thousands of U.S. dollars)*			
Trade notes receivable, accounts receivable on completed construction contracts and other	¥ –	¥197,102	¥–	¥197,102	$–	$1,610,442	$–	$1,610,442
Securities and investments in securities								
Held-to-maturity securities								
Bonds	211	–	–	211	1,723	–	–	1,723
Total assets	¥211	¥197,102	¥–	¥197,313	$1,723	$1,610,442	$–	$1,612,166
Trade notes payable, accounts payable on construction contracts and other	¥ –	¥ 89,634	¥–	¥ 89,634	$–	$ 732,363	$–	$ 732,363
Electronically recorded payable	–	29,347	–	29,347	–	239,782	–	239,782
Short-term bank loans and current portion of long-term debt	–	1,986	–	1,986	–	16,226	–	16,226
Corporate bonds	–	4,974	–	4,974	–	40,640	–	40,640
Long-term debt	–	57,393	–	57,393	–	468,935	–	468,935
Total liabilities	¥ –	¥183,336	¥–	¥183,336	$–	$1,497,965	$–	$1,497,965

Note 1: Description of the valuation techniques and inputs used in the fair value measurements

Securities and investments in securities

Listed stocks and bonds are valued using quoted market prices. Since listed stocks and bonds are traded in active markets, their fair value is classified as Level 1 fair value.

Trade notes receivable, accounts receivable on completed construction contracts and other

(c) Fair Value Information by Level within the Fair Value Hierarchy (continued)

The fair value of these receivables is calculated for each receivable classified by a certain period using the discounted present value method based on the amount of the receivables, the period to maturity, and an interest rate that takes into account credit risk, and is classified as Level 2 fair value.

Trade notes payable, accounts payable on construction contracts and other, and electronically recorded payable

The fair value of these payables is based on their book value as most of them are settled within one year, and is classified as Level 2 fair value.

Short-term bank loans and current portion of long-term debt

For the current portion of long-term debt, the fair value is calculated in the same manner as for long-term debt. Since other short-term bank loans are settled in a short period of time, their fair value is almost equal to their book value, and is therefore classified as Level 2 fair value.

Corporate bonds

The fair value of bonds issued by the Company is calculated by discounting the total amount of principal and interest at an interest rate that takes into account the remaining term of the bonds and credit risk. The fair value of bonds is classified as Level 2 fair value because they have a quoted market price but are not traded in an active market.

Long-term debt

The fair value of long-term debt is calculated based on the present value of the total principal and interest discounted at the interest rate that would be applicable to a new similar borrowing, and is classified as Level 2 fair value. The fair value of long-term debt with floating interest rates that is subject to the short-cut method is calculated by discounting the total amount of principal and interest treated together with the interest rate swaps by the reasonably estimated interest rate that would be applicable to a new similar borrowing.

Derivative transactions

The fair value of interest rate swaps is based on the price quoted by the counterparty financial institutions and is classified as Level 2 fair value. The fair value of interest rate swaps accounted for using the short-cut method is included in the fair value of the relevant long-term debt because they are accounted for as an integral part of the long-term debt that is hedged.

12. Securities

Securities at March 31, 2022 and 2021 were summarized as follows:

(a) Held-to-maturity Securities

	As of March 31, 2022					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Securities whose fair value exceeds their carrying value:						
Bonds	¥209	¥211	¥2	$1,707	$1,723	$16

	As of March 31, 2021		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Bonds	¥117	¥118	¥1

(b) Other Securities

	As of March 31, 2022					
	Balance sheet amount	Cost	Unrealized gain (loss)	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Unrealized gain:						
Stock	¥ 4,118	¥ 2,339	¥1,778	$ 33,646	$ 19,111	$14,527
Unrealized loss:						
Stock	13,226	15,789	(2,562)	108,064	129,005	(20,933)
Total	¥17,345	¥18,129	¥ (784)	$141,719	$148,124	$ (6,405)

	As of March 31, 2021		
	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)		
Unrealized gain:			
Stock	¥ 4,550	¥ 2,620	¥1,929
Unrealized loss:			
Stock	10,736	12,063	(1,326)
Total	¥15,287	¥14,684	¥ 602

(c) Sales of Other Securities

	Year ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	¥302	¥37	$2,467
Total gain on sales of security	19	8	155
Total loss on sales of security	–	–	–

13. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2022 and 2021 were summarized as follows:

(a) Derivative Transactions to which the Hedge Accounting is Applied

(1) Currency-related transactions

There were no currency-related transactions to which the hedge accounting is applied for the year ended March 31, 2022.

As of March 31, 2021

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
			(Millions of yen)		
Allocation accounting method for forward foreign exchange contracts	Forward foreign exchange contracts				
	Long U.S. dollars	Accounts payable	¥ -	¥-	(Note)
	Long U.S. dollars	Future foreign currency	198	-	¥3
Total			¥198	¥-	¥3

Note: Since forward foreign exchange contracts accounted for are included in that of the account payable as the hedged item, the fair values of the contracts are included in the fair values of the account payable.

(2) Interest-related transactions

As of March 31, 2022

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			(Millions of yen)			*(Thousands of U.S. dollars)*		
Fair value	Interest-rate swaps:	Long-term debt						
	Pay fixed/ Receive floating		¥ 7,500	¥ 7,500	¥ (56)	$61,279	$61,279	$ (457)
	Pay fixed/ Receive floating	Long-term debt	2,500	2,500	(77)	20,426	20,426	(629)
Total			¥10,000	¥10,000	¥(133)	$81,706	$81,706	$(1,086)

As of March 31, 2022

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			(Millions of yen)			*(Thousands of U.S. dollars)*		
Short-cut method	Interest-rate swaps:	Long-term debt						
	Pay fixed/ Receive floating		¥ 6,000	¥ 6,000	(Note)	$49,023	$49,023	(Note)
	Pay fixed/ Receive floating	Long-term debt	4,000	4,000	(Note)	32,682	32,682	(Note)
Total			¥10,000	¥10,000		$81,706	$81,706	

Note: Since these interest rate swaps accounted for by short-cut method are included in that of the long-term debt as the hedged item, the fair values of the contracts are included in the long-term debt.

(a) Derivative Transactions to which the Hedge Accounting is Applied (continued)

As of March 31, 2021

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
			(Millions of yen)		
Fair value	Interest-rate swaps:	Long-term debt			
	Pay fixed/ Receive floating		¥ 7,500	¥ 7,500	¥(106)
	Pay fixed/ Receive floating	Long-term debt	2,500	2,500	(108)
Total			¥10,000	¥10,000	¥(215)

As of March 31, 2021

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
			(Millions of yen)		
Short-cut method	Interest-rate swaps:	Long-term debt			
	Pay fixed/ Receive floating		¥ 6,000	¥ 6,000	(Note)
	Pay fixed/ Receive floating	Long-term debt	4,000	4,000	(Note)
Total			¥10,000	¥10,000	

Note: Since these interest rate swaps accounted for by short-cut method are included in that of the long-term debt as the hedged item, the fair values of the contracts are included in the long-term debt.

14. Retirement Benefit Plans

For the year ended March 31, 2022, the Group has either funded or unfunded defined benefit and defined contribution plans.

The Group has a defined benefits pension plan, i.e. defined benefit company pension plan and lump-sum retirement benefit plans. Certain consolidated domestic subsidiaries participate in the Small and Medium Enterprise Retirement Allowance Mutual Aid Scheme. Certain foreign consolidated subsidiaries have an employee pension trust. The Company and certain consolidated subsidiaries have a defined contribution pension plan.

In addition, for certain defined benefit company pension plan and lump-sum retirement benefit plans and the defined contribution pension plan of the Company and certain consolidated subsidiaries, the simplified method is applied to calculate their liability for retirement benefits and retirement benefits expenses.

The changes in the retirement benefit obligation during the year ended March 31, 2022 and 2021 were as follows (excluding plans for which the simplified method is applied):

	Year ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥17,022	¥16,120	$139,079
Service cost	878	889	7,173
Interest cost	81	79	661
Actuarial loss	32	26	261
Retirement benefit paid	(1,197)	(1,240)	(9,780)
Prior service cost	–	(1)	–
Increase due to a new consolidation	–	1,165	–
Foreign currency translation	30	(16)	245
Other	(3)	–	(24)
Balance at the end of year	¥16,845	¥17,022	$137,633

The changes in plan assets during the year ended March 31, 2022 and 2021 were as follows (excluding plans for which the simplified method is applied):

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥517	¥ 45	$4,224
Expected return on plan assets	0	7	0
Actuarial gain (loss)	(2)	11	(16)
Contribution of the employer	18	9	147
Increase due to a new consolidation	–	446	–
Retirement benefit paid	(24)	(3)	(196)
Foreign currency translation	1	0	8
Balance at the end of year	¥511	¥517	$4,175

14. Retirement Benefit Plans (continued)

The changes in liability for retirement benefits based on the simplified method during the year ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥1,896	¥1,466	$15,491
Retirement benefit expense	253	175	2,067
Retirement benefit paid	(201)	(160)	(1,642)
Contribution to defined contribution plan	(19)	(17)	(155)
Increase due to a new consolidation	–	451	–
Other	–	(18)	–
Balance at the end of year	¥1,928	¥1,896	$15,752

A reconciliation of the funded retirement benefit obligation and plan assets and the net liability for retirement benefits recognized in the consolidated balance sheet at March 31, 2022 and 2021 is as follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 1,633	¥ 1,590	$ 13,342
Plan assets at fair value	(1,526)	(1,523)	(12,468)
	106	67	866
Unfunded retirement benefit obligation	18,155	18,333	148,337
Net liability for retirement benefits in the consolidated balance sheet	18,262	18,401	149,211
Liability for retirement benefits	18,389	18,562	150,249
Assets for retirement benefits	(127)	(160)	(1,037)
Net liability for retirement benefits in the consolidated balance sheet	¥18,262	¥18,401	$149,211

Note: Including plans for which the simplified method is applied.

14. Retirement Benefit Plans (continued)

The components of retirement benefit expense during the year ended March 31, 2022 and 2021 were as follows:

	Year ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 878	¥ 889	$ 7,173
Interest cost	81	79	661
Expected return on plan assets	(0)	(7)	(0)
Amortization of actuarial loss	379	430	3,096
Amortization of prior service cost	(362)	(359)	(2,957)
Retirement benefit expense calculated by the simplified method	253	175	2,067
Total retirement benefit expense	¥1,230	¥1,207	$10,049

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) during the year ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial loss	¥344	¥415	$2,810
Prior service cost	(362)	(357)	(2,957)
Total	¥(17)	¥ 58	$ (138)

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 were follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial loss	¥1,068	¥1,413	$8,726
Unrecognized prior service cost	(143)	(505)	(1,168)
Total	¥ 925	¥ 907	$7,557

14. Retirement Benefit Plans (continued)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 were follows:

	As of March 31,	
	2022	**2021**
Bonds	89%	74%
Stocks	5%	18%
Other	6%	8%
Total	100%	100%

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The principal assumptions used for above plans were as follows:

	Years ended March 31,	
	2022	**2021**
Discount rate	Principally 0.3%	Principally 0.3%
Expected rate of return on plan assets	Principally 0.7%	Principally 2.0%
Expected rate of increase in salaries	Principally 4.8%	Principally 4.7%

The contribution to defined contribution plans in the company and consolidated subsidiaries were as follows:

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Contribution to defined contribution plans	¥768	¥778	$6,275

15. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Liability for retirement benefits	¥ 5,631	¥5,699	$46,008
Accounts payable and accrued expenses	3,201	3,465	26,154
Impairment loss	65	66	531
Loss on valuation of investment securities	249	8	2,034
Allowance for losses on construction contracts	6,608	298	53,991
Provision for contingent loss	661	661	5,400
Other	1,626	1,447	13,285
Gross deferred tax assets	18,043	11,648	147,422
Valuation allowance	(6,336)	(6,302)	(51,768)
Total deferred tax assets	11,706	5,345	95,645
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(970)	(1,008)	(7,925)
Unrealized holding gain on securities	(2)	(185)	(16)
Unrealized gain on business combinations	(453)	(97)	(3,701)
Other	(58)	(85)	(473)
Total deferred tax liabilities	(1,485)	(1,377)	(12,133)
Net deferred tax assets	¥10,221	¥3,968	$83,511

The significant differences between the statutory tax rate and the effective tax rates for the year ended March 31, 2021 has been omitted as its difference was less than 5% of the statutory tax rate.

The same information has been omitted for the year ended March 31, 2022 due to the posting of loss before income taxes.

16. Business Combination and Divestiture

For the year ended March 31, 2021

Business Combination by Acquisition

The Company entered into a share transfer agreement for the transfer of shares of Antara Koh Private Limited (hereinafter "AKPL") as announced in the "Notice Concerning Acquisition of Shares of Antara Koh Private Limited (Conversion to Subsidiary)" dated December 23, 2021 and acquired AKPL's shares on February 15, 2022. As a result of this share acquisition, Antara Koh (Myanmar) Ltd, AKM Sdn. Bhd, and Antara Koh (Malaysia) Sdn. Bhd, which are subsidiaries of AKPL, became second-tier subsidiaries of the Company.

(a) Summary of Business Combination

(1) Name of acquired company and its business outline

Name of acquired company	Antara Koh Private Limited
Business outline	Civil engineering, offshore and above-water piling work, etc.

(2) Major reason for the business combination

In order to proactively transform ourselves with a view to the future and accelerate reforms to enhance our business competitiveness and create corporate value, we have been promoting various measures, positioning the following as our basic medium-term management policies: (1) Transform the construction process, (2) Strengthen overseas business, and (3) Expand businesses domains.

Founded in 1974, AKPL is a construction company with a presence in Singapore, Malaysia, and other Southeast Asian countries, focusing on mechanical civil engineering. AKPL is a specialist in offshore and above-water piling works, and has built up a stable track record with a mission to provide safety and high quality. We have built a long-term relationship of trust with AKPL as an important partner mainly in charge of foundation work in large-scale bridge construction, which is a source of our strengths in our overseas business.

We consider that we can expect investment effects from this share acquisition, contributing to the realization of the basic medium-term management policies, such as through the utilization of AKPL's vessels and pile foundation technologies and the enhancement of competitiveness through collaboration in the construction management system for the further expansion of business in the field of large bridges as part of our policy to strengthen our overseas operations. We acquired AKPL's shares because we expect that this share acquisition will further enhance the corporate value of AKPL by utilizing the Group's resources, and will also bring significant benefits to the overseas business strategy of the Group.

(a) Summary of Business Combination (continued)

(3) Date of business combination

February 15, 2022 (deemed acquisition date: December 31, 2021)

(4) Legal form of business combination

Acquisition of stock

(5) Name of the company after business combination

No change

(6) Percentage of voting rights acquired

100%

(7) Basis for determining the acquirer

The Company's acquisition of shares in consideration for cash.

(b) Period for Which the Operations of the Acquired Company Are Included in the Consolidated Financial Statements

Since only the balance sheet is consolidated in the current fiscal year, the consolidated statements of income does not include the results of the acquired company.

(c) Acquisition Cost of the Acquired Company and Related Details of Each Class of Consideration (Approximate Amount)

Consideration for acquisition—Cash	SGD89 million (¥7,654 million)	($62,537 thousand)
Acquisition cost	SGD89 million (¥7,654 million)	($62,537 thousand)

(d) Major Acquisition-related Costs

Advisory fees, etc.	¥329 million	($2,688 thousand)

(e) Amount of Goodwill Incurred, Reasons for the Goodwill Incurred, and the Method and Period of Amortization

(1) Amount of goodwill incurred

¥2,919 million ($23,849 thousand)

(2) Reasons for the goodwill incurred

The excess earning power expected mainly from the utilization of AKPL's vessel and pile foundation technologies, and the enhancement of competitiveness through collaboration in the construction management system.

(3) Method and period of amortization

Goodwill is amortized on a straight-line basis over 8 years.

(f) Assets Acquired and Liabilities Assumed at the Acquisition Date

Current assets	¥2,515 million	($20,549 thousand)
Non-current assets	¥4,668 million	($38,140 thousand)
Total assets	¥7,183 million	($58,689 thousand)
Current liabilities	¥1,589 million	($12,983 thousand)
Long-term liabilities	¥859 million	($7,018 thousand)
Total liabilities	¥2,448 million	($20,001 thousand)

17. Revenue Recognition

(a) Disaggregation of Revenue from Contracts with Customers

Information on the disaggregation of revenue from contracts with customers is presented in "18. Segment Information, etc."

(b) Useful Information in Understanding Revenue from Contracts with Customers

The Group is primarily engaged in civil construction and building construction, providing construction design and construction work services as well as other related services to its domestic and overseas customers.

In civil and building construction, the Group primarily enters into long-term construction contracts. For such contracts, the completion and delivery of construction work is identified as a performance obligation. Performance obligations are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably measured, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

Some construction contracts include variable consideration as they contain sliding clauses (overall sliding, single item sliding, or inflationary sliding) or clauses related to penalties for delays in construction. Variable consideration is estimated using the mode method based on contract terms and past performance.

Consideration for transactions related to construction contracts is generally received within approximately one year after the performance obligation is satisfied (in some cases, advance payments are received based on the contract). However, when the period between the satisfaction of the performance obligation and the customer's payment of the consideration is expected to be long, and the related market interest rate is expected to be considerably high and the impact on the financial component is expected to be significant, then the receivables are considered to contain a significant financial component. The financial component of the receivables based on the contract with the customer is adjusted accordingly.

(c) Balance of Contract Assets and Liabilities and the Transaction Price Allocated to the Remaining Performance Obligations

(1) Balances of contract assets and contract liabilities

	Years ended March 31,	
	2022	**2022**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Receivables from contracts with customers (beginning balance) (Note)	¥69,479	$567,685
Receivables from contracts with customers (ending balance) (Note)	77,431	632,657
Contract assets (beginning balance)	117,681	961,524
Contract assets (ending balance)	115,750	945,747
Contract liabilities (beginning balance)	24,091	196,837
Contract liabilities (ending balance)	28,635	233,965

Note: Receivables from contracts with customers are included in the amount of accounts receivable on completed construction contracts and other.

Contract assets relate to the rights of the Group to consideration for the completion and delivery of construction contracts with customers that have been completed but unbilled as of the end of the fiscal year. Contract assets are reclassified to receivables from contracts with customers when the Group's rights to the consideration become unconditional. Consideration for such construction is billed and received in accordance with the payment terms of the construction contracts.

Contract liabilities mainly relate to advances received from customers in accordance with the payment clauses of construction contracts. The contract liabilities are reversed upon recognition of revenue.

The portion of revenue recognized in the current fiscal year and included in the beginning balance of contract liabilities amounted to ¥20,350 million ($166,271 thousand)

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior years was ¥3,889 million ($31,775 thousand).

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations as of March 31, 2022 amounted to ¥836,011 million ($6,830,713 thousand).

The transaction price allocated to the remaining performance obligations represents the aggregate amount of the transaction price of contracts for which the Group has been awarded as of the end of the current fiscal year, but for which no revenue is recognized because the performance obligations have not been satisfied as of that date. The Group expects to recognize revenue from such transaction prices within approximately two years as performance obligations are satisfied.

18. Segment Information, etc.

Segment Information

(a) Outline of Segments

The Company's reportable operating segments are components for which separate financial information is available and that are evaluated regularly by the board of directors in determining the allocation of management resources and in assessing performance.

The Company currently divides its operations into Civil Construction and Building Construction, managed by the Civil Engineering Division and the Building Administration Division, respectively. Business strategies are formulated by each segment.

Accordingly, the Company divides its operations into two reportable operating segments on the same basis as it uses internally; Civil Construction and Building Construction.

Civil Construction consists mainly of governmental public works like bridge construction. Building Construction is awarded by private sector companies for things like high rise apartment buildings.

(b) Accounting Methods Used to Calculate Segment Income (Loss), Segment Assets and Other Items for Reportable Segments

Accounts for reportable segments are for the most part calculated in line with the generally accepted standards used for the preparation of the consolidated financial statements.

Segment income (loss) for reportable segments is based on gross profit.

Amounts for intersegment transactions or transfers are based on the market prices determined by third party transactions.

The Company does not allocate any assets to reportable operating segments.

As described in "Changes in Accounting Policies," the Company has applied the Revenue Recognition Standard, etc. from the consolidated financial statements for the current fiscal year and changed the accounting method for revenue recognition. Accordingly, the Company also changed the method for calculating segment income or loss for operating segments.

As a result of this change, compared with the previous method, sales and segment income in the Civil Construction segment decreased by ¥956 million ($7,811 thousand) and increased by ¥660 million ($5,392 thousand), respectively, and sales and segment loss in the Building Construction segment decreased by ¥1,531 million ($12,509 thousand) and increased by ¥252 million ($2,058 thousand), respectively, for the current fiscal year.

(c) Segment income, segment assets and other items for reportable segments

	Year ended March 31, 2022						
	Reportable operating segments			Others		Adjustments	Consolidated
	Civil	Building	Total	(Note 1)	Total	(Note 2)	(Note 3)
	(Millions of yen)						
Sales							
External customers	¥191,446	¥211,063	¥402,510	¥765	¥403,275	¥ –	¥403,275
Intersegment transactions or transfers	680	–	680	146	827	(827)	–
Net sales	¥192,127	¥211,063	¥403,190	¥912	¥404,103	¥(827)	¥403,275
Segment income (loss)	¥ 24,589	¥ (6,470)	¥ 18,119	¥119	¥ 18,239	¥ (60)	¥ 18,178

	Year ended March 31, 2022						
	Reportable operating segments			Others		Adjustments	Consolidated
	Civil	Building	Total	(Note 1)	Total	(Note 2)	(Note 3)
	(Thousands of U.S. dollars)						
Sales							
External customers	$1,564,229	$1,724,511	$3,288,749	$6,250	$3,294,999	$ –	$3,294,999
Intersegment transactions or transfers	5,556	–	5,556	1,192	6,757	(6,757)	–
Net sales	$1,569,793	$1,724,511	$3,294,305	$7,451	$3,301,764	$(6,757)	$3,294,999
Segment income (loss)	$ 200,906	$ (52,863)	$ 148,043	$ 972	$ 149,023	$ (490)	$ 148,525

Note 1: "Others" which includes the Company's business of solar power and insurance agent, does not qualify as a reportable operating segment.

Note 2: Adjustment for segment income (loss) is the reduction of income recognized between reportable operating segments.

Note 3: Segment income (loss) corresponds to gross profit in the consolidated statement of income.

	Year ended March 31, 2021						
	Reportable operating segments			Others		Adjustments	Consolidated
	Civil	Building	Total	(Note 1)	Total	(Note 2)	(Note 3)
	(Millions of yen)						
Sales							
External customers	¥186,079	¥234,748	¥420,827	¥791	¥421,619	¥ –	¥421,619
Intersegment transactions or transfers	753	–	753	114	867	(867)	–
Net sales	¥186,832	¥234,748	¥421,581	¥906	¥422,487	¥(867)	¥421,619
Segment income	¥ 21,687	¥ 16,972	¥ 38,660	¥357	¥ 39,017	¥ (81)	¥ 38,935

Note 1: "Others" which includes the Company's business of solar power, elder care facilities and insurance agent, does not qualify as a reportable operating segment.

Note 2: Adjustment for segment income is the reduction of income recognized between reportable operating segments.

Note 3: Segment income corresponds to gross profit in the consolidated statement of income.

(d) Information on Disaggregation of Revenue by Reportable Segment

	Year ended March 31, 2022				
	Reportable operating segments			Others	
	Civil	Building	Total	(Note)	Total
	(Millions of yen)				
Japan	¥150,737	¥182,532	¥333,269	¥551	¥333,821
Asia	39,639	25,110	64,750	213	64,963
Others	912	3,204	4,117	—	4,117
Revenue from contracts with customers	191,289	210,847	402,137	765	402,902
Other revenue	156	215	372	—	372
Sales to external customers	¥191,446	¥211,063	¥402,510	¥765	¥403,275

	Year ended March 31, 2022				
	Reportable operating segments			Others	
	Civil	Building	Total	(Note)	Total
	(Thousands of U.S. dollars)				
Japan	$1,231,612	$1,491,396	$2,723,008	$4,502	$2,727,518
Asia	323,874	205,163	529,046	1,740	530,786
Others	7,451	26,178	33,638	—	33,638
Revenue from contracts with customers	1,562,946	1,722,746	3,285,701	6,250	3,291,951
Other revenue	1,274	1,756	3,039	—	3,039
Sales to external customers	$1,564,229	$1,724,511	$3,288,749	$6,250	$3,294,999

Note: “Others” which includes the Company’s business of solar power and insurance agent, does not qualify as a reportable operating segment.

Related Information

For the year ended March 31, 2022

(a) Product and Service Information

See "Segment income, segment assets and other items for reportable segments."

(b) Geographical Segment Information

(1) Sales

Year ended March 31, 2022							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥334,194	¥64,963	¥4,117	¥403,275	$2,730,566	$530,786	$33,638	$3,294,999

Note: Geographical segments are determined based on the country/region of domicile of customers.

(2) Property and equipment

Year ended March 31, 2022							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥29,245	¥4,645	¥149	¥34,040	$238,949	$37,952	$1,217	$278,127

Note 1: Countries and regions are classified according to geographical proximity.
Note 2: Asia includes Singapore, amounting to ¥3,848 million ($31,440 thousand).

(c) Major Customer Information

Information on major customers has been omitted as there were no sales to a single customer constituting over 10% of net sales for the year ended March 31, 2022.

For the year ended March 31, 2021

(a) Product and Service Information

See "Segment income, segment assets and other items for reportable segments."

(b) Geographical Segment Information

(1) Sales

Year ended March 31, 2021			
Japan	Asia	Others	Total
(Millions of yen)			
¥358,467	¥60,189	¥2,962	¥421,619

Notes: Geographical segments are determined based on the country/region of domicile of customers.

(b) Geographical Segment Information (continued)

(2) Property and equipment

Geographical segment information on property and equipment has been omitted as the amount of property and equipment in Japan constituted over 90% of total as of March 31, 2021.

(c) Major Customer Information

Information on major customers has been omitted as there were no sales to a single customer constituting over 10% of net sales for the year ended March 31, 2021.

Losses on impairment by reportable segment

For the years ended March 31, 2022 and 2021, there were no losses on impairment by reportable segment.

Amortization of goodwill and unamortized balance by reportable segment

	Year ended March 31, 2022				
	Reportable operating segments			Others	
	Civil	Building	Total	(Note)	Total
	(Millions of yen)				
Amortization for the year	¥—	¥—	¥—	¥—	¥—
Balance at the end of the year	2,919	—	2,919	—	2,919

	Year ended March 31, 2022				
	Reportable operating segments			Others	
	Civil	Building	Total	(Note)	Total
	(Thousands of U.S. dollars)				
Amortization for the year	$—	$—	$—	$—	$—
Balance at the end of the year	23,849	—	23,849	—	23,849

For the year ended March 31, 2021, there were no amortization and unamortized balance of goodwill by reportable segment.

Gain on negative goodwill by reportable segment

For the year ended March 31, 2022, there were no gain on negative goodwill by reportable segment.

For the year ended March 31, 2021, ¥547 million gain on negative goodwill was recorded due to the business combination of Sumitomo Mitsui Construction Steel Structure Engineering Co., Ltd.

Gain on negative goodwill was allocated to the civil construction operation segment.

19. Related Party Transactions

Related party transaction

Transactions with affiliates for the year ended March 31, 2022 were summarized as follows:

	Year ended March 31, 2022					
	Capital investment	Number of voting shares held as a percentage of voting shares issued	Nature of transaction	Total amount of transaction	Balance sheet account	Balance at March 31, 2022
	(Millions of yen)					
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Long-term non-operating accounts receivable	¥–	Long-term non-operating accounts receivable	¥2,918
			Long-term accounts payable	¥–	Long-term accounts payable	¥2,339

	Year ended March 31, 2022					
	Capital investment	Number of voting shares held as a percentage of voting shares issued	Nature of transaction	Total amount of transaction	Balance sheet account	Balance at March 31, 2022
	(Thousands of U.S. dollars)					
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	$81	30.0%	Long-term non-operating accounts receivable	$–	Long-term non-operating accounts receivable	$23,841
			Long-term accounts payable	$–	Long-term accounts payable	$19,111

Note 1: Total amount of transaction represents the amount of a claim for damage from Yoshiikikaku Co., Ltd. and the amount of guarantee for financial institutions.

Note 2: Allowance for the above long-term non-operating accounts receivable was recognized in the amount of ¥2,889 million ($23,604 thousand).

19. Related Party Transactions (continued)

Transactions with affiliates for the year ended March 31, 2021 were summarized as follows:

	Year ended March 31, 2021					
	Capital investment	Number of voting shares held as a percentage of voting shares issued	Nature of transaction	Total amount of transaction	Balance sheet account	Balance at March 31, 2021
			(Millions of yen)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Long-term non-operating accounts receivable	¥–	Long-term non-operating accounts receivable	¥2,918
			Long-term accounts payable	¥–	Long-term accounts payable	¥2,339

Note 1: Total amount of transaction represents the amount of a claim for damage from Yoshiikikaku Co., Ltd. and the amount of guarantee for financial institutions.

Note 2: Allowance for the above long-term non-operating accounts receivable was recognized in the amount of ¥2,889 million.

20. Per Share Information

Net assets and basic profit (loss) per share as of and for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021	2022
	(Yen)		*(U.S. dollars)*
Net assets per share	¥584.73	¥651.59	$4.778
Profit (loss) per share	(44.93)	55.33	(0.367)

Note 1: For the year ended March 31, 2022, Profit per share – diluted was omitted as loss per share was recorded and there were no diluted shares.
For the year ended March 31, 2021, Profit per share – diluted was omitted as there were no diluted shares.

Note 2: As described in "Changes in Accounting Policies," the Company has applied the Revenue Recognition Standard, etc. from the consolidated financial statements for the current fiscal year. As a result, for the current fiscal year, net assets per share increased by ¥0.14 ($0.001) and loss per share decreased by ¥2.79 ($0.023).

20. Per Share Information (continued)

The basis of calculation for net assets per share at March 31, 2022 and 2021 were as follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥99,701	¥110,308	$814,617
Amounts deducted from total net assets	8,313	7,902	67,922
[Including non-controlling interests]	[8,313]	[7,902]	[67,922]
Total net assets attributable to common stock	¥91,388	¥102,405	$746,694
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	156,290	157,161	

The basis for calculating basic profit (loss) per share for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Profit (loss) per share – basic:			
Profit (loss) attributable to owners of parent	¥(7,022)	¥8,743	$(57,373)
Amount not available to common shareholders	–	–	–
Profit (loss) attributable to owners of parent per share – basic	¥(7,022)	¥8,743	$(57,373)
	(Thousands of shares)		
Average number of shares of common stock outstanding	156,284	158,045	

21. Subsequent Event

Issuance of Bonds

In accordance with the limit and outline for the issuance of unsecured straight bonds approved at the Board of Directors' meeting held on September 30, 2020, the Company issued its 2nd series of unsecured straight bonds (with inter-bond pari passu clause) (Sustainability Bonds) after finalizing the terms and conditions of the issuance on June 8, 2022. Payment was completed on June 14, 2022.

The outline of the bond is as follows:

(a) Name of bond

2nd series unsecured straight bonds of Sumitomo Mitsui Construction Co., Ltd.
(with inter-bond pari passu clause) (Sustainability Bonds)

(b) Total amount of issue   5.0 billion yen ($40,853 thousand)

(c) Amount of each bond   100 million yen ($817 thousand)

(d) Interest rate   0.520% per annum

(e) Collateral

These bonds are not secured or guaranteed, and no assets are specifically reserved for these bonds.

(f) Maturity date   June 14, 2027

(g) Use of funds to be raised

(1) Appropriated for refinancing of construction of land and water solar power generation facilities
(2) Appropriated for funds for construction of employee dormitories that fall under the ZEH-M (Net Zero Energy House-Mansion) category
(3) Appropriated for funds and refinancing for the expansion of equipment and facilities related to the promotion of automation of plant prefabrication (precast concrete)

22. Corporate Bond

Corporate bonds at March 31, 2022 was summarized as follows:

	Year ended March 31, 2022						
Company	Bond	Issued Date	Balance at April 1, 2021	Balance at March 31, 2022	Interest Rate	Collateral	Redemption Deadline
			(Millions of yen)				
The Company	1st Unsecured Bond (with inter-bond pari passu clause)	October 22, 2020	5,000	5,000	0.30%	Nil	October 22, 2025
Total	–	–	5,000	5,000	–	–	–

	Year ended March 31, 2022						
Company	Bond	Issued Date	Balance at April 1, 2021	Balance at March 31, 2022	Interest Rate	Collateral	Redemption Deadline
			(Thousands of U.S. dollars)				
The Company	1st Unsecured Bond (with inter-bond pari passu clause)	October 22, 2020	40,853	40,853	0.30%	Nil	October 22, 2025
Total	–	–	40,853	40,853	–	–	–

Scheduled redemption of corporate bonds are summarized as follows:

Year ending March 31, 2022	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Within 1 year	¥–	$–
Over 1 year and within 2 years	–	–
Over 2 years and within 3 years	–	–
Over 3 years and within 4 years	5,000	40,853
Over 4 years and within 5 years	–	–

23. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2022 and 2021 were summarized as follows:

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans (at weighted-average interest rates of 3.3% at 2022)	¥ 276	¥1,450	$ 2,255
Deposits from employees (at interest rates of 1.0% at 2022 and 2021)	¥4,157	¥3,824	$33,965

23. Short-Term Debt and Long-Term Debt (continued)

Long-term debt at March 31, 2022 and 2021 were summarized as follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at weighted-average interest rates of 2.5% at 2022 and 2021)	¥68	¥80	$555
Debt without collateral (at weighted-average interest rates of 1.2% at 2022 and 2021)	59,450	56,650	485,742
Lease obligations	2,670	1,854	21,815
Current portion (excluding lease obligations)	(1,712)	(7,212)	(13,988)
Current portion of lease obligations	(781)	(605)	(6,381)

The aggregate annual maturities of long-term debt subsequent to March 31, 2022 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2023	¥ 1,712	$ 13,988
2024	9,962	81,395
2025	20,212	165,144
2026	6,113	49,946
2027	10,013	81,812
2028 and thereafter	11,503	93,986
	¥59,518	$486,297

The aggregate annual maturities of lease obligations subsequent to March 31, 2022 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2023	¥ 781	$ 6,381
2024	591	4,828
2025	442	3,611
2026	245	2,001
2027	196	1,601
2028 and thereafter	413	3,374
	¥2,670	$21,815

Building a better working world

Independent Auditor's Report

The Board of Directors
Sumitomo Mitsui Construction Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Building a better working world

Estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over time	
Key audit matters	Auditor's response
Sumitomo Mitsui Construction Co., Ltd. (the "Company") and its consolidated subsidiaries are engaged in the civil construction business and building construction business, as well as other businesses related to thereto. As described in "(m) Recognition of Revenues and Costs" in "2. Summary of Significant Accounting Policies " in "Significant matters that serve as the basis for preparation of consolidated financial statements" under Notes to Consolidated Financial Statements, in recording net sales (net sales on construction contracts) and cost of sales (cost of sales of completed construction contracts), the Company and its consolidated subsidiaries mainly use the method of recognizing revenue as performance obligations are satisfied over time (cost-based input method is applied for estimates of progress towards satisfaction of the performance obligation) for construction that is deemed to satisfy performance obligations for the portion of work completed up to the end of the fiscal year ended March 31, 2022. Additionally, as described in "4. Significant Accounting Estimates" under Notes to Consolidated Financial Statements, net sales of 346,875 million yen were recorded using the method of recognizing revenue as performance obligations are satisfied over time in the consolidated financial statements, accounting for approximately 84% of net sales of 403,275 million yen for the fiscal year ended March 31, 2022. Revenue recognition using the method of recognizing revenue as performance obligations are satisfied over time is measured based on the progress towards the satisfaction of the performance obligation, and such progress is determined based on the ratio of actual incurred costs up to the end of the fiscal year to total construction costs. Considering that construction is very individual in nature and made in accordance with fundamental specifications and work details instructed by customers, it is difficult to apply a	We mainly performed the following procedures to evaluate the reasonableness of estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over time. (1) Assessment of internal controls In considering the system for estimating total construction costs, we obtained an understanding of the Company's company-level internal controls and evaluated the design and performance of internal controls related to approval of operating budgets, which serve as the basis for estimates of total construction costs, and verification of final expected profit (loss) on construction. (2) Evaluation of the reasonableness of estimates of total construction costs We mainly performed the following procedures for material construction works, construction works with other characteristics, and construction works extracted by sampling method. ・We mainly performed the following procedures to evaluate the reasonableness of total construction costs estimated in initial operating budgets. -We considered whether construction difficulty, specialized construction methods, and instructions from ordering parties were reflected in estimates of costs for each type of work in initial operating budgets by inspecting overviews of construction projects, floor plans, and architectural renderings and making inquiries of managers in construction management departments. -We considered whether total construction costs are estimated based on realistic construction plans by inspecting work schedules and making inquiries of

uniform rule for making determinations in estimating such amounts. Accordingly, estimates of total construction costs are based on certain assumptions and determinations, and subject to uncertainty. Further, given that construction work generally spans long periods of time, unanticipated costs may arise in line with changes in work details due to unforeseen changes in social, economic, and political conditions overseas, natural disasters, certain facts coming to light after the start of construction, and changes in conditions at construction sites, thus making timely and appropriate revisions of total construction costs complex. Based on the above, we have determined that estimates of total construction costs made in calculating construction revenue and progress toward completion of construction are of particular significance in the current period and, accordingly, that estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over time is a key audit matter.	managers in construction management departments. -We considered estimates of total construction costs by each individual cost type by comparing such costs to budgets prepared upon order receipt, making inquiries of managers in construction management departments, and reconciling, as necessary, costs to quotations from subcontractors. ・We mainly performed the following procedures to evaluate the reasonableness of total construction costs estimated at fiscal year-end. -We considered whether there are any future concerns and whether such concerns are reflected in total construction costs by inspecting materials used to calculate total construction costs and making inquiries of managers in construction management departments. -We considered whether current construction details deviate from the status of costs incurred and whether such deviations are reflected in total construction costs by inspecting construction management materials, comparing these materials to work schedules, making inquiries of managers in construction management departments, and reconciling, as necessary, these materials to quotations from subcontractors. -We performed on-site observations for a portion of construction projects and considered whether the actual status of construction work was consistent with estimates of total construction costs. ・We compared estimates of total construction costs from prior fiscal years to costs that were actually incurred to evaluate the effectiveness of the process for estimating total construction costs.

<table>
<tr><th colspan="2">Amount recorded for allowance for contingency loss</th></tr>
<tr><th>Key audit matters</th><th>Auditor’s response</th></tr>
<tr><td>In response to defective piling work performed by the Company at a condominium in Yokohama, Mitsui Fudosan Residential Co., Ltd. filed a lawsuit on November 28, 2017 seeking damages of approximately 45.9 billion yen and subsequently changed the amount of its compensation claim to approximately 51.0 billion yen on July 11, 2018.
As described in “(j) Allowance for Contingency Loss” in “2. Summary of Significant Accounting Policies” in “Significant matters that serve as the basis for preparation of consolidated financial statements" under Notes to Consolidated Financial Statements, the Company recorded an allowance for contingency loss of 2,159 million yen that was deemed necessary as a result of determining the amount to be borne as the contractor in accordance with the defect liability applicable to construction contracts to which the Company was a party.
The significant assumption forming the basis for the amount of the loss contingency arising as a result of the aforementioned lawsuit is the scope of the defect liability, and given that this assumption is subject to uncertainty and the judgment of management since the outcome of the lawsuit has yet to be determined, we have determined that the amount recorded for allowance for contingency loss is a key audit matter.</td><td>We mainly performed the following procedures to consider the assessment of the amount recorded for allowance for contingency loss and evaluate the completeness of the scope of the defect liability as well as the reasonableness of disclosures.
・We mainly performed the following procedures to evaluate the impact of the lawsuit on the scope of the defect liability.
-We inspected hearing reports and internal reporting materials, and held discussions with management.
-We evaluated the ability and independence of the attorney retained by the Company.
-We considered the attorney’s professional opinion received from the Company and obtained a confirmation letter directly with the attorney.
・We inspected minutes of board meetings, made inquiries of management, and obtained a management representation letter to confirm that the Company does not accept liabilities for any amount beyond the scope of the defect liability that it had anticipated.
・We held discussions with management to verify the reasonableness of financial statement disclosures.</td></tr>
</table>

Building a better working world

Accounting for a business combination	
Key audit matters	Auditor's response
As described in "Business Combination and Divestiture" under Notes to Consolidated Financial Statements, the Company acquired 100% of shares in Antara Koh Private Limited ("AKPL"), making AKPL a consolidated subsidiary as of March 31, 2022. Additionally, as a result of this share acquisition, Antara Koh (Malaysia) Sdn. Bhd., AKM Sdn. Bhd., Ltd., and Antara Koh (Myanmar) Limited, which are subsidiaries of AKPL, also became consolidated subsidiaries as of the same date. Consideration for the acquisition was 7,654 million yen, and the Company engaged an outside expert to assess the reasonableness of the purchase price, and to recognize, measure, and allocate the amounts of identifiable assets acquired and liabilities assumed (i.e., purchase price allocation; hereinafter, "PPA"). Further, the Company engaged an outside expert to assess those assets owned by AKPL group deemed necessary to be assessed. As a result, goodwill in the amount of 2,919 million yen was recorded. Given that the goodwill recognized as a result of this business combination transaction is material to the consolidated financial statements and that the calculation of the purchase price for the acquisition of shares, the PPA, and assessments of the fair value of assets involve the judgment of and estimates made by management, we have determined that the	We mainly performed the following procedures related to the purchase price, assets acquired, and liabilities assumed, to evaluate the reasonableness of the accounting for a business combination. ・We inspected relevant materials such as minutes of board meetings, authorizations, and key contracts to obtain an overall understanding of the transaction. ・We made inquiries of management involved in the business combination to obtain an understanding of the substance and the economic rationality of the transaction. ・We mainly performed the following procedures by involving valuation professionals at EY network firms in order to evaluate the reasonableness of the purchase price, the PPA, and assessment of the fair value of property, plant and equipment. - Obtained an understanding of and considered the scope of the work performed - Evaluated the competency, capabilities, and objectivity of the outside expert engaged by the Company - Considered the calculation methods adopted by the Company - Identified, assessed, and checked critical preconditions - Performed an overall evaluation of estimates

accounting for the business combination is a key audit matter.	

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 9, 2022

福本　千人

Kazuo Fukumoto
Designated Engagement Partner
Certified Public Accountant

中原　義勝

Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

Year ended March 31, 2022
with Independent Auditor's Report

Non-Consolidated Balance Sheets

March 31, 2022

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits	¥ 39,422	¥ 42,638	$ 322,101
Trade notes receivable	634	1,308	5,180
Accounts receivable on completed construction contracts	159,136	153,182	1,300,236
Securities	147	47	1,201
Inventories	20,487	21,665	167,391
Other current assets	25,001	24,032	204,273
Allowance for doubtful receivables	(214)	—	(1,748)
Total current assets	244,615	242,875	1,998,651
Non-current assets:			
Property and equipment, at cost:			
Land *(Note 5-(b))*	5,328	5,328	43,532
Buildings *(Note 5-(b))*	5,187	4,857	42,380
Structures *(Note 5-(b))*	844	799	6,895
Machinery and equipment	5,191	4,488	42,413
Vehicles	288	275	2,353
Tools, furniture and fixtures	4,657	4,403	38,050
Construction in progress	253	544	2,067
Accumulated depreciation	(11,168)	(10,477)	(91,249)
Property and equipment, net	10,584	10,219	86,477
Intangible fixed assets	2,222	2,205	18,155
Investments and other assets:			
Investments in securities	20,697	18,645	169,106
Investments in subsidiaries and affiliates *(Notes 5-(b) and 7)*	26,856	20,994	219,429
Long-term loans receivable	72	72	588
Long-term loans to employees	360	379	2,941
Long-term prepaid expenses	181	54	1,478
Deferred tax assets *(Note 8)*	9,634	2,825	78,715
Other	3,979	4,104	32,510
Allowance for doubtful receivables	(3,262)	(3,286)	(26,652)
Total investments and other assets	58,518	43,790	478,127
Total non-current assets	71,325	56,215	582,768
Total assets	¥315,941	¥299,090	$2,581,428

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable *(Note 5-(a))*	¥ 4,922	¥ 6,559	$ 40,215
Electronically recorded payable *(Note 5-(a))*	19,592	19,432	160,078
Accounts payable on construction contracts *(Note 5-(a))*	67,269	64,680	549,628
Short-term bank loans and current portion of long-term debt *(Note 5-(d))*	1,700	7,200	13,890
Lease obligations	207	236	1,691
Income taxes payable	2,424	94	19,805
Deposit received	16,083	15,122	131,407
Advances received on construction contracts in progress	19,845	15,964	162,145
Reserve for defects on completed construction projects	399	611	3,260
Allowance for losses on construction contracts	19,238	670	157,186
Allowance for contingency loss	2,159	2,159	17,640
Other current liabilities	13,021	12,014	106,389
Total current liabilities	166,864	144,746	1,363,379
Long-term liabilities:			
Bond payable	5,000	5,000	40,853
Long-term debt *(Note 5-(d))*	57,750	49,450	471,852
Lease obligations	214	355	1,748
Accrued retirement benefits	12,889	13,101	105,310
Other long-term liabilities	2,596	2,667	21,210
Total long-term liabilities	78,449	70,574	640,975
Contingent liabilities *(Note 5-(c))*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	98,071
Common stock:			
Authorized:			
533,892,994 shares in 2022 and 2021			
Issued and outstanding:			
162,673,321 shares in 2022 and 2021			
Capital surplus:			
Other capital surplus	326	347	2,663
Total capital surpluses	326	347	2,663
Retained earnings:			
Legal retained earnings	1,931	1,648	15,777
Earned surplus carried forward	60,908	73,004	497,655
Total retained earnings	62,839	74,652	513,432
Treasury stock, at cost: 6,382,798 shares in 2022 and 5,511,604 shares in 2021	(3,907)	(3,504)	(31,922)
Total shareholders' equity	71,262	83,498	582,253
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	(542)	418	(4,428)
Deferred loss on hedging instruments, net of taxes	(92)	(147)	(751)
Total valuation, translation adjustments and other	(635)	271	(5,188)
Total net assets	70,627	83,770	577,065
Total liabilities and net assets	¥315,941	¥299,090	$2,581,428

See accompanying notes to non-consolidated financial statements.

	Years ended March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales *(Note 10)*:			
Completed construction	¥303,964	¥322,002	$2,483,568
Others	422	214	3,447
	304,387	322,217	2,487,025
Cost of sales:			
Completed construction	298,087	295,478	2,435,550
Others	323	117	2,639
	298,411	295,596	2,438,197
Gross profit			
Completed construction	5,876	26,523	48,010
Others	99	97	808
	5,975	26,620	48,819
Selling, general and administrative expenses *(Note 6-(d))*	17,622	16,387	143,982
Operating income (loss)	(11,647)	10,233	(95,163)
Other income (expenses):			
Interest and dividend income *(Note 6-(a))*	2,178	2,090	17,795
Payments received from insurance claims	85	109	694
Reversal of provision for loss on business of subsidiaries and affiliates	—	335	—
Interest expense	(1,086)	(1,126)	(8,873)
Exchange gain (loss), net	348	(838)	2,843
Financing related expenses	(410)	(608)	(3,349)
Commission for loan commitment agreement	(512)	(628)	(4,183)
Gain on sales of property and equipment *(Note 6-(b))*	0	—	0
Gain on sales of investments in securities	18	—	147
Gain on liquidation of subsidiaries and affiliates	6	—	49
Loss on sales and disposal of property and equipment *(Note 6-(c))*	(130)	(39)	(1,062)
Loss on valuation of shares of subsidiaries and affiliates	(529)	(31)	(4,322)
Other, net *(Note 6-(a))*	(431)	(415)	(3,521)
	(461)	(1,153)	(3,766)
Profit (loss) before income taxes	(12,109)	9,079	(98,937)
Income taxes *(Note 8)*:			
Current	2,668	1,464	21,799
Deferred	(6,220)	(26)	(50,821)
	(3,551)	1,438	(29,013)
Profit (loss)	¥ (8,557)	¥ 7,640	$ (69,915)

	(Yen)		*(U.S. dollars) (Note 2)*
Profit (loss) per share – basic	¥(54.76)	¥48.34	$(0.447)

See accompanying notes to non-consolidated financial statements.

	Year ended March 31, 2022						
	Shareholders' equity						
		Additional paid-in capital	Retained earnings				
	Capital stock	Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
				(Millions of yen)			
Balance at the beginning of the period	¥12,003	¥347	¥1,648	¥73,004	¥74,652	¥(3,504)	¥83,498
Cumulative effects of changes in accounting policies				(426)	(426)		(426)
Restated balance	12,003	347	1,648	72,577	74,226	(3,504)	83,072
Changes in items during the period							
Dividends from surplus				(2,828)	(2,828)		(2,828)
Provision of legal retained earnings			282	(282)	–		–
Profit (loss)				(8,557)	(8,557)		(8,557)
Purchases of treasury stock						(502)	(502)
Disposition of treasury stock		(20)				100	79
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(20)	282	(11,669)	(11,386)	(402)	(11,809)
Balance at the end of the period	¥12,003	¥326	¥1,931	¥60,908	¥62,839	¥(3,907)	¥71,262

	Year ended March 31, 2022			
	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
		(Millions of yen)		
Balance at the beginning of the period	¥418	¥(147)	¥271	¥83,770
Cumulative effects of changes in accounting policies				(426)
Restated balance	418	(147)	271	83,343
Changes in items during the period				
Dividends from surplus				(2,828)
Provision of legal retained earnings				–
Profit (loss)				(8,557)
Purchases of treasury stock				(502)
Disposition of treasury stock				79
Net changes in items other than shareholders' equity	(961)	54	(907)	(907)
Total changes in items during the period	(961)	54	(907)	(12,716)
Balance at the end of the period	¥(542)	¥(92)	¥(635)	¥70,627

	Year ended March 31, 2022						
	Shareholders' equity						
		Additional paid-in capital	Retained earnings				
	Capital stock	Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 2)						
Balance at the beginning of the period	$98,071	$2,835	$13,465	$596,486	$609,951	$(28,629)	$682,228
Cumulative effects of changes in accounting policies				(3,480)	(3,480)		(3,480)
Restated balance	98,071	2,835	13,465	592,997	606,471	(28,629)	678,748
Changes in items during the period							
Dividends from surplus				(23,106)	(23,106)		(23,106)
Provision of legal retained earnings			2,304	(2,304)	–		–
Profit (loss)				(69,915)	(69,915)		(69,915)
Purchases of treasury stock						(4,101)	(4,101)
Disposition of treasury stock		(163)				817	645
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(163)	2,304	(95,342)	(93,030)	(3,284)	(96,486)
Balance at the end of the period	$98,071	$2,663	$15,777	$497,655	$513,432	$(31,922)	$582,253

	Year ended March 31, 2022			
	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
	(Thousands of U.S. dollars) (Note 2)			
Balance at the beginning of the period	$3,415	$(1,201)	$2,214	$684,451
Cumulative effects of changes in accounting policies				(3,480)
Restated balance	3,415	(1,201)	2,214	680,962
Changes in items during the period				
Dividends from surplus				(23,106)
Provision of legal retained earnings				–
Profit (loss)				(69,915)
Purchases of treasury stock				(4,101)
Disposition of treasury stock				645
Net changes in items other than shareholders' equity	(7,851)	441	(7,410)	(7,410)
Total changes in items during the period	(7,851)	441	(7,410)	(103,897)
Balance at the end of the period	$(4,428)	$(751)	$(5,188)	$577,065

	Year ended March 31, 2021						
	Shareholders' equity						
		Additional paid-in capital	Retained earnings				
	Capital stock	Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Millions of yen)						
Balance at the beginning of the period	¥12,003	¥382	¥1,268	¥69,535	¥70,804	¥(3,118)	¥80,072
Changes in items during the period							
Dividends from surplus				(3,792)	(3,792)		(3,792)
Provision of legal retained earnings			379	(379)	–		–
Profit				7,640	7,640		7,640
Purchases of treasury stock						(503)	(503)
Disposition of treasury stock		(35)				117	81
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(35)	379	3,468	3,847	(386)	3,246
Balance at the end of the period	¥12,003	¥347	¥1,648	¥73,004	¥74,652	¥(3,504)	¥83,498

	Year ended March 31, 2021			
	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
	(Millions of yen)			
Balance at the beginning of the period	¥(2,258)	¥(156)	¥(2,414)	¥77,657
Changes in items during the period				
Dividends from surplus				(3,792)
Provision of legal retained earnings				–
Profit				7,640
Purchases of treasury stock				(503)
Disposition of treasury stock				81
Net changes in items other than shareholders' equity	2,677	8	2,686	2,686
Total changes in items during the period	2,677	8	2,686	6,112
Balance at the end of the period	¥ 418	¥(147)	¥ 271	¥83,770

See accompanying notes to non-consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying non-consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. (the "Company") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the non-consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying financial statements in a format which is familiar to readers outside Japan. In addition, certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

(b) Securities and Investments in Subsidiaries and Affiliates

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under this standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. For other securities, securities other than shares, etc. with no market value are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Shares, etc. with no market value are carried at cost. Cost of securities sold is determined by the moving average method. Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.

(c) Inventories

Inventories other than materials and supplies are stated at cost determined by the specific identification method. Materials and supplies are valued at cost determined by the average method (cost of materials and supplies is written down when their carrying amounts become unrecoverable).

(d) Depreciation and Amortization

(1) Property and equipment (except leased assets)

Depreciation of property and equipment (except leased assets) is determined by the declining-balance method based on the estimated useful lives and the residual value of the respective assets as prescribed in the Corporation Tax Law of Japan except that the straight-line method is applied to office buildings (except facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

(2) Intangible fixed assets (except leased assets) and long-term prepaid expenses

Amortization of intangible fixed assets (except leased assets) and long-term prepaid expenses is calculated by the straight-line method based on the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan. Amortization of computer software for internal use is calculated by the straight-line method over the estimated useful lives of 5 years.

(3) Leased assets

Depreciation of leased assets under finance leases other than those that transfer the ownership of the leased assets to the lessees is calculated by the straight-line method over the lease term with a residual value of zero.

(e) Advances Received on Construction Contracts in Progress

As is customary in Japan, the Company receives payments from customers on an installment basis in accordance with the terms of the respective construction contracts.

(f) Allowance for Doubtful Receivables

An allowance for doubtful receivables has been provided for future losses on general receivables at an amount calculated by applying the percentage of actual losses on collection experienced in the past, and an uncollectible amount for doubtful receivables estimated based on an individual assessment of each receivable and probability of collection.

(g) Reserve for Defects on Completed Construction Projects

A reserve has been provided at an estimated amount for the fiscal year's sales proceeds in order to cover the liability for future costs of defects of the completed construction projects.

(h) Allowance for Losses on Construction Contracts

An allowance has been provided based on the estimated amount for the future losses on construction projects in progress at the fiscal year end which are anticipated to be substantial losses in the future.

(i) Allowance for Contingency Loss

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.

(j) Employees' Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2022.

(2) Amortization of actuarial gain or loss and prior service cost

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (11 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (11 years), which are shorter than the average remaining years of service of the employees.

(k) Recognition of Revenues and Costs

The Company is primarily engaged in civil construction and building construction, providing construction design and construction work services as well as other related services to its domestic and overseas customers.

In civil and building construction, the Company primarily enters into long-term construction contracts. For such contracts, the completion and delivery of construction work is identified as a performance obligation. Performance obligations are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably measured, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

(l) Derivatives and Hedge Accounting

(1) Method of hedge accounting

Derivative financial instruments are mainly stated at fair value except those accounted for under deferred hedge accounting.
Interest rate swaps qualifying for hedge accounting and meeting specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements is charged or credited to income (short-cut method).

(2) Hedging instruments and hedged items

Hedging instruments:	Interest rate swaps Forward foreign exchange contracts
Hedged items:	Interest on debt Future foreign currency transactions

(3) Hedging policy

The Company utilizes interest rate swaps only for the purpose of hedging future risks of fluctuation of interest rates.

(4) Assessment of hedge effectiveness

An evaluation of hedge effectiveness for interest rate swaps by principle method is performed on a quarterly basis to confirm that there is a strong correlation between hedged items and hedging instruments by comparing accumulated amount of the change of cash flows of hedged items and accumulated amount of the change of cash flows of hedging instruments to assess whether the forward contract qualifies for hedge accounting. However, the evaluation of hedge effectiveness is omitted in case of interest rate swaps meeting specific matching criteria.

An evaluation of hedge effectiveness for a forward foreign exchange contract is performed on a quarterly basis to confirm that amount of the forward foreign exchange contract is within amount of the underlying hedged item to assess whether the forward foreign exchange contract qualifies for hedge accounting.

(m) Accounting for Retirement Benefits

Accounting for unrecognized actuarial loss and unrecognized prior service cost on non-consolidated financial statements is different from the accounting on consolidated financial statements.

(n) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the amounts calculated for financial reporting purposes and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(n) Income Taxes (continued)

The Company has adopted the consolidated taxation system.

Effective from the next fiscal year, the Company will transition to the group tax sharing system from the consolidated taxation system. However, with respect to the transition to the group tax sharing system established by the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group tax sharing system, the amounts of deferred tax assets and deferred tax liabilities will be based on the provisions of the tax act before the revision, instead of applying the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued on February 16, 2018) in accordance with the treatment provided in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39 issued on March 31, 2020).

Effective from the beginning of the next fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42 issued on August 12, 2021), which provides information on the treatment of accounting and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

(o) Accounting Method of Joint Ventures for Construction Project

Assets, liabilities, costs and profits for a joint venture project are mainly recognized on pro-rata basis of investment ratio of each members.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥122.39 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2022. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Significant Accounting Estimates

For the year ended March 31, 2022

(a) Provision for Contingent Loss

(1) Amounts recognized on the financial statements for this fiscal year

	As of March 31, 2022	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Allowance for contingency loss	¥2,159	$17,640

(a) Provision for Contingent Loss (continued)

(2) Information of significant accounting estimates for the item above

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.

Mitsui Fudosan Residential Co., Ltd. (hereinafter as “MFR”), which is one of the developers of the apartment, initiated a lawsuit against the Company and two piling companies on November 28, 2017, claiming about 45.9 billion yen (which amount increased to approximately 51.0 billion yen on July 11, 2018, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) as alleged rebuilding cost for the whole structure of the apartment. The Company considers that MFR’s claim lacks legal foundation and reason, and will continue to make appropriate arguments in that court proceeding.

(b) Recognition of Revenues from Construction Contracts

(1) Amounts recognized on the financial statements for this fiscal year

	As of March 31, 2022	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net sales of construction contracts, etc. related to performance obligations to be satisfied over time	¥274,053	$2,239,178

(2) Information of significant accounting estimates for the item above

For construction contracts, etc. whose performance obligations are satisfied over time, the progress toward complete satisfaction of a performance obligation is measured and net sales of completed construction contracts are recognized over time based on such progress toward satisfaction of the performance obligation.

It is necessary to estimate total revenues and costs of a project reasonably upon recognition. The Company’s results may fluctuate due to changes in net sales and costs of completed construction contracts as a result of negotiations with clients, unanticipated incurrence of costs, or other reasons.

3. Significant Accounting Estimates (continued)

For the year ended March 31, 2021

(a) Provision for Contingent Loss

(1) Amounts recognized on the financial statements for this fiscal year

	As of March 31, 2021
	(Millions of yen)
Allowance for contingency loss	¥2,159

(2) Information of significant accounting estimates for the item above

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.

Mitsui Fudosan Residential Co., Ltd. (hereinafter as "MFR"), which is one of the developers of the apartment, initiated a lawsuit against the Company and two piling companies on November 28, 2017, claiming about 45.9 billion yen (which amount increased to approximately 51.0 billion yen on July 11, 2018) as alleged rebuilding cost for the whole structure of the apartment. The Company considers that MFR's claim lacks legal foundation and reason, and will continue to make appropriate arguments in that court proceeding.

(b) Recognition of Net Sales based on Percentage-of-Completion Method

(1) Amounts recognized on financial statements for this fiscal year

	As of March 31, 2021
	(Millions of yen)
Net sales recognized based on percentage-of-completion method	¥287,806

(2) Information of significant accounting estimates for the item above

Net sales of completed construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. It is necessary to estimate total revenue and cost of a project reasonably upon the recognition.

The Company's results may fluctuate due to changes in net sales and costs of completed construction contracts affected by design changes or additional contracts generated from negotiations with clients, unpredictable changes of global politics, economics and social conditions, natural disasters, unforeseeable facts found after commencement of construction works, and/or modification of construction works caused by changes of project site situation.

4. Changes in Accounting Policies

(a) Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes resulting from the application of the Revenue Recognition Standard are as follows.

Recognition of revenues from construction contracts:

The Company previously applied the percentage-of-completion method for construction contracts whose percentage of completion can be reliably estimated, and the completed-contract method for other construction contracts. However, when control over goods or services is transferred to a customer over time, the Company has changed the method of recognizing revenue to one where revenue is recognized over time as it satisfies its performance obligation to transfer the goods or services to customers. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably measured, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to earned surplus carried forward at the beginning of the current fiscal year.

(a) Accounting Standard for Revenue Recognition (continued)

As a result of this change, compared with the figures before the application of the Revenue Recognition Standard, etc., in the non-consolidated statements of income for the current fiscal year, net sales increased by ¥2,156 million ($17,615 thousand), cost of sales increased by ¥1,811 million ($14,796 thousand), operating loss decreased by ¥345 million ($2,818 thousand), and loss before income taxes decreased by ¥566 million ($4,624 thousand).

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of earned surplus carried forward decreased by ¥426 million ($3,480 thousand) in the non-consolidated statements of changes in net assets.

For the current fiscal year, net assets per share and net loss per share decreased by ¥0.21 ($0.002) and ¥2.52 ($0.021), respectively.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not presented.

(b) Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019). This application will have no impact on the non-consolidated financial statements.

5. Notes to Non-Consolidated Balance Sheets

(a) Outstanding Balances with Subsidiaries and Affiliates

Significant outstanding balances for subsidiaries and affiliates other than individually presented on the accompanying non-consolidated balance sheets at March 31, 2022 and 2021 were as follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes payable	¥437	¥387	$3,570
Electronically recorded payable	4,120	3,391	33,662
Accounts payable on construction contracts	8,225	8,321	67,203

(b) Pledged Assets

The following assets were pledged at March 31, 2022 and 2021 principally as collateral for guarantees (such as guarantees for the completion of construction contracts):

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,735	¥1,735	$14,175
Buildings, net of accumulated depreciation	101	100	825
Structures, net of accumulated depreciation	28	30	228
Investments in subsidiaries and affiliates	363	363	2,965
Total	¥2,227	¥2,228	$18,195

There were no secured liabilities as of March 31, 2022 and 2021.

The following assets were pledged at March 31, 2022 and 2021 as collateral for business security deposits:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Securities	¥139	¥ –	$1,135

5. Notes to Non-Consolidated Balance Sheets (continued)

(c) Contingent Liabilities

At March 31, 2022 and 2021, the Company was contingently liable for the following:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of bank loans to subsidiaries and other	¥7,142	¥2,605	$58,354
Advance deposits	482	–	3,938

(d) Financial Covenants

For the year ended March 31, 2022

(1) The Company has entered into a loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2016 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2014 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the loan commitment agreement is immaterial as of March 31, 2022.

Unused amount on loan commitment agreement as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$163,412
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$163,412

(d) Financial Covenants (continued)

(2) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including five different banks from (1) above) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2017 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2016 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,250 million ($18,383 thousand) in long-term debt (including the current portion) as of March 31, 2022.

(3) The Company has entered into a committed syndicated loan contract dated on March 30, 2018 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2018 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2017 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$81,706
Loan balance outstanding	10,000	10,000	81,706
Difference (unused portion)	¥ –	¥ –	$ –

(d) Financial Covenants (continued)

(4) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks (including six different banks from (3) above) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2019 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$81,706
Loan balance outstanding	10,000	10,000	81,706
Difference (unused portion)	¥ –	¥ –	$ –

(5) The Company has entered into a general syndicated committed loan contract dated on June 25, 2020 with its twenty-five banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million ($122,559 thousand) in long-term debt as of March 31, 2022.

(d) Financial Covenants (continued)

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥15,000	¥15,000	$122,559
Loan balance outstanding	15,000	15,000	122,559
Difference (unused portion)	¥ –	¥ –	$ –

(6) The Company has entered into a syndicated loan contract dated on September 29, 2020 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,200 million ($17,975 thousand) in long-term debt (including the current portion) as of March 31, 2022.

(7) The Company has entered into a syndicated loan contract dated on March 29, 2021 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

(d) Financial Covenants (continued)

(8) The Company has entered into a loan commitment agreement dated on May 25, 2021 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the loan commitment agreement is immaterial as of March 31, 2022.

Unused amount on loan commitment agreement as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥30,000	¥–	$245,118
Loan balance outstanding	–	–	–
Difference (unused portion)	¥30,000	¥–	$245,118

(9) The Company has entered into a loan commitment agreement dated on June 25, 2021 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the loan commitment agreement is immaterial as of March 31, 2022.

(d) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥–	$163,412
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥–	$163,412

(10) The Company has entered into a syndicated loan contract dated on March 28. 2022 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($81,706 thousand) in long-term debt as of March 31, 2022.

(11) The Company has entered into a committed syndicated loan contract dated on March 28, 2022 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2022.

(d) Financial Covenants (continued)

Unused amount on the committed syndicated loan contract as of March 31, 2022 and 2021 were as follows.

	As of March 31,		
	2022	**2021**	**2022**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥7,000	¥–	$57,194
Loan balance outstanding	–	–	–
Difference (unused portion)	¥7,000	¥–	$ 57,194

For the year ended March 31, 2021

(1) The Company has entered into a loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2016 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2014 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

Unused amount on loan commitment agreement as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

(d) Financial Covenants (continued)

(2) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2017 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2014 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥5,500 million in long-term debt (including the current portion) as of March 31, 2021.

(3) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including five different banks from (2) above) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2017 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2016 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,750 million in long-term debt (including the current portion) as of March 31, 2021.

(4) The Company has entered into a committed syndicated loan contract dated on March 30, 2018 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2018 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2017 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

(d) Financial Covenants (continued)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2021.

Unused amount on the committed syndicated loan contract as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ –	¥ –

(5) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks (including six different banks from (4) above) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2019 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2021.

Unused amount on the committed syndicated loan contract as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ –	¥ –

(d) Financial Covenants (continued)

(6) The Company has entered into a loan commitment agreement dated on June 25, 2020 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2021.

Unused amount on loan commitment agreement as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	**2020**
	(Millions of yen)	
Maximum limit under the agreement	¥30,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	¥30,000	¥–

(7) The Company has entered into a loan commitment agreement dated on June 25, 2020 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The following financial covenant is included in the contract:

Total consolidated net assets at the end of the second quarter of the fiscal year beginning March 31, 2020 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2021.

(d) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	2020
	(Millions of yen)	
Maximum limit under the agreement	¥50,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	¥50,000	¥–

(8) The Company has entered into a general syndicated committed loan contract dated on June 25, 2020 with its twenty-five banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million in long-term debt as of March 31, 2021.

Unused amount on the committed syndicated loan contract as of March 31, 2021 and 2020 were as follows.

	As of March 31,	
	2021	2020
	(Millions of yen)	
Maximum limit under the agreement	¥15,000	¥–
Loan balance outstanding	15,000	–
Difference (unused portion)	¥ –	¥–

(9) The Company has entered into a syndicated loan contract dated on September 29, 2020 with Sumitomo Mitsui Banking Corporation as arranger and Sumitomo Mitsui Trust Bank, Limited as co-arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

(d) Financial Covenants (continued)

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥3,400 million in long-term debt (including the current portion) as of March 31, 2021.

(10) The Company has entered into a syndicated loan contract dated on March 29, 2021 with its seven banks (same bank as we had contracted for the year ended March 31, 2016) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2021 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2020 or of total consolidated net assets at the end of the most recent fiscal year, whichever is greater.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama will be excluded from the calculation in accordance with instructions received from the Ministry of Land, Infrastructure Transportation and Tourism of Japan on January 13, 2016.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2021.

6. Notes to Non-Consolidated Statements of Income

(a) Transactions with Subsidiaries and Affiliates

Significant transactions with subsidiaries and affiliates other than those individually presented on the accompanying non-consolidated statements of income for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Dividend income	¥1,399	¥1,598	$11,430
Royalty income	252	247	2,058
Allowance for doubtful accounts	214	–	1,748

(b) Gain on Sales of Property and Equipment

The significant components of gain on sales of property and equipment for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Vehicles	¥0	¥–	$0
Tools, furniture and fixtures	0	–	0

(c) Loss on Sales and Disposal of Property and Equipment

The significant components of loss on sales and disposal of property and equipment for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥130	¥39	$1,062
Loss on sales	0	0	0
Total	¥130	¥39	$1,062

(d) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

	Years ended March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 8,365	¥ 8,269	$ 68,347
Depreciation expenses	918	568	7,500
Other	8,338	7,550	68,126
Total	¥17,622	¥16,387	$143,982

7. Securities

Stocks of subsidiaries and affiliates at March 31, 2022 and 2021 were as follows:

	As of March 31, 2022					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Stocks of a subsidiary	¥717	¥5,360	¥4,642	$5,858	$43,794	$37,927

Note: Stocks of subsidiaries and affiliates with no market value that were excluded from the above were as follows:

	As of March 31,	
	2022	2022
	Carrying value	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Stocks of subsidiaries	¥14,942	$122,085
Stocks of affiliates	29	236

	As of March 31, 2021		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Stocks of a subsidiary	¥717	¥5,230	¥4,513

Note: Stocks of subsidiaries of ¥7,534 million and stocks of affiliates of ¥29 million for which it is extremely difficult to determine market values were excluded from the above.

8. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	As of March 31,		
	2022	2021	2022
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥3,946	¥4,011	$32,241
Allowance for bad debts	1,985	1,983	16,218
Account payable and accrued expenses	1,064	1,006	8,693
Loss on valuation of investment securities	240	–	1,960
Loss on devaluation of investments in subsidiaries and affiliates	896	825	7,320
Reserve for defects on completed construction projects	122	187	996
Allowance for losses on construction contracts	6,500	205	53,108
Other	1,017	999	8,309
Gross deferred tax assets	15,774	9,218	128,883
Valuation allowance	(6,123)	(6,192)	(50,028)
Total deferred tax assets	9,651	3,025	78,854
Deferred tax liabilities:			
Unrealized holding gain on securities	–	(184)	–
Asset retirement obligations	(17)	(15)	(138)
Deferred (loss) on hedging instruments	–	(0)	–
Total deferred tax liabilities	(17)	(200)	(138)
Net deferred tax assets	¥9,634	¥2,825	$78,715

The following table summarizes the significant differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2022 and 2021

	Years ended March 31,	
	2022	2021
Statutory tax rates	– %	30.6%
Non-deductible expenses	–	1.6
Non-taxable income	–	(5.2)
Per capita inhabitants' taxes	–	1.6
Tax credit	–	(3.5)
Valuation allowance	–	(10.5)
Foreign corporation tax	–	1.3
Other	–	(0.1)
Effective tax rates	– %	15.8%

Note: For the year ended March 31, 2022, the note is omitted due to the posting of loss before income taxes.

9. Business Combination and Divestiture

The note is omitted since the Consolidated Financial Statement (Notes to Consolidated Financial Statements, Business Combination and Divestiture) provides the same information.

10. Revenue Recognition

The note on useful information in understanding revenue from contracts with customers is omitted since the Consolidated Financial Statement (Notes to Consolidated Financial Statements, Revenue Recognition) provides the same information.

11. Subsequent Event

Issuance of Bonds

In accordance with the limit and outline for the issuance of unsecured straight bonds approved at the Board of Directors' meeting held on September 30, 2020, the Company issued its 2nd series of unsecured straight bonds (with inter-bond pari passu clause) (Sustainability Bonds) after finalizing the terms and conditions of the issuance on June 8, 2022. Payment was completed on June 14, 2022.

The outline of the bond is as follows:

(a) Name of bond

2nd series unsecured straight bonds of Sumitomo Mitsui Construction Co., Ltd.
(with inter-bond pari passu clause) (Sustainability Bonds)

(b) Total amount of issue 5.0 billion yen ($40,853 thousand)

(c) Amount of each bond 100 million yen ($817 thousand)

(d) Interest rate 0.520% per annum

(e) Collateral

These bonds are not secured or guaranteed, and no assets are specifically reserved for these bonds.

(f) Maturity date June 14, 2027

(g) Use of funds to be raised

(1) Appropriated for refinancing of construction of land and water solar power generation facilities
(2) Appropriated for funds for construction of employee dormitories that fall under the ZEH-M (Net Zero Energy House-Mansion) category
(3) Appropriated for funds and refinancing for the expansion of equipment and facilities related to the promotion of automation of plant prefabrication (precast concrete)

Independent Auditor's Report

The Board of Directors
Sumitomo Mitsui Construction Co., Ltd.

Opinion

We have audited the accompanying non-consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. (the Company), which comprise the non-consolidated balance sheet as at March 31, 2022, and the non-consolidated statements of income, and changes in net assets, for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2022, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over time

The details of this key audit matter have been omitted since they are the same as those described in the auditor's report for the consolidated financial statements.

Amount recorded for allowance for contingency loss

The details of this key audit matter have been omitted since they are the same as those described in the auditor's report for the consolidated financial statements.

Other Information

The other information comprises the information included in the Annual Report that contains audited non-consolidated financial statements but does not include the non-consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better
working world

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 9, 2022

福本　千人

Kazuo Fukumoto
Designated Engagement Partner
Certified Public Accountant

中原　義勝

Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

CORPORATE OUTLINE

Corporate Name:
Sumitomo Mitsui Construction Co.,Ltd.

Established:
October 14, 1941

Permission:
(Special-3)No.200, Specified Constructor, granted by the Minister of Land, Infrastructure, Transport and Tourism

License:
(16)No.1, Housing, Land and Building Dealer, granted by the Minister of Land, Infrastructure, Transport and Tourism

Main Scope of Business:

1) To contract, plan, design and/or supervise civil engineering, architectural, prestressed concrete, electrical, piping and other works

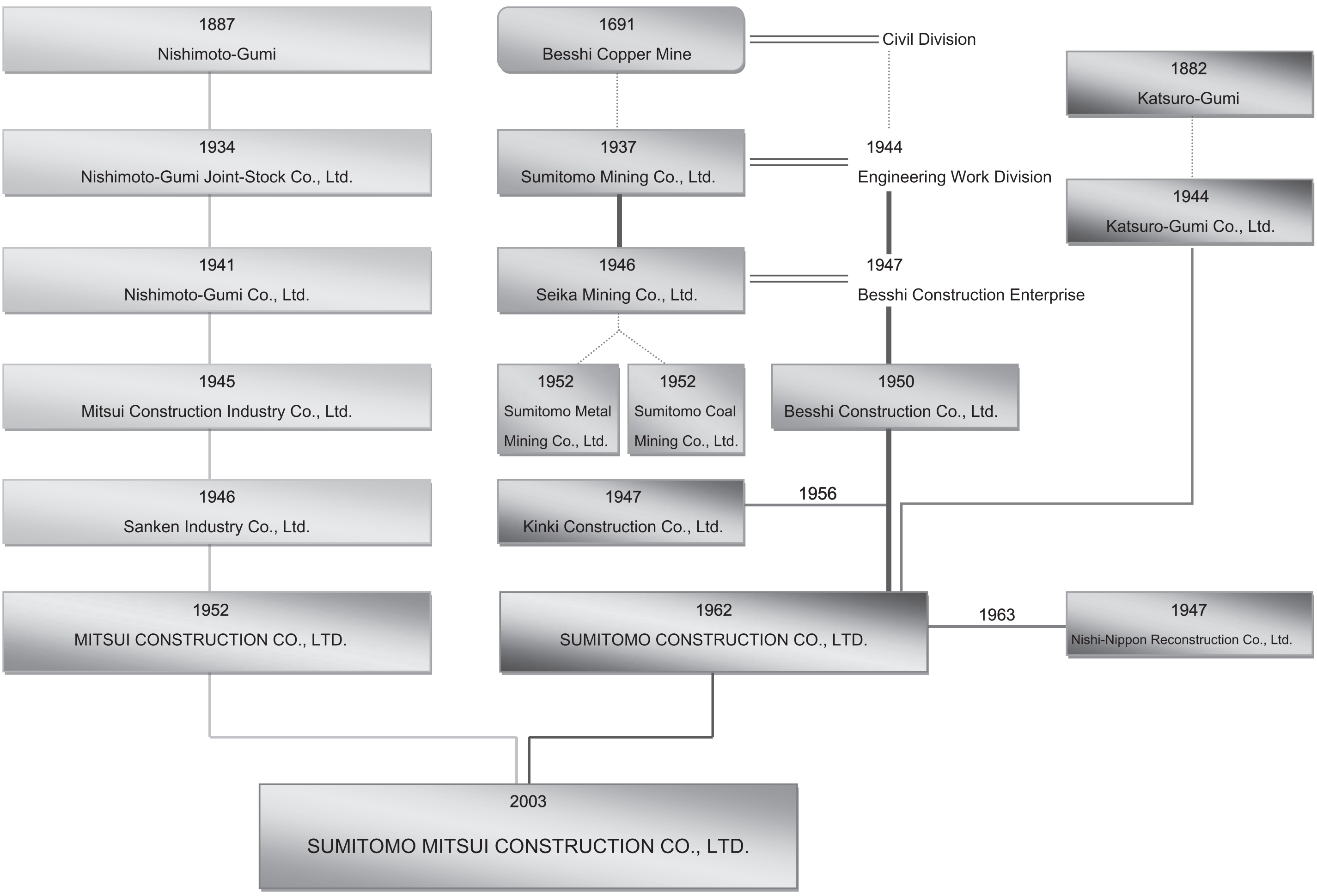
2) To plan, design and supervise marine development, regional development, urban development, natural resource development and environment maintenance

3) To manufacture, sell and lease materials for civil and building works, prestressed concrete products, seismic isolating device, seismic damping device, and other machinery and instruments

Main Banks
Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank, Limited

Main Shareholders
The Master Trust Bank of Japan, Ltd.
CITY INDEX ELEVENTH CO., Ltd
Custody Bank of Japan
Mitsui Fudosan Co., Ltd.
Sumitomo Realty & Development Co., Ltd.

Corporate History



CORPORATE DATA

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