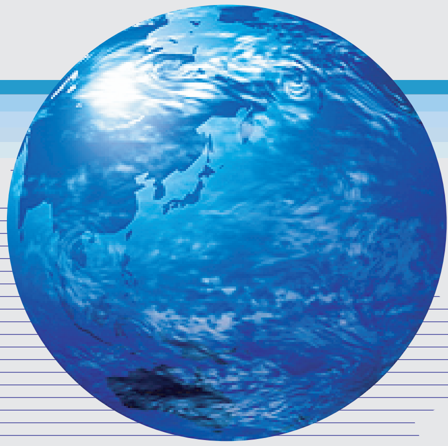


ANNUAL REPORT 2018

SUMITOMO MITSUI CONSTRUCTION CO.,LTD.

CONTENTS

Disclaimer for Forward-Looking Statements:

This document contains forward-looking statements about the performance and management plans of SMCC Group based on available information and management's assumptions in light of their experience and perception of historical trends, current conditions, future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and various economic and other factors could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct and you are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document.

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 the Year ended March 31, 2018

In the current fiscal year, with exports and production activities expanding due to a recovery in external demand, Japan's economy is experiencing growth again in areas such as consumer spending and private capital investment, and as a result, it is on a moderate recovery path, as corporate profits, employment and income conditions are improving. While political and economic uncertainty remains in Japan and overseas, in the coming years, in addition to steady external demand due to global economic expansion and with expectation of recovery in domestic-demand centered around consumer spending, it is expected that the economy will continue expanding moderately.

In the domestic construction market, in addition to the support of public investment, private investment, such as robust corporate capital investment, redevelopment projects mainly in metropolitan areas, Olympics-related construction, infrastructural development and renewed demand, has been steady. It appears that these market conditions will continue to exist for some time. However, gradually increasing raw materials' costs due to heightened busyness in construction works, and rising labor costs due to tightening in the construction worker labor market raise concerns. Currently, initiatives such as productivity improvement and work style reform that are being promoted in the public and private sectors need to be further strengthened as a matter of urgency.

Against this background, the results of the second year of the "Medium-term Management Plan 2016-2018" (the "PLAN") were as below.

First, on a consolidated basis, net sales were 417.3 billion yen, a 13.4 billion yen increase over the previous fiscal year, due to the steady progress in and completion of high-level, undelivered construction work as of the end of the current fiscal year.

Regarding profitability, in the midst of rising material costs, profit-focused order policies and efforts to improve productivity were successful, and in both civil and building works, profits exceeding that for the previous year were secured.

As a result, operating profit was 30.6 billion yen, a 2.6 billion yen increase over the previous fiscal year, and ordinary profit was 28.5 billion yen, a 2.3 billion yen increase over the previous fiscal year, renewing the highest post-merger profits records for the third consecutive year. Net profit attributable to the shareholders of the parent company was 20.7 billion yen, a 3.7 billion yen increase over the previous fiscal year.

II. The Mid-Term Management Plan

The SMCC Group has formulated a group vision from a longer-term perspective and has established long-term management policies to be pursued in order to realize the vision.

We have started the PLAN by placing top priority on the restoration of creditability lost by the matter of the construction of the apartment building located in Yokohama City, and we are determined again to exert group-wide efforts to enhance our corporate value.

(i) Group vision

≪Group vision≫
"Our future direction" from the respective perspectives of management, technology and employees:
- Corporate group that secures solid profitability and achieves sustainable growth
- Corporate group that challenges addressing social issues with its unique technologies and services
- Corporate group that expands its activities both in Japan and overseas by placing emphasis on loyalty and sincerity and maintaining its pride in participating in building a society

≪Long-term management policies≫
- Enhance manufacturing capabilities by strengthening the development of technologies and reforming production systems.
- Create an attractive corporate culture through securing, cultivating and vitalizing human resources.
- Strengthen the competitiveness and profitability of our three core segments: civil in Japan, building in Japan and overseas business
- Build a multilayered earnings base by promoting new businesses and businesses in new areas.
- Promote CSR in management, that is, conduct business with social responsibility.

(ii) Outline of the PLAN

Based on our theme of "Restoring creditability and enhancing our corporate value" we have selected "Enhance manufacturing capabilities" and "Create an attractive corporate culture" listed in the long-term management policies, as "Themes to be focused on" that should be tackled extensively during the period of the plan. We will also devise business strategies by segmenting and earnestly implementing various measures, with the aim of achieving performance targets.

≪Themes to be focused on≫
- "Reform production systems"

  Based on the recognition that it is the most important challenge to restore creditability of our quality, we will make efforts to ensure quality, as well as address structural issues, including retaining workers and improving productivity, as themes we should resolve in our production systems.

・“Secure, cultivate and vitalize human resources”

Regarding “manpower” which is the basis of a company, we, in the face of such issues as the shortage and aging of human resources, will endeavor to secure and cultivate human resources and materialize a vibrant, attractive corporate group.

≪Business targets of the PLAN for FY 2018 (consolidated)≫
・Net sales: 440.0 billion yen
・Operating income to sales ratio: 5% or more
・Capital-to-asset ratio: 20% or more
・Dividend payout ratio: 20% or more

The developments in comparison with the business targets (consolidated) of the PLAN for FY 2018 (the final year of the PLAN) are as follows:

	March 31, 2017 (FY 2016)	March 31, 2018 (FY 2017)
Net sales:	¥403.9 billion	¥417.3 billion
Operating income to sales ratio:	6.9%	7.3%
Capital-to-asset ratio:	18.8%	23.9%
Dividend payout ratio:	14.3%	14.1%

Regarding the business environment going forward, in addition to steady external demand due to global economic expansion and the recovery in the domestic-demand centered around consumer spending, it is expected that the economy will continue expanding moderately.

In the construction industry, continued construction investment is expected to remaining steady. In addition to public investment, due to busy construction work through private investment, such as corporate capital investment, redevelopment projects mainly in metropolitan areas, Olympics-related construction, concerns have arisen regarding rising costs for materials and labor, and it is believed that the business environment will be such that greater efforts will be required to ensure construction profitability.

Further, regarding the lawsuit over the construction of the apartment building located in Yokohama City, it may be said that our future consolidated results can be affected depending on the outcome of the said trial, but we will appropriately insist our arguments.

The SMCC Group will make concerted efforts to implement the PLAN to restore creditability and enhance its corporate value.

Hideo Arai
Representative Director,
President

Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.
and Consolidated Subsidiaries

Year ended March 31, 2018
with Independent Auditor's Report

Consolidated Balance Sheets

March 31, 2018

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 5-(b), 9 and 10)*	¥ 80,788	¥ 68,122	$ 760,429
Trade notes receivable, accounts receivable on completed construction contracts and other *(Note 10)*	146,933	143,631	1,383,028
Inventories *(Notes 5-(a) and 5-(e))*	25,909	22,300	243,872
Deferred tax assets *(Note 14)*	3,409	3,248	32,087
Other current assets *(Note 5-(b))*	13,390	19,733	126,035
Allowance for doubtful receivables *(Note 10)*	—	(31)	—
Total current assets	270,431	257,005	2,545,472
Non-current assets:			
Property and equipment, at cost:			
Land *(Notes 5-(b) and 5-(c))*	14,611	14,973	137,528
Buildings and structures *(Note 5-(b))*	16,353	16,492	153,925
Machinery, equipment and vehicles *(Note 5-(b))*	18,796	17,982	176,920
Construction in progress	54	12	508
Accumulated depreciation	(25,718)	(25,140)	(242,074)
Property and equipment, net	24,096	24,320	226,807
Intangible fixed assets	2,109	2,101	19,851
Investments and other assets:			
Investments in securities *(Notes 5-(b), 10 and 11)*	12,889	10,259	121,413
Deferred tax assets *(Note 14)*	1,594	1,538	15,003
Investments in unconsolidated subsidiaries and affiliates	916	1,006	8,621
Other *(Note 5-(b))*	6,899	12,825	64,937
Allowance for doubtful receivables *(Note 10)*	(1,259)	(6,904)	(11,850)
Total investments and other assets	21,050	18,726	198,136
Total non-current assets	47,256	45,147	444,804
Total assets	¥317,688	¥302,152	$2,990,286

	As of March 31,		
	2018	2017	2018
	(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 10)*	¥ 94,632	¥ 104,111	$ 890,737
Electronically recorded payable (*Note 10)*	31,691	26,387	298,296
Short-term bank loans and current portion of long-term debt *(Notes 5-(b), 5-(f), 10 and 19)*	2,769	10,201	26,063
Accrued expenses	7,354	7,172	69,220
Income tax payable	3,178	4,681	29,913
Advances received on construction contracts in progress	28,707	24,263	270,208
Reserve for defects on completed construction projects	976	801	9,186
Allowance for losses on construction contracts *(Note 5-(e))*	127	389	1,195
Allowance for contingency loss	2,159	2,159	20,321
Allowance for loss related to Antitrust Law	—	146	—
Other current liabilities	18,511	10,948	174,237
Total current liabilities	190,108	191,262	1,789,420
Long-term liabilities:			
Long-term debt *(Notes 5-(b), 5-(f), 10 and 19)*	21,353	23,640	200,988
Deferred tax liability on land revaluation *(Note 5-(c))*	285	285	2,682
Liability for retirement benefits *(Note 13)*	18,231	18,720	171,602
Other long-term liabilities	4,857	5,001	45,717
Total long-term liabilities	44,727	47,647	420,999
Contingent liabilities *(Notes 5-(d) and 16)*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	112,980
Common stock:			
Authorized:			
533,892,994 shares in 2018 and 2017			
Issued and outstanding:			
162,673,321 shares in 2018 and 2017			
Additional paid-in capital	524	523	4,932
Retained earnings	63,790	45,506	600,432
Treasury stock, at cost:			
131,601 shares in 2018 and 102,288 shares in 2017	(262)	(247)	(2,466)
Total shareholders' equity	76,056	57,786	715,888
Accumulated other comprehensive income:			
Unrealized holding gain on securities	1,010	312	9,506
Deferred (loss) on hedging instruments, net of taxes *(Note 12)*	(0)	(4)	(0)
Land revaluation *(Note 5-(c))*	73	73	687
Translation adjustments	(466)	(601)	(4,386)
Retirement benefits liability adjustment *(Note 13)*	(660)	(617)	(6,212)
Total accumulated other comprehensive income	(44)	(837)	(414)
Non-controlling interests	6,840	6,293	64,382
Total net assets	82,852	63,242	779,856
Total liabilities and net assets	¥317,688	¥302,152	$2,990,286

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales *(Note 6-(a))*	¥417,310	¥403,908	$3,927,993
Cost of sales *(Notes 6-(b) and 6-(d))*	366,252	357,484	3,447,402
Gross profit	51,057	46,424	480,581
Selling, general and administrative expenses *(Notes 6-(c), 6-(d) and 13)*	20,473	18,483	192,705
Operating income	30,584	27,941	287,876
Other income (expenses):			
Interest and dividend income	905	814	8,518
Payments received from insurance claims	126	138	1,185
Interest expense	(556)	(539)	(5,233)
Exchange (loss), net	(420)	(207)	(3,953)
Litigation expenses	(983)	(108)	(9,252)
Gain on sales of property and equipment *(Note 6-(e))*	8	9	75
Gain on donation of assets *(Note 6-(f))*	—	207	—
Gain on sales of investment in securities *(Note 11-(c))*	189	29	1,778
Gain on liquidation of subsidiaries and affiliates	45	—	423
Loss on sales and disposal of property and equipment *(Note 6-(g))*	(79)	(118)	(743)
Impairment loss *(Note 6-(h))*	(581)	(624)	(5,468)
PCB disposal expenses	—	(115)	—
Other, net	(1,197)	(1,998)	(11,266)
	(2,542)	(2,512)	(23,926)
Profit before income taxes	28,041	25,428	263,940
Income taxes *(Note 14)*:			
Current	7,200	7,906	67,771
Deferred	(553)	(394)	(5,205)
	6,646	7,511	62,556
Profit	21,395	17,916	201,383
Profit attributable to:			
Non-controlling interests	672	881	6,325
Owners of parent	¥ 20,723	¥ 17,035	$ 195,058
	(Yen)		(U.S. dollars) (Note 3)
Profit per share *(Note 17)*	¥ 127.48	¥ 104.79	$ 1.199

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Profit	¥21,395	¥17,916	$201,383
Other comprehensive income:			
Unrealized holding gain (loss) on securities	697	(64)	6,560
Deferred gain (loss) on hedging instruments, net of taxes	3	(10)	28
Translation adjustments	183	(586)	1,722
Retirement benefits liability adjustments	(14)	71	(131)
Total other comprehensive income *(Note 7)*	870	(590)	8,189
Comprehensive income	¥ 22,265	¥ 17,326	$209,572
Comprehensive income attributable to:			
Owners of the parent	¥ 21,515	¥ 16,525	$202,513
Non-controlling interests	750	800	7,059

The accompanying notes are an integral part of these statements.

	Year ended March 31, 2018				
	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	¥523	¥45,506	¥(247)	¥57,786
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		6			6
Dividends from surplus			(2,438)		(2,438)
Profit attributable to owners of the parent			20,723		20,723
Change in the scope of consolidation					
Purchases of treasury stock				(21)	(21)
Disposition of treasury stock		(4)		6	2
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	1	18,284	(15)	18,270
Balance at the end of the period	¥12,003	¥524	¥63,790	¥(262)	¥76,056

	Year ended March 31, 2018							
	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	¥ 312	¥(4)	¥73	¥(601)	¥(617)	¥(837)	¥6,293	¥63,242
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								6
Dividends from surplus								(2,438)
Profit attributable to owners of the parent								20,723
Change in the scope of consolidation								
Purchases of treasury stock								(21)
Disposition of treasury stock								2
Net changes in items other than shareholders' equity	697	3	—	134	(43)	792	546	1,338
Total changes in items during the period	697	3	—	134	(43)	792	546	19,609
Balance at the end of the period	¥1,010	¥(0)	¥73	¥(466)	¥(660)	¥ (44)	¥6,840	¥82,852

Year ended March 31, 2018

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 3)				
Balance at the beginning of the period	$112,980	$4,922	$428,332	$(2,324)	$543,919
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		56			56
Dividends from surplus			(22,948)		(22,948)
Profit attributable to owners of the parent			195,058		195,058
Change in the scope of consolidation					
Purchases of treasury stock				(197)	(197)
Disposition of treasury stock		(37)		56	18
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	9	172,100	(141)	171,969
Balance at the end of the period	$112,980	$4,932	$600,432	$(2,466)	$715,888

Year ended March 31, 2018

	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
	(Thousands of U.S. dollars) (Note 3)							
Balance at the beginning of the period	$2,936	$(37)	$687	$(5,657)	$(5,807)	$(7,878)	$59,233	$595,274
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								56
Dividends from surplus								(22,948)
Profit attributable to owners of the parent								195,058
Change in the scope of consolidation								
Purchases of treasury stock								(197)
Disposition of treasury stock								18
Net changes in items other than shareholders' equity	6,560	28	—	1,261	(404)	7,454	5,139	12,594
Total changes in items during the period	6,560	28	—	1,261	(404)	7,454	5,139	184,572
Balance at the end of the period	$9,506	$ (0)	$687	$(4,386)	$(6,212)	$ (414)	$64,382	$779,856

Year ended March 31, 2017

	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	¥523	¥30,131	¥(246)	¥42,412
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		0			0
Dividends from surplus			(1,625)		(1,625)
Profit attributable to owners of the parent			17,035		17,035
Change in the scope of consolidation			(18)		(18)
Purchases of treasury stock				(1)	(1)
Disposition of treasury stock		(0)		0	0
Reversal of land revaluation			(16)		(16)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(0)	15,374	(0)	15,373
Balance at the end of the period	¥12,003	¥523	¥45,506	¥(247)	¥57,786

Year ended March 31, 2017

	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities	Deferred gain (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	¥373	¥ 6	¥56	¥(130)	¥(652)	¥(345)	¥6,069	¥48,136
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								0
Dividends from surplus								(1,625)
Profit attributable to owners of the parent								17,035
Change in the scope of consolidation								(18)
Purchases of treasury stock								(1)
Disposition of treasury stock								0
Reversal of land revaluation								(16)
Net changes in items other than shareholders' equity	(61)	(10)	16	(470)	34	(491)	224	(267)
Total changes in items during the period	(61)	(10)	16	(470)	34	(491)	224	15,106
Balance at the end of the period	¥312	¥ (4)	¥73	¥(601)	¥(617)	¥(837)	¥6,293	¥63,242

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Profit before income taxes	¥28,041	¥25,428	$263,940
Depreciation and amortization	1,998	1,947	18,806
Impairment loss	581	624	5,468
(Decrease) increase in allowance for doubtful receivables	(12)	451	(112)
Increase in reserve for defects on completed construction projects	171	5	1,609
(Decrease) in allowance for losses on construction contracts	(262)	(543)	(2,466)
(Decrease) in allowance for loss related to Antitrust Law	(146)	(140)	(1,374)
(Decrease) in liability for retirement benefits	(486)	(742)	(4,574)
Loss on sales and disposal of property and equipment	70	109	658
Interest and dividend income	(905)	(814)	(8,518)
Interest expense	556	539	5,233
Exchange loss, net	494	49	4,649
(Increase) in trade notes receivable, accounts receivable on completed construction contracts and other	(3,163)	(9,008)	(29,772)
(Increase) decrease in inventories	(3,603)	7,437	(33,913)
Decrease (increase) in other assets	6,276	(5,893)	59,073
Increase in retirement benefits liability adjustments included in accumulated other comprehensive income.	2	8	18
(Decrease) in trade notes payable, accounts payable on construction contracts and other	(4,318)	(7,403)	(40,643)
Increase (decrease) in advances received on construction contracts in progress	4,427	(7,528)	41,669
Increase (decrease) in other liabilities	7,041	(480)	66,274
Other	(209)	(173)	(1,967)
Subtotal	36,553	3,873	344,060
Interest and dividends received	893	900	8,405
Interest paid	(574)	(528)	(5,402)
Income taxes paid	(8,592)	(8,127)	(80,873)
Net cash provided by (used in) operating activities	28,279	(3,882)	266,180
Investing activities			
(Increase) in fixed deposits	(1,322)	(362)	(12,443)
Purchases of property and equipment	(1,908)	(1,602)	(17,959)
Proceeds from sales of property and equipment	274	353	2,579
Purchases of intangible fixed assets	(275)	(308)	(2,588)
Purchases of investments in securities	(1,921)	(1)	(18,081)
Proceeds from sales of investments in securities	651	88	6,127
Purchases of shares of subsidiaries and affiliates	(183)	—	(1,722)
Proceeds from liquidation of subsidiaries and affiliates	45	—	423
Disbursements for loans receivable	(22)	(29)	(207)
Proceeds from collection of loans receivable	93	100	875
Other	327	114	3,077
Net cash (used in) investing activities	(4,241)	(1,648)	(39,919)

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Financing activities			
(Decrease) in short-term bank loans	¥ (196)	¥ (972)	$ (1,844)
Proceed from long-term debt	—	15,000	—
Payments of long-term debt	(9,557)	(3,680)	(89,956)
Increase in long-term loans of employees	333	279	3,134
(Increase) in treasury stock	(19)	(1)	(178)
Cash dividends paid	(2,430)	(1,615)	(22,872)
Cash dividends paid for non-controlling shareholders	(164)	(567)	(1,543)
Other	(541)	(648)	(5,092)
Net cash (used in) provided by financing activities	(12,576)	7,792	(118,373)
Effect of exchange rate changes on cash and cash equivalents	(146)	(203)	(1,374)
Net increase in cash and cash equivalents	11,315	2,058	106,504
Cash and cash equivalents at beginning of the year	59,809	57,730	562,961
Increase in cash and cash equivalents due to inclusion in consolidation	—	21	—
Cash and cash equivalents at end of the year *(Note 9)*	¥71,125	¥59,809	$669,474

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 18 consolidated subsidiaries and 1 affiliates accounted for by the equity method as of March 31, 2018.

(b) Fiscal Year of Consolidated Subsidiaries

All foreign consolidated subsidiaries (7 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. Marketable securities classified as other securities for which market prices are determinable 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. Non-marketable securities classified as other securities 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. Book values are written down based on any decline in profitability.

(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) 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, 2018.

(k) Accounting for Retirement Benefits (continued)

(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.

(l) Recognition of Revenues and Costs on Construction Contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, 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. The completed-contract method is applied for contracts for which the percentage of completion cannot be reliably estimated.

(m) Recognition of Income from Finance Leases

Income from finance leases is recorded as sales and cost of sales at the time a lease payment is received.

(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.

Foreign exchange forward contracts qualifying for allocation accounting are translated at the contract rate.

(2) Hedging instruments and hedged items

Hedging instruments:	Forward foreign exchange contracts
Hedged items:	Future foreign currency transactions

(3) Hedging policy

The Company utilizes foreign exchange forward contracts only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates.

(n) Derivatives and Hedge Accounting (continued)

(4) Assessment of hedge effectiveness

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

(o) 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.

(p) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(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.

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 ¥106.24 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2018. 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. Unapplied Accounting Standard and Implementation Guidance

(a) "Accounting Standard for Revenue Recognition"
(ASBJ Statement No. 29 issued on March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition"
(ASBJ Guidance No. 30 issued on March 30, 2018)

(1) Outline

This is a comprehensive accounting standard for revenue recognition. Revenue is recognised using the following five steps:

(i) Identify the contract(s) with a customer

(ii) Identify the performance obligations in the contract(s)

(iii) Determine the transaction price

(iv) Allocate the transaction price to the performance obligations

(v) Recognise revenue when (or as) the entity satisfied each performance obligation

(2) Scheduled Date of Application

The Company will apply the accounting standard and the implementation guidance from the beginning of the year ended March 31, 2022.

(3) Impact of the Application of the Unapplied Accounting Standard and the Implementation Guidance

The Company is currently assessing the effects of application of the accounting standards and the implementation guidance on its consolidated financial statements.

5. Notes to Consolidated Balance Sheets

(a) Inventories

The components of inventories as of March 31, 2018 and 2017 were as follows:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 1,148	¥ 366	$ 10,805
Materials and supplies	1,939	2,051	18,251
Costs on uncompleted construction contracts	22,819	19,879	214,787
Real estate for sale	2	2	18
	¥25,909	¥22,300	$243,872

(b) Pledged Assets

The following assets were pledged at March 31, 2018 and 2017 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,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 0	¥ 0	$ 0
Land	9,831	9,831	92,535
Buildings and structures, net of accumulated depreciation	766	787	7,210
Machinery, equipment and vehicles, net of accumulated depreciation	117	151	1,101
Investments in securities	10	20	94
Others (Current assets)	9	–	84
Others (Investments and other assets)	530	530	4,988
	¥11,268	¥11,323	$106,061

(b) Pledged Assets (continued)

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2018 and 2017 were summarized as follows:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,258	¥1,258	$11,841
Buildings and structures, net of accumulated depreciation	213	219	2,004
Machinery, equipment and vehicles, net of accumulated depreciation	117	151	1,101
	¥1,589	¥1,629	$14,956

The secured liabilities as of March 31, 2018 and 2017 were summarized as follows:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥ 11	¥ 134	$ 103
[Including current portion of long-term debt]	[11]	[134]	[103]
Long-term debt	103	115	969

(c) Land Revaluation

Land for operations was revalued by a consolidated subsidiary under the Law for Land Revaluation during the year ended March 31, 2001. The revaluation amount is shown as a separate component of net assets.

The market value of the land was ¥666 million ($6,268 thousand) and ¥692 million more than the revalued book amount at March 31, 2018 and 2017, respectively.

(d) Contingent Liabilities

At March 31, 2018 and 2017, the Company and consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantors of bank loans to employees (house building fund)	¥ 4	¥ 5	$ 37
As endorsers of notes receivable discounted with banks	300	250	2,823

(e) 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 ¥8 million ($75 thousand) and ¥222 million as of March 31, 2018 and 2017, respectively.

(f) Trade Notes Maturing on the Balance Sheet Date

Trade notes maturing at the end of the fiscal year are settled on the dates they mature.

Since the last day of the fiscal year in 2018 fell on a bank holiday, the below-listed trade notes maturing on that date were excluded from the corresponding balances in the consolidated balance sheets as of March 31, 2018.

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥278	¥－	$2,616
Trade notes payable	274	－	2,579
Electronically recorded payable	67	－	630

(g) Financial covenants

For the year ended March 31, 2018

(1) The Company has entered into a syndicated loan contract dated on March 29, 2016 and 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:

(g) Financial covenants (continued)

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 this syndicated loan contract is ¥10,000 million ($94,126 thousand) in long-term debt as of March 31, 2018.

Unused amount on loan commitment agreement as of March 31, 2018 and 2017 were as follows.

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$188,253
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$188,253

(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 ¥8,500 million ($80,007 thousand) in long-term debt (including the current portion) as of March 31, 2018.

(g) Financial covenants (continued)

(3) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including different 5 bank 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 ¥4,250 million ($40,003 thousand) in long-term debt (including the current portion) as of March 31, 2018.

(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.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2018.

Unused amount on the committed syndicated loan contract as of March 31, 2018 and 2017 were as follows.

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥–	$94,126
Loan balance outstanding	–	–	–
Difference (unused portion)	¥10,000	¥–	$94,126

(g) Financial covenants (continued)

For the year ended March 31, 2017

(1) The Company has entered into a syndicated loan contract dated on August 6, 2014 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, 2015 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 addition, the balance of bank borrowings under this syndicated loan contract is ¥7,500 million in long-term debt (including the current portion) as of March 31, 2017.

(2) The Company has entered into a syndicated loan contract dated on March 29, 2016 and loan commitment agreement dated on March 31, 2016 with its seven banks (same bank as we had contracted for the year ended March, 31 2015) 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 this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2017.

Unused amount on loan commitment agreement as of March 31, 2017 and 2016 were as follows.

	As of March 31,	
	2017	**2016**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

(g) Financial covenants (continued)

(3) 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 2015 and 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 ¥9,500 million in long-term debt (including the current portion) as of March 31, 2017.

(4) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including different 5 bank from above (3)) 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 ¥4,750 million in long-term debt (including the current portion) as of March 31, 2017.

6. Notes to Consolidated Statements of Income

(a) Net Sales Based on Percentage-of-completion Method

Net sales on construction contracts accounted for under the percentage-of-completion method amounted to ¥323,114 million ($3,041,359 thousand) and ¥303,814 million for the years ended March 31, 2018 and 2017, respectively.

(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 ¥93 million ($875 thousand) and ¥113 million for the years ended March 31, 2018 and 2017, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses at March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 9,339	¥ 8,456	$ 87,904
Retirement benefit expenses	636	604	5,986
Provision of allowance for doubtful receivables	1	66	9
Other	10,497	9,357	98,804
Total	¥20,473	¥18,483	$192,705

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥2,067 million ($19,455 thousand) and ¥1,657 million for the years ended March 31, 2018 and 2017, respectively.

(e) Gain on Sale of Property and Equipment

The significant components of gain on sale of property and equipment for the years ended March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥0	¥–	$ 0
Machinery, equipment and vehicles	7	6	65
Land	0	2	0
Total	¥8	¥9	$75

(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, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥77	¥113	$724
Loss on sales	0	4	0
Others	1	–	9
Total	¥79	¥118	$743

(g) Impairment Loss

The Group recognized impairment loss on the following asset groups.

The Group principally calculates impairment loss by grouping together assets of the construction segments and by grouping assets of the other segment individually.

(1) For the year ended March 31, 2018

The book values of following assets were reduced to their recoverable values as a result of profit deterioration on elder care facility and determination of sales of assets for business. The corresponding write-down was recognized in the amount of ¥581 million ($5,468 thousand) as part of other expenses.

Location	Usage	Classification	Year ended March 31, 2018	
			(Millions of yen)	*(Thousands of U.S. dollars)*
Hachioji, Tokyo	Elder care facility (1 building)	Land, buildings and structures	¥568	5,346
Sayama, Saitama	Assets for business (1 building)	Land	6	56
Shizuoka, Shizuoka	Assets for business (1 building)	Land, buildings and structures	6	56

In addition, the recoverable value of above assets was estimated at its net realizable value based on amounts determined by a valuation made in accordance with real estate appraisal standards.

(2) For the year ended March 31, 2017

The book values of following assets were reduced to their recoverable values as a result of determination of closure of product department in factory of assets for business. The corresponding write-down was recognized in the amount of ¥624 million as part of other expenses.

(g) Impairment Loss (continued)

Location	Usage	Classification	**Year ended March 31, 2017**
			(Millions of yen)
Iwaki, Fukushima	Assets for business (1 building)	Land, buildings and structures, machinery, equipment and vehicles	¥601
Shizuoka, Shizuoka	Assets for business (1 building)	Land, buildings and structures	12
Sayama, Saitama	Assets for business (1 building)	Land, buildings and structures	8
Kobe, Hyougo	Assets for business (1 building)	Land, buildings and structures	1

In addition, the recoverable value of above assets was estimated at its net realizable value based on amounts determined by a valuation made in accordance with real estate appraisal standards.

7. 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, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain on securities:			
Changes in items during the period	¥1,194	¥ (78)	$11,238
Amount of recycling	(188)	(14)	(1,769)
Before income tax effect adjustment	1,005	(92)	9,459
Income tax effect adjustment	(307)	28	(2,889)
Unrealized holding gain on securities	697	(64)	6,560
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	6	(15)	56
Amount of recycling	–	–	–
Before income tax effect adjustment	6	(15)	56
Income tax effect adjustment	(2)	4	(18)
Deferred gain on hedging instruments, net of taxes	3	(10)	28
Translation adjustments:			
Changes in items during the period	183	(586)	1,722
Amount of recycling	–	–	–
Before income tax effect adjustment	183	(586)	1,722
Income tax effect adjustment	–	–	–
Translation adjustments	183	(586)	1,722
Retirement benefits liability adjustments:			
Changes in items during the period	(65)	(67)	(611)
Amount of recycling	67	75	630
Before income tax effect adjustment	2	8	18
Income tax effect adjustment	(17)	62	(160)
Retirement benefits liability adjustments	(14)	71	(131)
Total other comprehensive income	¥ 870	¥(590)	$ 8,189

8. 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, 2018

	Balance at April 1, 2017	Increase	Decrease	Balance at March 31, 2018
		(Number of shares)		
Shares issued:				
Common stock	813,366,605	–	650,693,284	162,673,321

Note: The Company executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2017. Decrease of common stock is due to the consolidation of shares.

	Balance at April 1, 2017	Increase	Decrease	Balance at March 31, 2018
		(Number of shares)		
Treasury shares:				
Common stock	511,444	40,743	420,586	131,601

Note 1: Increase of common stock is due to the purchase of fractional 36,919 shares and the purchase of 3,824 shares related to the consolidation of shares.

Note 2: Decrease of common stock is due to the sale of fractional 3,896 shares in response to shareholder requests and the decrease of 416,690 shares related to the consolidation of shares.

For the year ended March 31, 2017

	Balance at April 1, 2016	Increase	Decrease	Balance at March 31, 2017
		(Number of shares)		
Shares issued:				
Common stock	813,366,605	–	–	813,366,605

	Balance at April 1, 2016	Increase	Decrease	Balance at March 31, 2017
		(Number of shares)		
Treasury shares:				
Common stock	501,516	10,394	466	511,444

Note 1: Increase of common stock is due to the purchase of fractional shares.

Note 2: Decrease of common stock is due to the sale of fractional shares in response to shareholder requests.

(b) Dividends:

(1) Dividends paid

For the year ended March 31, 2018

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 29, 2017	Common stock	¥2,438	¥3.00	March 31, 2017	June 30, 2017

Note: The Company executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2017. Dividends per share with the cut-off date in the year ended March 31, 2017 is the amount before the consolidation of shares.

For the year ended March 31, 2017

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 29, 2016	Common stock	¥1,625	¥2.00	March 31, 2016	June 30, 2016

(2) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019 were as follows:

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 28, 2018	Common stock	¥2,925	¥18.00	March 31, 2018	June 29, 2018

Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ending March 31, 2018 were as follows:

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 29, 2017	Common stock	¥2,438	¥3.00	March 31, 2017	June 30, 2017

9. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2018 and 2017 were as follows:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥80,788	¥68,122	$760,429
Time deposits with maturities of over three months	(9,662)	(8,313)	(90,945)
Cash and cash equivalents	¥71,125	¥59,809	$669,474

10. 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.

(a) Overview (continued)

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 are 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 for short-term operating funds. The Group manages loan payables to flexibly execute or revise 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.

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).

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

The fair values of financial instruments are based on market prices, or, if no market prices are available, they include estimated amounts. Because estimations of the fair value incorporate various factors, applying different assumptions can, in some cases, result in different fair values.

In addition, the amounts of derivatives in Note 12 "Derivative 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, market value, and the difference at March 31, 2018 and 2017, were as shown below. Moreover, items for which it is extremely difficult to determine fair values are not included in the following table (see Note 2).

	As of March 31, 2018					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and deposits	¥ 80,788	¥ 80,788	¥ –	$ 760,429	$ 760,429	$ –
Trade notes receivable, accounts receivable on completed construction contracts and other	146,933			1,383,028		
Allowance for doubtful receivables (*1)	–			–		
	146,933	146,919	(13)	1,383,028	1,382,897	(122)
Securities and investments in securities	10,083	10,089	5	94,907	94,964	47
Held-to-maturity securities	283	289	5	2,663	2,720	47
Other securities	9,800	9,800	–	92,243	92,243	–
Total assets	237,805	237,797	(7)	2,238,375	2,238,300	(65)
Trade notes payable, accounts payable on construction contracts and other	94,632	94,632	–	890,737	890,737	–
Electronically recorded payable	31,691	31,691	–	298,296	298,296	–
Short-term bank loans and current portion of long-term debt	2,769	2,746	(23)	26,063	25,847	(216)
Long-term debt	21,353	21,098	(255)	200,988	198,588	(2,400)
Total liabilities	¥150,447	¥150,169	¥(278)	$1,416,105	$1,413,488	$(2,616)
Derivative transactions (*2)						
Hedge accounting is not applied	(4)	(4)	–	(37)	(37)	–
Hedge accounting is applied	(0)	(0)	–	(0)	(0)	–

(*1): Allowance for doubtful receivables recognized individually is offset.

(*2): 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, 2017		
	Carrying value	Fair value	Difference
	(Millions of yen)		
Cash and deposits	¥ 68,122	¥ 68,122	¥ –
Trade notes receivable, accounts receivable on completed construction contracts and other	143,603		
Allowance for doubtful receivables (*1)	(27)		
	143,603	143,589	(14)
Securities and investments in securities	7,618	7,626	7
Held-to-maturity securities	282	289	7
Other securities	7,336	7,336	–
Total assets	219,345	219,338	(6)
Trade notes payable, accounts payable on construction contracts and other	104,111	104,111	–
Electronically recorded payable	26,387	26,387	–
Short-term bank loans and current portion of long-term debt	10,201	10,157	(43)
Long-term debt	23,640	23,425	(214)
Total liabilities	¥164,339	¥164,081	¥(258)
Derivative transactions (*2)			
Hedge accounting is not applied	(10)	(10)	–
Hedge accounting is applied	(5)	(5)	–

(*1): Allowance for doubtful receivables recognized individually is offset.

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

Note 1: Calculation of the fair value of financial instruments and other matters related to investment securities and derivative transactions

Assets

(1) Cash and deposits

Because settlement periods of deposits are short and their market values are almost the same as their book values, the book values are used.

(2) Trade notes receivable, accounts receivable on completed construction contracts and other

The fair values are determined using the present value of discounted collectible principal and interest amounts estimated reflecting their collectability based on an appropriate rate in which a credit spread is added to a risk-free benchmark rate (such as a government bond yield) corresponding to the remaining term.

(b) Fair value of financial instruments (continued)

(3) Securities and investments in securities

Concerning the market value of investment securities, the market value for stocks is the price quoted on the stock exchange, and the market value for bonds is the price provided by financial institutions.

In addition, for matters concerning to securities, see “Notes on securities.”

Liabilities

(1) Trade notes payable, accounts payable on construction contracts, Electronically recorded payable

The book values are used, because these are operation payable and settlement periods are within a year and their market values are almost the same as their book values.

(2) Short-term bank loans

The carrying amount of the current portion of long-term debt approximates fair value since the carrying amount is equivalent to the present value of future cash flows discounted using the current borrowing rate for similar debt with a compatible maturity. For borrowings other than the current portion of long-term debt, the carrying amount approximates fair value due to the short maturities of these instruments.

(3) Long-term debt

Fair value of long-term debt is based on the price provided by financial institutions or the present value of future cash flows discounted using the current borrowing rate for similar debt with a comparable maturity.

The information of the fair value for derivatives is included in Note 12.

(b) Fair value of financial instruments (continued)

Note 2: Financial instruments for which it is extremely difficult to measure the fair value

	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks (*)	¥3,367	¥3,183	$31,692

(*): Unlisted stocks are not included in "Securities and investments in securities" because these have no market value and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for monetary claims and held-to-maturity debt securities with maturity dates subsequent to March 31, 2018 and 2017

	As of March 31, 2018							
	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	¥ 80,767	¥ –	¥ –	¥–	$ 760,231	$ –	$ –	$–
Trade notes receivable, accounts receivable on completed construction contracts and other	139,873	7,060	–	–	1,316,575	66,453	–	–
Securities and investments in securities								
Held-to-maturity securities (Bonds)	9	212	60	–	84	1,995	564	–
	¥220,650	¥7,272	¥60	¥–	$2,076,901	$68,448	$564	$–

	As of March 31, 2017			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)			
Deposits	¥ 68,090	¥ –	¥ –	¥–
Trade notes receivable, accounts receivable on completed construction contracts and other	133,983	9,620	–	–
Securities and Investments in securities				
Held-to-maturity securities (Bonds)	–	213	68	–
	¥202,074	¥9,834	¥68	¥–

Note 4: The redemption schedule for corporate bonds, long-term debt and other interest bearing debt with maturity dates subsequent to March 31, 2018 and 2017. See Note 19.

11. Securities

Securities at March 31, 2018 and 2017 were summarized as follows:

(a) Held-to-maturity securities

	As of March 31, 2018					
	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	¥283	¥289	¥5	$2,663	$2,720	$47

	As of March 31, 2017		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Bonds	¥282	¥289	¥7

(b) Other securities

	As of March 31, 2018					
	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	¥4,707	¥2,667	¥2,039	$44,305	$25,103	$19,192
Unrealized loss:						
Stock	5,093	5,663	(570)	47,938	53,303	(5,365)
Total	¥9,800	¥8,331	¥ 1,469	$92,243	$78,416	$13,827

	As of March 31, 2017		
	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)		
Unrealized gain:			
Stock	¥4,330	¥2,604	¥1,726
Unrealized loss:			
Stock	3,005	4,267	(1,262)
Total	¥7,336	¥6,872	¥463

(c) Sales of other securities

	Year ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	¥651	¥87	$6,127
Total gain on sales of security	188	29	1,769
Total loss on sales of security	–	(1)	–

12. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2018 and 2017 were summarized as follows:

(a) Derivative transactions to which the hedge accounting is not applied.

Currency-related transactions

As of March 31, 2018

Segmentation	Transaction type	Contract amount	Over 1 year	Fair value	Valuation (loss)	Contract amount	Over 1 year	Fair value	Valuation (loss)
		(Millions of yen)				*(Thousands of U.S. dollar)*			
Off-market transaction	Foreign exchange forward contracts								
	Long U.S. dollar	¥102	¥—	¥(4)	¥(4)	$960	$—	$(37)	$(37)

Note 1: Estimated fair value was provided by the counterparty financial institution.

As of March 31, 2017

Segmentation	Transaction type	Contract amount	Over 1 year	Fair value	Valuation (loss)
		(Millions of yen)			
Off-market transaction	Foreign exchange forward contracts				
	Long U.S. dollar	¥876	¥102	¥(10)	¥(10)

Note 1: Estimated fair value was provided by the counterparty financial institution.

(b) Derivative transactions to which the hedge accounting is applied

Currency-related transactions

As of March 31, 2018

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)*		
Allocation accounting method for foreign exchange forward contracts	Foreign exchange forward contracts	Accounts payable						
	Long U.S. dollar		¥—	¥—	Note 2	$ —	$–	Note 2
	Long U.S. dollar	Future foreign currency transactions	9	—	¥(0)	84	—	$(0)
Total			¥9	¥—	¥(0)	$84	$—	$(0)

Note 1: Estimated fair value was provided by the counterparty financial institution.

Note 2: Since foreign exchange forward 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.

(b) Derivative transactions to which the hedge accounting is applied (continued)

As of March 31, 2017

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
			(Millions of yen)		
Allocation accounting method for foreign exchange forward contracts	Foreign exchange forward contracts	Accounts payable			
	Long U.S. dollar		¥ 11	¥–	Note 2
	Long U.S. dollar	Future foreign currency transactions	285	9	¥(5)
Total			¥296	¥9	¥(5)

Note 1: Estimated fair value was provided by the counterparty financial institution.

Note 2: Since foreign exchange forward 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.

13. Retirement Benefit Plans

For the year ended March 31, 2018, 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, 2018 and 2017 were as follows (excluding plans for which the simplified method is applied):

	Year ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥17,499	¥18,318	$164,711
Service cost	851	879	8,010
Interest cost	75	74	705
Actuarial loss	26	65	244
Retirement benefit paid	(1,556)	(1,821)	(14,646)
Prior service cost	36	–	338
Foreign currency translation	(3)	(16)	(28)
Balance at the end of year	¥16,929	¥17,499	$159,346

The changes in plan assets during the year ended March 31, 2018 and 2017 were as follows (excluding plans for which the simplified method is applied):

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥59	¥65	$555
Expected return on plan assets	4	3	37
Actuarial gain	(2)	(1)	(18)
Retirement benefit paid	(7)	(2)	(65)
Foreign currency translation	(1)	(5)	(9)
Balance at the end of year	¥52	¥59	$489

The changes in liability for retirement benefits based on the simplified method during the year ended March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥1,280	¥1,221	$12,048
Retirement benefit expense	156	121	1,468
Retirement benefit paid	(72)	(53)	(677)
Contribution to defined contribution plan	(10)	(8)	(94)
Balance at the end of year	¥1,354	¥1,280	$12,744

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, 2018 and 2017 is as follows:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 350	¥ 347	$ 3,294
Plan assets at fair value	(185)	(195)	(1,741)
	165	151	1,553
Unfunded retirement benefit obligation	18,066	18,568	170,048
Net liability for retirement benefits in the consolidated balance sheet	18,231	18,720	171,602
Liability for retirement benefits	18,231	18,720	171,602
Assets for retirement benefits	–	–	–
Net liability for retirement benefits in the consolidated balance sheet	¥18,231	¥18,720	$171,602

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

The components of retirement benefit expense during the year ended March 31, 2018 and 2017 were as follows:

	Year ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 851	¥ 879	$ 8,010
Interest cost	75	74	705
Expected return on plan assets	(4)	(3)	(37)
Amortization of actuarial loss	430	438	4,047
Amortization of prior service cost	(363)	(363)	(3,416)
Retirement benefit expense calculated by the simplified method	153	121	1,440
Total retirement benefit expense	¥ 1,146	¥ 1,147	$10,786

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) during the year ended March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial loss	¥402	¥371	$3,783
Prior service cost	(399)	(363)	(3,755)
Total	¥ 2	¥ 8	$ 18

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were follows:

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial loss	¥2,328	¥2,730	$21,912
Unrecognized prior service cost	(1,584)	(1,983)	(14,909)
Total	¥ 743	¥ 746	$ 6,993

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were follows:

	As of March 31,	
	2018	**2017**
Bonds	95%	84%
Cash and Deposits	4%	15%
Other	1%	1%
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:

	As of March 31,	
	2018	**2017**
Discount rate	Principally 0.3%	Principally 0.3%
Expected rate of return on plan assets	5.4%	5.0%
Expected rate of increase in salaries	Principally 4.4%	Principally 4.1%

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

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Contribution to defined contribution plans	¥808	¥814	$7,605

14. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Liability for retirement benefits	¥ 5,660	¥ 5,819	$ 53,275
Accounts payable and accrued expenses	3,697	3,491	34,798
Impairment loss	979	744	9,214
Allowance for bad debts	384	2,173	3,614
Reserve for defects on completed construction projects	299	246	2,814
Allowance for losses on construction contracts	39	116	367
Other	2,723	2,040	25,630
Gross deferred tax assets	13,784	14,631	129,743
Valuation allowance	(7,943)	(9,322)	(74,764)
Total deferred tax assets	5,841	5,309	54,979
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(337)	(361)	(3,172)
Unrealized holding gain on securities	(449)	(141)	(4,226)
Other	(49)	(19)	(461)
Total deferred tax liabilities	(837)	(522)	(7,878)
Net deferred tax assets	¥ 5,004	¥ 4,786	$ 47,100

The following table summarizes the significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2018 and 2017:

	Years ended March 31,	
	2018	**2017**
Statutory tax rate	30.9%	–%
Non-deductible expenses	0.7	–
Non-taxable income	(0.9)	–
Per capita inhabitants' taxes	0.4	–
Tax credit	(2.3)	–
Valuation allowance	(6.2)	–
Different tax rate applied to foreign subsidiaries	0.5	–
Retained earnings of foreign consolidated subsidiaries	(0.1)	–
Other	0.7	–
Effective tax rates	23.7%	–%

The significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2017 has been omitted as its difference was less than 5% of the statutory tax rate.

15. 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.

Segment Information (continued)

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

	Year ended March 31, 2018						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales							
External Customers	¥161,704	¥254,787	¥416,492	¥817	¥417,310	¥ –	¥417,310
Intersegment transactions or transfers	1,478	1	1,479	91	1,570	(1,570)	–
Net sales	¥163,183	¥254,788	¥417,972	¥909	¥418,881	¥(1,570)	¥417,310
Segment income	23,693	27,197	50,891	322	51,213	(156)	51,057

	Year ended March 31, 2018						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Sales							
External Customers	$1,522,063	$2,398,221	$3,920,293	$7,690	$3,927,993	$ –	$3,927,993
Intersegment transactions or transfers	13,911	9	13,921	856	14,777	(14,777)	–
Net sales	$1,535,984	$2,398,230	$3,934,224	$8,556	$3,942,780	$(14,777)	$3,927,993
Segment income	223,013	255,995	479,019	3,030	482,050	(1,468)	480,581

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.

	Year ended March 31, 2017						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales							
External Customers	¥162,950	¥240,182	¥403,132	¥775	¥403,908	¥ –	¥403,908
Intersegment transactions or transfers	1,134	77	1,211	71	1,283	(1,283)	–
Net sales	¥164,084	¥240,259	¥404,344	¥847	¥405,191	¥(1,283)	¥403,908
Segment income	22,503	23,822	46,325	225	46,551	(127)	46,424

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.

Related Information

For the year ended March 31, 2018

(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, 2018							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥358,797	¥54,123	¥4,389	¥417,310	$3,377,230	$509,440	$41,312	$3,927,993

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

(2) Tangible fixed assets

Geographical segment information on tangible fixed assets has been omitted as the amount of tangible fixed assets in Japan constituted over 90% of total as of March 31, 2018.

(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, 2018.

For the year ended March 31, 2017

(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, 2017			
Japan	Asia	Others	Total
(Millions of yen)			
¥344,543	¥56,505	¥2,859	¥403,908

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

Related Information (continued)

(b) Geographical segment information (continued)

(2) Tangible fixed assets

Geographical segment information on tangible fixed assets has been omitted as the amount of tangible fixed assets in Japan constituted over 90% of total as of March 31, 2017.

(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, 2017.

Losses on impairment by reportable segment

For the year ended March 31, 2018, ¥581 million ($5,468 thousand) impairment loss was recorded.

Note 1: The above amount consists of elder care facilities of ¥568 million ($5,346 thousand) and assets for business of ¥13 million ($122 thousand).

Note 2: The impairment loss was not allocated to operating segments.

For the year ended March 31, 2017, ¥624 million impairment loss was recorded.

Note 1: The above amount is assets for business.

Note 2: The impairment loss was not allocated to operating segments

Amortization of goodwill and unamortized balance by reportable segment

For the year ended March 31, 2018 and 2017, there were no amortization and unamortized balance of goodwill by reportable segment.

Gain on negative goodwill by reportable segment

For the years ended March 31, 2018 and 2017, there were no gain on negative goodwill by reportable segment.

16. Related Party Transactions

Related party transaction

Transactions with affiliates for the year ended March 31, 2018 were summarized as follows:

	Year ended March 31, 2018					
	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, 2018
			(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	¥3,158
			Long-term accounts payable	¥–	Long-term accounts payable	¥2,579

	Year ended March 31, 2018					
	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, 2018
			(Thousands of U.S. dollars)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	$94	30.0%	Long-term non operating accounts receivable	$–	Long-term non operating accounts receivable	$29,725
			Long-term accounts payable	$–	Long-term accounts payable	$24,275

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

Note 2: Allowance for above long-term non operating accounts receivable was recognized in the amount of ¥2,843 million ($26,760 thousand).

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2018

.

Related party transaction (continued)

Transactions with affiliates for the year ended March 31, 2017 were summarized as follows:

	Year ended March 31, 2017					
	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, 2017
			(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	¥3,158
			Long-term accounts payable	¥–	Long-term accounts payable	¥2,579

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

Note 2: Allowance for above long-term non operating accounts receivable was recognized in the amount of ¥2,843 million.

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2017

.

17. Per Share Information

Net assets and basic profit per share as of and for the years ended March 31, 2018 and 2017 were as follows:

	2018	2017	2018
	(Yen)		*(U.S. dollars)*
Net assets per share	¥467.65	¥350.30	$4.401
Profit per share	127.48	104.79	1.199

Note 1: Profit per share – diluted was omitted as there were no diluted share for the year ended March 31, 2018 and 2017.

Note 2: The Company executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2017. Net assets per share and Profit per share are recalculated on the assumption that the consolidation of shares executed at the beginning of the year ended March 31, 2017.

The basis of calculation for net assets per share at March 31, 2018 and 2017 were as follows:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥82,852	¥63,242	$779,856
Amounts deducted from total net assets	6,840	6,293	64,382
[Including non-controlling interests]	[6,840]	[6,293]	[64,382]
Total net assets attributable to common stock	¥76,012	¥56,948	$715,474
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	162,541	162,571	

The basis for calculating basic profit per share – based and profit per share – diluted for the years ended March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Profit per share – basic:			
Profit attributable to owners of parent	¥20,723	¥17,035	$195,058
Amount not available to common shareholders	–	–	–
Profit attributable to owners of parent per share – basic	¥20,723	¥17,035	$195,058
	(Thousands of shares)		
Average number of shares of common stock outstanding	162,560	162,572	

18. Subsequent Event

Stock Repurchase

At the meeting of the Board of Directors held on May 14, 2018, the Company resolved to repurchase its stock in accordance with Article 156 of the Company Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan.

(a) Reason for repurchase of treasury stock

To improve capital efficiency and to engage flexible capital policies in response to changes in management environment.

(b) Details of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	Up to 2,600,000 shares (1.60% of the total number of shares of common stock outstanding excluding treasury stock)
(3) Total amount	Up to 1,500,000,000 yen
(4) Period	From May 15, 2018 to September 28, 2018
(5) Repurchase method	Auction market on Tokyo Stock Exchange

(Reference)
Result of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to repurchased	2,016,800 shares
(3) Total amount	1,499,917,500 yen
(4) Period	From May 15, 2018 to June 14, 2018 (contract basis)
(5) Repurchase method	Auction market on Tokyo Stock Exchange

19. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans generally represent notes, principally at average annual interest rates of 4.5% and 4.8% at March 31, 2018 and 2017, respectively.

Long-term debt at March 31, 2018 and 2017 were summarized as follows:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at average interest rates of 2.5% at 2018 and 2.3% at 2017)	¥ 115	¥ 249	$ 1,082
Debt without collateral (at average interest rates of 1.2% at 2018 and 1.3% at 2017)	23,525	32,971	221,432
Lease obligations	956	931	8,998
Current portion (excluding lease obligations)	(2,286)	(9,581)	(21,517)
Current portion of lease obligations	(392)	(490)	(3,689)
Deposits from employees	2,714	2,381	25,545
	¥24,631	¥26,462	$231,842

The aggregate annual maturities of long-term debt subsequent to March 31, 2018 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2019	¥ 2,286	$ 21,517
2020	1,511	14,222
2021	11,511	108,349
2022 and thereafter	8,330	78,407
	¥23,640	$222,515

The aggregate annual maturities of lease obligations subsequent to March 31, 2018 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2019	¥392	$3,689
2020	189	1,778
2021	174	1,637
2022 and thereafter	200	1,882
	¥956	$8,998

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young Shinnihon LLC

June 28, 2018
Tokyo, Japan

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

Year ended March 31, 2018
with Independent Auditor's Report

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits	¥ 54,534	¥ 40,546	$ 513,309
Trade notes receivable *(Note 3-(d))*	2,500	1,210	23,531
Accounts receivable on completed construction contracts	117,106	120,549	1,102,277
Inventories	21,345	19,056	200,913
Deferred tax assets *(Note 6)*	2,540	2,341	23,908
Other current assets *(Note 3-(d))*	16,927	22,097	159,327
Allowance for doubtful receivables	—	(161)	—
Total current assets	214,954	205,640	2,023,286
Non-current assets:			
Property and equipment, at cost:			
Land *(Note 3-(b))*	5,328	5,328	50,150
Buildings *(Note 3-(b))*	4,689	4,671	44,135
Structures *(Note 3-(b))*	782	771	7,360
Machinery and equipment	3,119	2,817	29,358
Vehicles	318	320	2,993
Tools, furniture and fixtures	3,741	3,272	35,212
Construction in progress	45	4	423
Accumulated depreciation	(9,283)	(9,324)	(87,377)
Property and equipment, net	8,741	7,862	82,275
Intangible fixed assets	1,532	1,502	14,420
Investments and other assets:			
Investments in securities	12,490	10,032	117,564
Investments in subsidiaries and affiliates *(Notes 3-(b) and 5)*	14,287	14,092	134,478
Long-term loans receivable	73	5,618	687
Long-term loans to employees	500	556	4,706
Long-term prepaid expenses	22	27	207
Deferred tax assets *(Note 6)*	1,107	1,056	10,419
Other	5,244	5,614	49,359
Allowance for doubtful receivables	(4,769)	(9,886)	(44,888)
Total investments and other assets	28,956	27,113	272,552
Total non-current assets	39,230	36,478	369,258
Total assets	¥254,185	¥242,118	$2,392,554

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable *(Note 3-(a))*	¥ 11,817	¥ 14,286	$ 111,229
Electronically recorded payable *(Note 3-(a))*	26,685	30,707	251,176
Accounts payable on construction contracts *(Note 3-(a))*	62,304	60,903	586,445
Short-term bank loans and current portion of long-term debt *(Notes 3-(d), 3-(e) and 8)*	2,275	9,546	21,413
Income taxes payable	2,202	4,207	20,726
Advances received on construction contracts in progress	24,807	20,405	233,499
Reserve for defects on completed construction projects	852	692	8,019
Allowance for losses on construction contracts	115	328	1,082
Allowance for losses on business of subsidiaries and affiliates	32	—	301
Allowance for contingency loss	2,159	2,159	20,321
Other current liabilities	21,568	13,722	203,012
Total current liabilities	154,820	156,959	1,457,266
Long-term liabilities:			
Long-term debt *(Notes 3-(e), 8)*	21,250	23,525	200,018
Accrued retirement benefits	14,317	14,952	134,760
Other long-term liabilities	2,989	2,908	28,134
Total long-term liabilities	38,557	41,386	362,923
Contingent liabilities *(Note 3-(c))*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	112,980
Common stock:			
Authorized:			
533,892,994 shares in 2018 and 2017			
Issued and outstanding:			
162,673,321 shares in 2018 and 2017			
Capital surplus:			
Other capital surplus	393	398	3,699
Total capital surpluses	393	398	3,699
Retained earnings:			
Legal retained earnings	590	347	5,553
Earned surplus carried forward	47,071	30,957	443,062
Total retained earnings	47,662	31,304	448,625
Treasury stock, at cost: 131,601 shares in 2018 and 102,288 shares in 2017	(262)	(247)	(2,466)
Total shareholders' equity	59,797	43,460	562,848
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	1,010	317	9,506
Deferred (loss) on hedging instruments, net of taxes	(0)	(4)	(0)
Total valuation, translation adjustments and other	1,010	313	9,506
Total net assets	60,807	43,773	572,355
Total liabilities and net assets	¥254,185	¥242,118	$2,392,554

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

March 31, 2018

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales:			
Completed construction *(Note 4-(a))*	¥316,065	¥305,702	$2,975,009
Others	84	46	790
	316,150	305,749	2,975,809
Cost of sales:			
Completed construction	275,969	268,674	2,597,599
Others	42	23	395
	276,011	268,698	2,597,995
Gross profit			
Completed construction	40,095	37,027	377,400
Others	42	23	395
	40,138	37,050	377,804
Selling, general and administrative expenses *(Note 4-(d))*	14,848	13,360	139,759
Operating income	25,290	23,690	238,045
Other income (expenses):			
Interest and dividend income *(Note 4-(b))*	1,214	1,466	11,426
Payments received from insurance claims	110	127	1,035
Royalty income *(Note 4-(b))*	580	713	5,459
Interest expense	(613)	(583)	(5,769)
Provision of allowance for doubtful receivables *(Note 4-(b))*	(530)	(552)	(4,988)
Exchange (loss), net	(422)	(238)	(3,972)
Litigation expenses	(983)	(106)	(9,252)
Gain on sales of investments in securities	189	12	1,778
Gain on liquidation of subsidiaries and affiliates	45	–	423
Loss on sales and disposal of property and equipment *(Note 4-(c))*	(45)	(95)	(423)
Loss on valuation of investments in subsidiaries and affiliates	(685)	(820)	(6,447)
Other, net	(990)	(1,135)	(9,318)
	(2,131)	(1,214)	(20,058)
Profit before income taxes	23,158	22,475	217,978
Income taxes *(Note 6)*:			
Current	4,919	6,346	46,300
Deferred	(556)	29	(5,233)
	4,362	6,375	41,057
Profit	¥ 18,795	¥ 16,099	$ 176,910
	(Yen)		*(U.S. dollars) (Note 2)*
Profit per share – basic	¥ 115.62	¥ 99.03	$ 1.088

See accompanying notes to non-consolidated financial statements.

Year ended March 31, 2018

	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	¥398	¥347	¥30,957	¥31,304	¥(247)	¥43,460
Changes in items during the period							
Dividends from surplus				(2,438)	(2,438)		(2,438)
Provision of legal retained earnings			243	(243)	–		–
Profit				18,795	18,795		18,795
Purchases of treasury stock						(21)	(21)
Disposition of treasury stock		(4)				6	2
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(4)	243	16,113	16,357	(15)	16,337
Balance at the end of the period	¥12,003	¥393	¥590	¥47,071	¥47,662	¥(262)	¥59,797

Year ended March 31, 2018

	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred (loss) gain 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	¥ 317	¥(4)	¥ 313	¥43,773
Changes in items during the period				
Dividends from surplus				(2,438)
Provision of legal retained earnings				–
Profit				18,795
Purchases of treasury stock				(21)
Disposition of treasury stock				2
Net changes in items other than shareholders' equity	692	3	696	696
Total changes in items during the period	692	3	696	17,033
Balance at the end of the period	¥1,010	¥(0)	¥1,010	¥60,807

	Year ended March 31, 2018						
	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	$112,980	$3,746	$3,266	$291,387	$294,653	$(2,324)	$409,073
Changes in items during the period							
Dividends from surplus				(22,948)	(22,948)		(22,948)
Provision of legal retained earnings			2,287	(2,287)	–		–
Profit				176,910	176,910		176,910
Purchases of treasury stock						(197)	(197)
Disposition of treasury stock		(37)				56	18
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(37)	2,287	151,666	153,962	(141)	153,774
Balance at the end of the period	$112,980	$3,699	$5,553	$443,062	$448,625	$(2,466)	$562,848

	Year ended March 31, 2018			
	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred (loss) gain 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	$2,983	$(37)	$2,946	$412,019
Changes in items during the period				
Dividends from surplus				(22,948)
Provision of legal retained earnings				–
Profit				176,910
Purchases of treasury stock				(197)
Disposition of treasury stock				18
Net changes in items other than shareholders' equity	6,513	28	6,551	6,551
Total changes in items during the period	6,513	28	6,551	160,325
Balance at the end of the period	$9,506	$ (0)	$9,506	$572,355

Year ended March 31, 2017

	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	¥398	¥184	¥16,646	¥16,830	¥(246)	¥28,987
Changes in items during the period							
Dividends from surplus				(1,625)	(1,625)		(1,625)
Provision of legal retained earnings			162	(162)	–		–
Profit				16,099	16,099		16,099
Purchases of treasury stock						(1)	(1)
Disposition of treasury stock		(0)				0	0
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(0)	162	14,311	14,474	(0)	14,473
Balance at the end of the period	¥12,003	¥398	¥347	¥30,957	¥31,304	¥(247)	¥43,460

Year ended March 31, 2017

	Valuation, translation adjustments and other			
	Unrealized holding gain (loss) on securities	Deferred gain (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	¥376	¥ 6	¥382	¥29,369
Changes in items during the period				
Dividends from surplus				(1,625)
Provision of legal retained earnings				–
Profit				16,099
Purchases of treasury stock				(1)
Disposition of treasury stock				0
Net changes in items other than shareholders' equity	(58)	(10)	(69)	(69)
Total changes in items during the period	(58)	(10)	(69)	14,403
Balance at the end of the period	¥317	¥ (4)	¥313	¥43,773

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. Marketable securities classified as other securities for which market prices are determinable 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. Non-marketable securities classified as other securities 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. Book values are written down based on any decline in profitability.

(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 Losses on Business of Subsidiaries and Affiliates

An allowance has been provided for the future losses on business of subsidiaries and affiliates which is estimated beyond the amount of investments and loans to the subsidiaries and the affiliates.

(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) 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, 2018.

(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.

(l) Recognition of Revenues and Costs on Construction Contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, 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. The completed-contract method is applied for contracts for which the percentage of completion cannot be reliably estimated.

(m) 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.

Foreign exchange forward contracts qualifying for allocation accounting are translated at the contract rate.

(m) Derivatives and Hedge Accounting (continued)

(2) Hedging instruments and hedged items

Hedging instruments:	Forward foreign exchange forward contracts
Hedged items:	Future foreign currency transactions

(3) Hedging policy

The Company utilizes foreign exchange forward contracts only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates.

(4) Assessment of hedge effectiveness

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

(n) 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.

(o) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(p) 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.

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 ¥106.24 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2018. 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. 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, 2018 and 2017 were as follows:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes payable	¥ 218	¥ 385	$ 2,051
Electronically recorded payable	5,432	8,280	51,129
Accounts payable on construction contracts	8,219	8,878	77,362

(b) Pledged Assets

The following assets were pledged at March 31, 2018 and 2017 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,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥5,209	¥5,209	$49,030
Buildings, net of accumulated depreciation	273	265	2,569
Structures, net of accumulated depreciation	60	58	564
Investments in subsidiaries and affiliates	369	369	3,473
Total	¥5,912	¥5,902	$55,647

The secured liabilities as of March 31, 2018 and 2017 are summarized as follows:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥–	¥100	$–
[Including current portion of long-term debt]	[–]	[100]	[–]

(c) Contingent Liabilities

At March 31, 2018 and 2017, the Company was contingently liable for the following:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of bank loans to subsidiaries and other	¥2,113	¥2,977	$19,888

(d) Trade Notes Maturing on the Balance Sheet Date

Trade notes maturing at the end of the fiscal year are settled on the dates they mature.

Since the last day of the fiscal year in 2018 fell on a bank holiday, the below-listed trade notes maturing on that date were excluded from the corresponding balances in the non-consolidated balance sheets as of March 31, 2018.

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥95	¥–	$894
Other current assets			
[Non-operating notes receivable]	8	–	75

(e) Financial covenants

For the year ended March 31, 2018

(1) The Company has entered into a syndicated loan contract dated on March 29, 2016 and 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 this syndicated loan contract is ¥10,000 million ($94,126 thousand) in long-term debt as of March 31, 2018.

(e) Financial covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2018 and 2017 were as follows.

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$188,253
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$188,253

(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 ¥8,500 million ($80,007 thousand) in long-term debt (including the current portion) as of March 31, 2018.

(3) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including different 5 bank 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 ¥4,250 million ($40,003 thousand) in long-term debt (including the current portion) as of March 31, 2018.

(e) Financial covenants (continued)

(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.

In addition, the balance of bank borrowings under the committed syndicated loan contract is immaterial as of March 31, 2018.

Unused amount on the committed syndicated loan contract as of March 31, 2018 and 2017 were as follows.

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥–	$94,126
Loan balance outstanding	–	–	–
Difference (unused portion)	¥10,000	¥–	$94,126

For the year ended March 31, 2017

(1) The Company has entered into a syndicated loan contract dated on August 6, 2014 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, 2015 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 addition, the balance of bank borrowings under this syndicated loan contract is ¥7,500 million in long-term debt (including the current portion) as of March 31, 2017.

(e) Financial covenants (continued)

(2) The Company has entered into a syndicated loan contract dated on March 29, 2016 and loan commitment agreement dated on March 31, 2016 with its seven banks (same bank as we had contracted for the year ended March, 31 2015) 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 this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2017.

Unused amount on loan commitment agreement as of March 31, 2017 and 2016 were as follows.

	As of March 31,	
	2017	**2016**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

(3) 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 2015 and 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.

(e) Financial covenants (continued)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥9,500 million in long-term debt (including the current portion) as of March 31, 2017.

(4) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including different 5 bank from above (3)) 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 ¥4,750 million in long-term debt (including the current portion) as of March 31, 2017.

4. Notes to Non-Consolidated Statements of Income

(a) Net Sales Based on Percentage-of-completion Method

Net sales on construction contracts accounted for under the percentage-of-completion method amounted to ¥270,863 million ($2,549,538 thousand) and ¥254,900 million for the years ended March 31, 2018 and 2017, respectively.

(b) Transactions with Subsidiaries and Affiliates

Significant transactions with subsidiaries and affiliates other than individually presented on the accompanying non-consolidated statements of income for the years ended March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Dividend income	¥737	¥1,121	$6,937
Royalty income	580	713	5,459
Provision of allowance for doubtful receivables (expense)	(516)	(157)	(4,856)

(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, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥45	¥92	$423
Loss on sales	–	0	–
Others	–	3	–
Total	¥45	¥95	$423

(d) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Years ended March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 7,045	¥ 6,341	$ 66,312
Provision of allowance for doubtful receivables	–	27	–
Depreciation expenses	491	420	4,621
Other	7,312	6,570	68,825
Total	¥14,848	¥13,360	$139,759

5. Securities

Stocks of subsidiaries and affiliates at March 31, 2018 and 2017 were as follows:

	As of March 31, 2018					
	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	¥3,606	¥2,889	$6,748	$33,942	$27,193

	As of March 31, 2017		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Stocks of a subsidiary	¥717	¥2,470	¥1,753

Note: Stocks of subsidiaries and affiliates for which it is extremely difficult to determine market values were excluded from the above as follows:

	As of March 31,		
	2018	**2017**	**2018**
	Carrying value		
	(Millions of yen)		*(Thousands of U.S. dollars)*
Stocks of subsidiaries	¥3,797	¥3,638	$35,739
Stocks of affiliates	10	10	94

6. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	As of March 31,		
	2018	**2017**	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ 4,384	¥ 4,582	$ 41,265
Allowance for bad debts	1,460	3,076	13,742
Account payable and accrued expenses	2,094	1,956	19,710
Loss on devaluation of investments in subsidiaries and affiliates	1,404	1,117	13,215
Reserve for defects on completed construction projects	260	213	2,447
Allowance for losses on construction contracts	35	101	329
Other	1,215	1,141	11,436
Gross deferred tax assets	10,854	12,189	102,164
Valuation allowance	(6,754)	(8,647)	(63,573)
Total deferred tax assets	4,100	3,542	38,591
Deferred tax liabilities:			
Unrealized holding gain on securities	(445)	(139)	(4,188)
Asset retirement obligations	(6)	(3)	(56)
Deferred (loss) on hedging instruments, net of taxes	–	(0)	–
Total deferred tax liabilities	(452)	(143)	(4,254)
Net deferred tax assets	¥ 3,648	¥ 3,398	$ 34,337

The following table summarizes the significant differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2018 and 2017:

	Years ended March 31,	
	2018	**2017**
Statutory tax rates	30.9%	30.9%
Non-deductible expenses	0.5	0.4
Non-taxable income	(1.0)	(1.5)
Per capita inhabitants' taxes	0.2	1.5
Tax credit	(2.7)	(3.1)
Valuation allowance	(8.2)	0.8
Other	(0.9)	(0.6)
Effective tax rates	18.8%	28.4%

7. Subsequent Event

Stock Repurchase

At the meeting of the Board of Directors held on May 14, 2018, the Company resolved to repurchase its stock in accordance with Article 156 of the Company Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan.

(a) Reason for repurchase of treasury stock

To improve capital efficiency and to engage flexible capital policies in response to changes in management environment.

(b) Details of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	Up to 2,600,000 shares (1.60% of the total number of shares of common stock outstanding excluding treasury stock)
(3) Total amount	Up to 1,500,000,000 yen
(4) Period	From May 15, 2018 to September 28, 2018
(5) Repurchase method	Auction market on Tokyo Stock Exchange

(Reference)

Result of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to repurchased	2,016,800 shares
(3) Total amount	1,499,917,500 yen
(4) Period	From May 15, 2018 to June 14, 2018 (contract basis)
(5) Repurchase method	Auction market on Tokyo Stock Exchange

8. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans generally represent notes, principally at average interest rates of none at March 31, 2018 and 2017.

Long-term debt at March 31, 2018 and 2017 were summarized as follows:

	As of March 31,		
	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at average interest rates of none and 2.0% at 2018 and 2017)	¥–	¥ 100	$–
Less current portion	–	(100)	–
	¥–	¥ –	$–

Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

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

We have audited the accompanying non-consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. which comprise the non-consolidated balance sheet as at March 31, 2018, and the non-consolidated statements of income, changes in net assets, for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Mitsui Construction Co., Ltd. as at March 31, 2018, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying non-consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 28, 2018
Tokyo, Japan

CORPORATE OUTLINE

Corporate Name:
Sumitomo Mitsui Construction Co.,Ltd.

Established:
October 14, 1941

Permission:
(Special-28)No.200, Specified Constructor, granted by the Minister of Land, Infrastructure and Transport

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

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

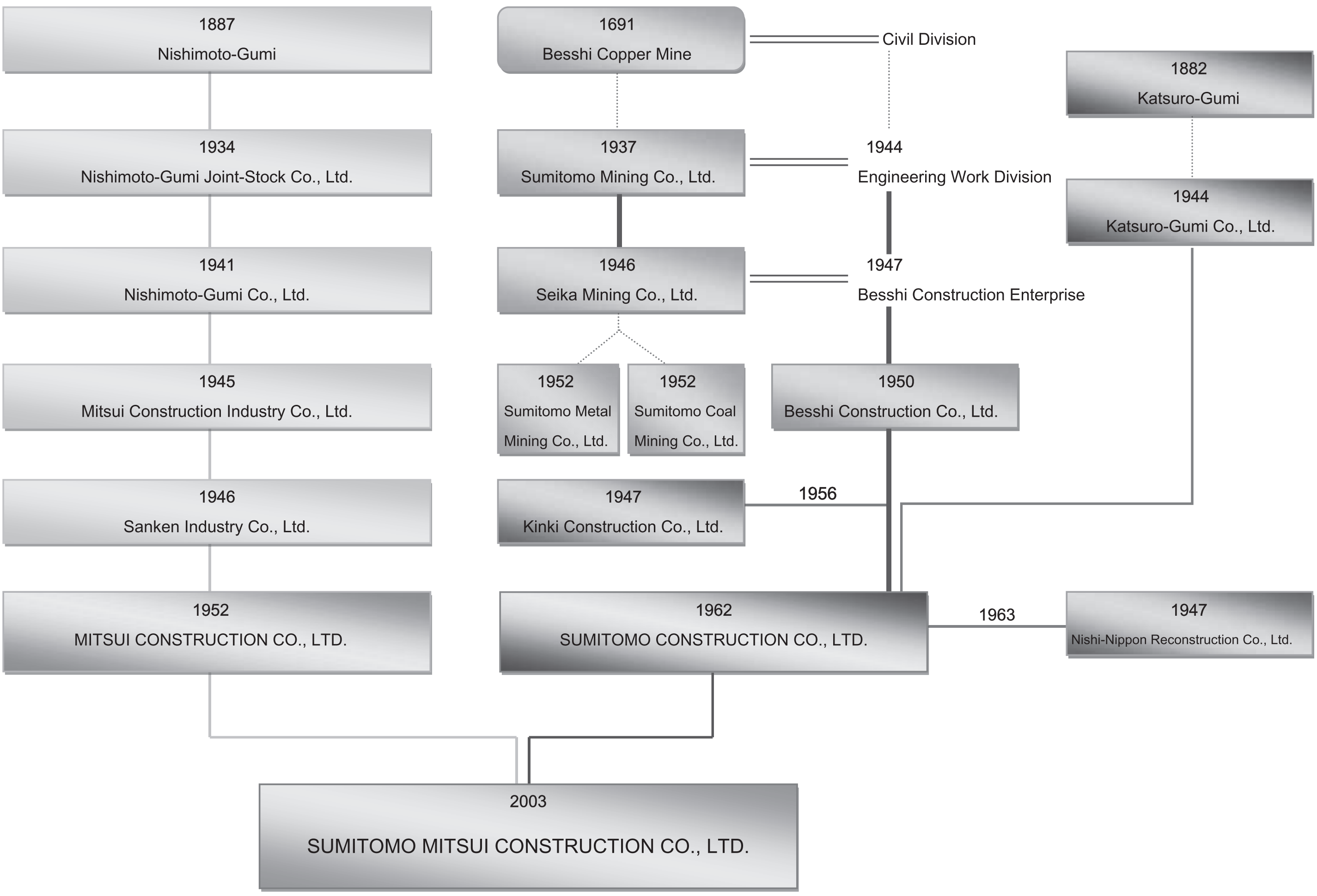
2) To plan, design and supervise marine development, regional development, urban development, natural resource development and environment maintenance

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
Japan Trustee Services Bank, Ltd.
The Master Trust Bank of Japan, Ltd.
NORTHERN TRUST GLOBAL SERVICES LIMITED, LUXEMBOURG RE LUDU RE: UCTIS CLIENTS 15.315 PCT NON TREATY ACCOUNT
Mitsui Fudosan Co., Ltd.
Sumitomo Realty & Devlopment Co.,Ltd.

Corporate History



CORPORATE DATA

HEAD OFFICE
2-1-6 Tsukuda, Chuo-ku,
Tokyo, 104-0051, Japan

INTERNATIONAL DIVISION
2-1-6 Tsukuda, Chuo-ku,
Tokyo, 104-0051, Japan
TEL:81-3-4582-3171
FAX:81-3-4582-3247

OVERSEAS OFFICE

Manila:(Philippines)
The Peninsula Court 6th Floor, 8735 Paseo de Roxas cor. Makati Avenue, Makati City, Metro Manila, Philippines
TEL:63-2-840-4913
FAX:63-2-840-4912

Guam:(USA)
Suite 105-107, IBC Building, J.L. Baker Street, Harmon Industrial Park, Harmon, Guam 96913
(P.O.Box 9670, Tamuning, Guam 96931)
TEL:1-671-649-7521
FAX:1-671-649-7550

Hanoi:(Vietnam)
#502-504, 5th Floor, V-Tower, 649 Kim Ma str., Ba Dinh Dist., Hanoi, Vietnam
TEL:84-24-3942-8888
FAX:84-24-3942-8808

Singapore:
2 Bukit Merah Central #14-01 & 02, Singapore 159835
TEL:65-6933-8000
FAX:65-6933-8001

Jakarta:(Indonesia)
Summitmas 2, 20th Floor JL.Jend. Sudirman Kav. 61-62, Jakarta Selatan 12190, Indonesia
TEL 62-21-520-1757
FAX 62-21-525-0905

Bangkok:(Thailand)
26/49, 14th Floor, Orakarn Building, Soi Chidlom, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
TEL:66-2-250-0560
FAX:66-2-254-7405

Yangon:(Myanmar)
#602, 6Floor, Tower B, Mindhama Condo, Mindhama Road, Mayangone Township, Yangon, Myanmar
TEL:95-1-1224236

SUBSIDIARY COMPANIES IN OVERSEAS

SMCC(Thailand)Co.,Ltd.
26/49, 14th Floor, Orakarn Building, Soi Chidlom, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
TEL:66-2-250-0560
FAX:66-2-254-7405

PT.SMCC Utama Indonesia
Summitmas 2, 20th Floor JL.Jend. Sudirman Kav. 61-62, Jakarta Selatan 12190, Indonesia
TEL:62-21-520-1757
FAX:62-21-525-0905

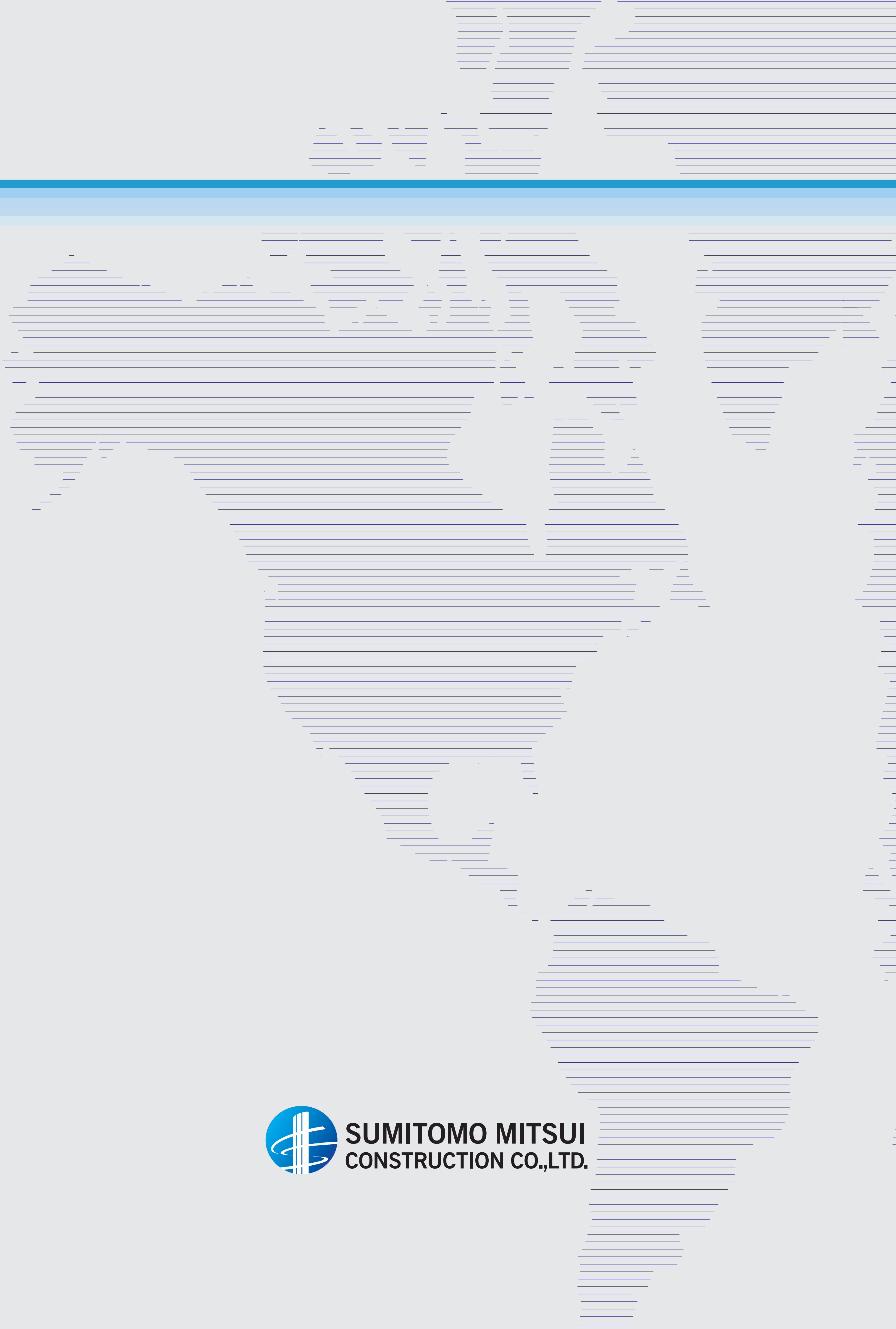
SMCC Construction India Ltd.
201, 2nd Floor, Plot No. -D1, Ras Vilas, Saket District Centre, Saket, New Delhi - 110017, India
TEL:91-11-41392800
FAX:91-11-41652592,41652593

SMCC Philippines, Inc.
The Peninsula Court 6th Floor, 8735 Paseo de Roxas cor. Makati Avenue, Makati City, Metro Manila, Philippines
TEL:63-2-840-4913
FAX:63-2-840-4912

SMCC Overseas Singapore Pte. Ltd.
2 Bukit Merah Central #14-01 & 02, Singapore 159835
TEL:65-6933-8000
FAX:65-6933-8001

SMCC Malaysia Sdn.Bhd.
Level 13, Suite13. 06, Johor Bahru City Square (Office Tower)
106-108 Jalan Wong Ah Fook, 80000 Johor Bahru, Malaysia
TEL:60-7-207-1133
FAX:60-7-207-3311

SMCC Taiwan Co., Ltd.
3F., No.129, Sec.2, Zhongshan N.Rd.,
Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
TEL:886-2-2563-9833
FAX:886-2-2563-3839



SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.