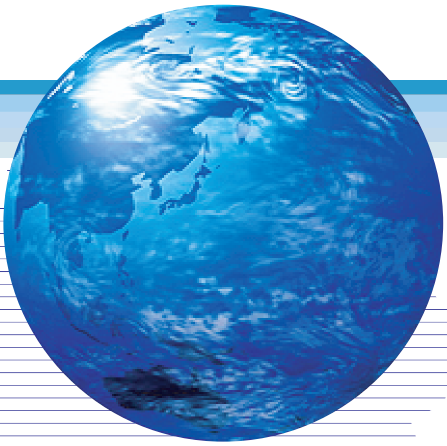

ANNUAL REPORT
2014

SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.

CONTENTS

PROFILE

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

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

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

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

THE MESSAGE FROM THE PRESIDENT

When the 2013 fiscal year started, we had expected the continued and steady economic growth in Japan. Because, we had seen not only the global economic recovery led by improved economic activities in the United States and other overseas countries, but also the ongoing yen depreciation and high stock prices under the drastic monetary-easing policy, continuing reconstruction demand and effectiveness of supplementary budget. In fact, the Japanese economy has continued to expand and business volume and profitability of the Japanese corporate sector has been steadily improved, thanks to the effect of the increase of exporting business, as well as that of the “New Dimension Policy of Monetary Easing”, the flexible fiscal policy by the Bank of Japan, and other political measures that aim to stimulate private investments. However, we still need to have a prudent insight in seeing the future economic trends, especially including a downturn of emerging markets and the uncertainties of the upcoming outlook of overseas economies as well.

In the domestic construction market, we have seen steady growth in construction demand, led by last-minute surge in the housing demands caused by the consumption tax rate increase in April 2014, continued reconstruction activities after the Great East Japan Earthquake, the increase in public investments under the National Infrastructure Resilience Program, and the infrastructure improvement and repair works planned for the preparation of 2020 Tokyo Olympics and Paralympics. However, the construction industry in Japan still continues to face with the difficult managerial environment, as we continue to struggle for the short supply of skilled construction workers, and sudden increase of construction costs such as labor fees and material costs.

Under these circumstances, for the fiscal year ended on March 31, 2014, the SMCC group has achieved net sales of 382.7 billion yen (up 40.0 billion yen from the previous year), operating income of 7.9 billion yen (up 2.2 billion yen from the previous year) and a net income of 4.2 billion yen (up 2.2 billion yen from the previous year).

One year has passed since we announced “The 4th Mid-term Management Plan 2013-2015” (as “PLAN” hereafter) in May 2013, which supported to aim maintaining management system as clear-cut and understandable way and to strengthen our profitability in our core business, as well as (based on our long range targets in the next 10 years) accomplish the planned business goals and by the slogan “CHO-SEN (as challenges)” establish a sound and profitable business portfolio with strong management control.

The major principles of the PLAN are as follows:

◇ Theme: “CHO-SEN (as challenges)” to The New Dynamic Evolution
◇ Strengthen the quality of the three core segments of our business and build diverse profit segments for future growth
   1. “Improve Competitiveness & Profitability” in the domestic construction business
   2. “Establish a Stronger Management Platform for Overseas Business” with a focus on Asia
   3. “Invest in the Future” to produce sustainable contributions to the society

The key elements of our business strategies are as follows:

a. For the domestic construction business, we will strengthen our operation systems by securing growth in profits through our superior technologies in the core business, increasing competitiveness to obtain more orders and improving profitability by outperforming our competitors, and developing our own business solution skills.
   As the core activity on civil engineering division, we will continue to focus on “Prestressed Concrete Bridge” and “Tunnel Work” where our presence as the major player has already been established, and for that of the building construction division, we will focus on the “High-rise Housing” and “Commercial & Logistics Facilities”.
b. For the overseas construction business, we will enhance the sound and profitable construction activities and risk-management control systems including overseas subsidiaries and we reinforce our education and training programs for our staff and employees, in order to establish a stronger business platform that will enable us to further grow in the future.
c. For new business fields, we start a preliminary study for the new channels for growth, through utilizing our own construction skills and practices with new schemes of operation system, such as PFI and PPP.

We will continue to increase and diversify our revenue and profit bases for sustainable growth toward the new dynamic evolution era, in response to the changing market environment, so that these result shall be retuned to all our stakeholders - shareholders, business partners, clients, employees and of course to our Globe.

Y. Norihisa

Yoshiyuki Norihisa
Representative Director,
President and Chief Executive Officer

Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.
and Consolidated Subsidiaries

Year ended March 31, 2014
with Independent Auditor's Report

Sumitomo Mitsui Construction Co., Ltd.

Consolidated Balance Sheets

March 31, 2014

	As of March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 6-(c), 10 and 12)*	¥ 40,320	¥ 39,899	$ 391,760
Trade notes receivable, accounts receivable on completed construction contracts and other *(Notes 6-(c), 6-(g) and 12)*	129,418	101,279	1,257,462
Inventories *(Notes 6-(a) and 6-(f))*	19,302	19,184	187,543
Deferred tax assets *(Note 16)*	3,035	1,673	29,488
Other current assets *(Note 6-(c))*	12,414	10,424	120,617
Allowance for doubtful receivables *(Note 12)*	(135)	(379)	(1,311)
Total current assets	204,356	172,083	1,985,581
Non-current assets:			
Property and equipment, at cost:			
Land *(Notes 6-(c) and 6-(d))*	16,766	16,750	162,903
Buildings and structures *(Note 6-(c))*	16,142	15,883	156,840
Machinery, equipment and vehicles *(Notes 6-(c) and 11)*	18,006	18,161	174,951
Construction in progress	46	16	446
Accumulated depreciation	(26,687)	(27,109)	(259,298)
Property and equipment, net	24,273	23,701	235,843
Intangible fixed assets	2,011	2,060	19,539
Investments and other assets:			
Investments in securities *(Notes 6-(c), 12 and 13)*	5,818	5,238	56,529
Long-term loans receivable *(Note 12)*	6,434	6,491	62,514
Deferred tax assets *(Note 16)*	1,218	2,867	11,834
Investments in real estate *(Notes 6-(b), 6-(c) and 17)*	4,017	4,243	39,030
Claims provable in bankruptcy and other *(Note 12)*	795	867	7,724
Investments in unconsolidated subsidiaries and affiliates	1,378	1,850	13,389
Other	10,099	31,055	98,124
Allowance for doubtful receivables *(Note 12)*	(9,687)	(29,042)	(94,121)
Total investments and other assets	20,074	23,570	195,044
Total non-current assets	46,360	49,332	450,446
Total assets	¥250,716	¥221,416	$2,436,027

Sumitomo Mitsui Construction Co., Ltd.

Consolidated Balance Sheets

March 31, 2014

	As of March 31,		
	2014	2013	2014
	(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 (*Notes 6-(g) and 12)*	¥136,453	¥115,338	$1,325,816
Short-term bank loans and current portion of long-term debt *(Notes 6-(c), 12 and 22)*	15,032	8,391	146,055
Accrued expenses	3,427	2,642	33,297
Advances received on construction contracts in progress	22,260	27,768	216,284
Reserve for defects on completed construction projects	823	728	7,996
Allowance for losses on construction contracts *(Note 6-(f))*	1,755	717	17,052
Allowance for loss on litigation	–	890	–
Other current liabilities *(Note 6-(c))*	13,742	13,804	133,521
Total current liabilities	193,494	170,280	1,880,042
Long-term liabilities:			
Long-term debt *(Notes 6-(c), 12 and 22)*	1,440	2,194	13,991
Deferred tax liability on land revaluation *(Note 6-(d))*	335	335	3,254
Accrued retirement benefits *(Note 15)*	–	18,057	–
Liability for retirement benefits *(Notes 4 and 15)*	20,122	–	195,511
Other long-term liabilities *(Notes 6-(c) and 6-(e))*	5,249	5,186	51,000
Total long-term liabilities	27,147	25,773	263,767
Contingent liabilities *(Notes 6-(e) and 19)*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	116,624
Common stock:			
Authorized:			
2,669,464,970 shares in 2014 and 2013			
Issued and outstanding:			
808,262,394 shares in 2014 and 675,480,576 shares in 2013			
Preferred stock:			
Authorized:			
26,894,644 shares in 2014 and 2013			
Issued and outstanding:			
1,507,500 shares in 2014 and 4,428,700 shares in 2013			
Additional paid-in capital	479	480	4,654
Retained earnings	13,826	9,814	134,337
Treasury stock, at cost: 468,382 shares in 2014 and 454,364 shares in 2013	(242)	(241)	(2,351)
Total shareholders' equity	26,068	22,056	253,284
Accumulated other comprehensive income:			
Unrealized holding gain on securities	294	197	2,856
Deferred gain on hedging instruments, net of taxes *(Note 14)*	29	139	281
Land revaluation *(Note 6-(d))*	40	39	388
Translation adjustments	(357)	(682)	(3,468)
Retirement benefits liability adjustment *(Note 4)*	(787)	–	(7,646)
Total accumulated other comprehensive income (loss)	(781)	(306)	(7,588)
Minority interests	4,787	3,611	46,511
Total net assets	30,074	25,361	292,207
Total liabilities and net assets	¥250,716	¥221,416	$2,436,027

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

March 31, 2014

	Years ended March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales *(Note 7-(a))*	¥382,724	¥342,727	$3,718,655
Cost of sales *(Notes 7-(b) and 7-(d))*	359,829	322,612	3,496,200
Gross profit	22,894	20,115	222,444
Selling, general and administrative expenses *(Notes 7-(c), 7-(d) and 15)*	14,949	14,330	145,248
Operating income	7,944	5,784	77,186
Other income (expenses):			
Interest and dividend income	843	644	8,190
Payments received from insurance claims	139	153	1,350
Reversal of allowance for loss on litigation *(Note 7-(e))*	580	–	5,635
Exchange gain, net	368	4	3,575
Reversal of allowance for doubtful receivables	348	107	3,381
Interest expense	(799)	(926)	(7,763)
Provision of allowance for doubtful receivables	(461)	(53)	(4,479)
Corporate tax on overseas sales	(304)	(230)	(2,953)
Gain on sales of property and equipment *(Note 7-(f))*	96	14	932
Gain on donation of assets *(Note 7-(g))*	118	–	1,146
Gain on sales of investments in securities	43	0	417
Gain on liquidation of investments in securities	–	14	–
Loss on sales and disposal of property and equipment *(Note 7-(h))*	(44)	(21)	(427)
Loss on litigation	–	(194)	–
Impairment loss *(Note 7-(i))*	(181)	–	(1,758)
Impairment loss on membership	(60)	(20)	(582)
Loss on step acquisitions	–	(44)	–
Other, net	(690)	(914)	(6,704)
	(3)	(1,466)	(29)
Income before income taxes and minority interests	7,941	4,317	77,157
Income taxes *(Note 16)*:			
Current	2,444	1,741	23,746
Deferred	223	(165)	2,166
	2,667	1,576	25,913
Income before minority interests	5,273	2,740	51,233
Minority interests in net income of consolidated subsidiaries	1,072	698	10,415
Net income	¥ 4,201	¥ 2,042	$ 40,818
	(Yen)		*(U.S. dollars) (Note 3)*
Net income per share – basic *(Note 20)*	¥ 5.51	¥ 4.56	$ 0.054
Net income per share – diluted *(Note 20)*	5.17	2.56	0.050

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

March 31, 2014

	Years ended March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Income before minority interests	¥5,273	¥2,740	$51,233
Other comprehensive income:			
Unrealized holding gain on securities	97	336	942
Deferred (loss) gain on hedging instruments, net of taxes	(109)	108	(1,059)
Land revaluation	0	–	0
Translation adjustments	418	205	4,061
Share of other comprehensive income of affiliates accounted for by the equity method	(5)	4	(48)
Total other comprehensive income *(Note 8)*	400	655	3,886
Comprehensive income	¥5,674	¥3,396	$55,130
Comprehensive income attributable to:			
Owners of the parent	¥4,514	¥2,659	$43,859
Minority interests	1,160	736	11,270

The accompanying notes are an integral part of these statements.

Sumitomo Mitsui Construction Co., Ltd.

Consolidated Statements of Changes In Net Assets

March 31, 2014

	Year ended March 31, 2014				
	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	¥480	¥ 9,814	¥(241)	¥22,056
Changes in items during the period:					
Dividends from surplus			(188)		(188)
Net income			4,201		4,201
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)	4,012	(0)	4,011
Balance at the end of the period	¥12,003	¥479	¥13,826	¥(242)	¥26,068

	Year ended March 31, 2014							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
					(Millions of yen)			
Balance at the beginning of the period	¥197	¥139	¥39	¥(682)	¥ –	¥(306)	¥3,611	¥25,361
Changes in items during the period:								
Dividends from surplus								(188)
Net income								4,201
Purchases of treasury stock								(1)
Disposition of treasury stock								0
Net changes in items other than shareholders' equity	97	(109)	0	325	(787)	(474)	1,176	701
Total changes in items during the period	97	(109)	0	325	(787)	(474)	1,176	4,712
Balance at the end of the period	¥294	¥ 29	¥40	¥(357)	¥(787)	¥(781)	¥4,787	¥30,074

Sumitomo Mitsui Construction Co., Ltd.

Consolidated Statements of Changes In Net Assets

March 31, 2014

	Year ended March 31, 2014				
	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	$116,624	$4,663	$ 95,355	$(2,341)	$214,302
Changes in items during the period:					
Dividends from surplus			(1,826)		(1,826)
Net income			40,818		40,818
Purchases of treasury stock				(9)	(9)
Disposition of treasury stock		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes in items during the period	–	(0)	38,981	(0)	38,972
Balance at the end of the period	$116,624	$4,654	$134,337	$(2,351)	$253,284

	Year ended March 31, 2014							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 3)							
Balance at the beginning of the period	$1,914	$1,350	$378	$(6,626)	$ –	$(2,973)	$35,085	$246,414
Changes in items during the period:								
Dividends from surplus								(1,826)
Net income								4,818
Purchases of treasury stock								(9)
Disposition of treasury stock								0
Net changes in items other than shareholders' equity	942	(1,059)	0	3,157	(7,646)	(4,605)	11,426	6,811
Total changes in items during the period	942	(1,059)	0	3,157	(7,646)	(4,605)	11,426	45,783
Balance at the end of the period	$2,856	$ 281	$388	$(3,468)	$(7,646)	$(7,588)	$46,511	$292,207

Year ended March 31, 2013

	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	¥481	¥7,771	¥(241)	¥20,014
Changes in items during the period:					
Net income			2,042		2,042
Purchases of treasury stock				(0)	(0)
Disposition of treasury stock		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes in items during the period	–	(0)	2,042	0	2,042
Balance at the end of the period	¥12,003	¥480	¥9,814	¥(241)	¥22,056

Year ended March 31, 2013

	Accumulated other comprehensive income							
	Unrealized holding (loss) gain on securities	Deferred gain (loss) on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
					(Millions of yen)			
Balance at the beginning of the period	¥(137)	¥ 30	¥39	¥(856)	¥ –	¥(923)	¥2,913	¥22,004
Changes in items during the period:								
Net income								2,042
Purchases of treasury stock								(0)
Disposition of treasury stock								0
Net changes in items other than shareholders' equity	335	108	–	173	–	617	698	1,315
Total changes in items during the period	335	108	–	173	–	617	698	3,357
Balance at the end of the period	¥ 197	¥139	¥39	¥(682)	¥ –	¥(306)	¥3,611	¥25,361

The accompanying notes are an integral part of these statements.

Sumitomo Mitsui Construction Co., Ltd.

Consolidated Statements of Cash Flows

March 31, 2014

	Years ended March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Income before income taxes and minority interests	¥ 7,941	¥ 4,317	$ 77,157
Depreciation and amortization	1,610	1,637	15,643
Impairment loss	181	–	1,758
Amortization of goodwill	–	22	–
Increase (decrease) in allowance for doubtful receivables	159	(31)	1,544
Increase (decrease) in reserve for defects on completed construction projects	88	(227)	855
Increase (decrease) in allowance for losses on construction contracts	1,037	(961)	10,075
(Decrease) increase in allowance for loss on litigation	(310)	28	(3,012)
Increase in accrued retirement benefits	–	1,229	–
Increase in liability for retirement benefits	1,207	–	11,727
(Gain) loss on sales and disposal of property and equipment	(47)	6	(456)
(Gain) on sales of investment in securities	(43)	(0)	(417)
(Gain) on liquidation of investments in securities	–	(12)	–
Impairment loss on membership	60	20	582
Interest and dividend income	(843)	(644)	(8,190)
Interest expense	799	926	7,763
Exchange (gain), net	(371)	(583)	(3,604)
Reversal of allowance for loss on litigation	(580)	–	(5,635)
Equity in (earnings) loss of affiliates	(36)	135	(349)
Loss on step acquisitions	–	44	–
(Increase) decrease in trade notes receivable, accounts receivable on completed construction contracts and other	(26,775)	14,386	(260,153)
Decrease in inventories	134	3,721	1,301
(Increase) decrease in other assets	(1,114)	599	(10,823)
Decrease (increase) in trade notes payable, accounts payable on construction contracts and other	18,722	(4,564)	181,908
(Decrease) in advances received on construction contracts in progress	(6,150)	(2,377)	(59,755)
Increase in other liabilities	39	685	378
Other	28	(6)	272
Subtotal	(4,261)	18,352	(41,401)
Interest and dividends received	900	588	8,744
Interest paid	(802)	(894)	(7,792)
Income taxes paid	(2,410)	(1,493)	(23,416)
Net cash (used in) provided by operating activities	(6,575)	16,553	(63,884)
Investing activities			
Increase (decrease) in fixed deposits	786	(3,155)	7,636
Purchases of property and equipment	(1,107)	(817)	(10,755)
Proceeds from sales of property and equipment	96	21	932
Purchases of intangible fixed assets	(136)	(88)	(1,321)
Proceeds from sales of investments in real estate	284	–	2,759
Purchases of investments in securities	(329)	(208)	(3,196)
Proceeds from sales of investments in securities	66	1	641
Increase in investments in unconsolidated subsidiaries and affiliates	–	(18)	–
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	–	267	–
Disbursements for loans receivable	(71)	(63)	(689)
Proceeds from collection of loans receivable	127	421	1,233
Other	17	69	165
Net cash (used in) investing activities	(266)	(3,571)	(2,584)

Consolidated Statements of Cash Flows

March 31, 2014

	Years ended March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Financing activities			
Increase (decrease) in short-term bank loans	¥ 6,657	¥(12,288)	$ 64,681
Increase in long-term debt	200	750	1,943
Decrease in long-term debt	(969)	(869)	(9,415)
Increase in long-term loans of employees	33	53	320
(Increase) in treasury stock	(1)	(0)	(9)
Cash dividends paid	(188)	–	(1,826)
Cash dividends paid for minority shareholders	(99)	(47)	(961)
Other	(231)	(161)	(2,244)
Net cash provided by (used in) financing activities	5,400	(12,563)	52,467
Effect of exchange rate changes on cash and cash equivalents	916	1,135	8,900
Net (decrease) increase in cash and cash equivalents	(524)	1,553	(5,091)
Cash and cash equivalents at beginning of the year	31,400	29,847	305,091
Increase in cash and cash equivalents due to inclusion in consolidation	1,179	–	11,455
Cash and cash equivalents at end of the year ***(Note 10-(a))***	¥ 32,055	¥ 31,400	$ 311,455

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 minority 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 16 consolidated subsidiaries, 1 unconsolidated subsidiaries and 1 affiliate accounted for by the equity method as of March 31, 2014.

(b) Fiscal Year of Consolidated Subsidiaries

All foreign consolidated subsidiaries (4 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 of the respective assets as prescribed in the Corporation Tax Law of Japan except that the straight-line method is applied to office buildings acquired on or after April 1, 1998.

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.

Finance leases other than those that transfer the ownership of the leased assets to the lessees, whose commencement dates are on or before March 31, 2008, continue to be accounted for in a similar manner as operating leases.

(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

The allowance for doubtful receivables is 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 Loss on Litigation

An allowance has been provided for future losses on pending litigation at an estimated amount calculated based on specific circumstances.

(k) Accounting for Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the straight-line method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2014.

(2) Amortization of actuarial gain or loss, prior service cost and net retirement benefit obligation at transition

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.

The net retirement benefit obligation at transition is being amortized by the straight-line method over a period of 15 years.

(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.

Revenues and costs of construction contracts of the Company and certain subsidiaries that commenced on or before March 31, 2009, which cover a construction period longer than 12 months are, in principle, also recognized by the percentage-of-completion method, except for total revenue on long-term contracts of less than ¥500 million.

(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.

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

The Company utilizes foreign exchange forward contracts and interest rate swaps only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates or interest rates.

(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.

An evaluation of hedge effectiveness for interest rate swaps is not performed as all meet specified criteria under the short-cut method.

(o) Amortization of Goodwill and Amortization Period

Goodwill is expensed as incurred when the amount is immaterial.

(p) Cash Equivalents

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

(q) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(r) 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 ¥102.92 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2014. 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. Changes in Accounting Methods

Effective the year ended March 31, 2014, the Company has adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012) (except for certain provisions in the main clause of Section 35 of the standard and in the main clause of Section 67 of the Guidance). These accounting standards require entities to apply a revised method for recognizing the retirement benefit obligation, after deducting plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial loss, unrecognized prior service cost and unrecognized net retirement benefit obligation at transition are recognized as a liability for retirement benefits. Concerning the adoption of the Accounting Standard for Retirement Benefits, in accordance with the provisional treatment set out in Clause 37 of the Accounting Standard for Retirement Benefits, the effect of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result, a liability for retirement benefits was recognized in the amount of ¥848 million ($8,239 thousand) and accumulated other comprehensive income decreased by ¥787 million ($7,646 thousand) as of March 31, 2014. In addition, for information on the effect of the change on net assets per share, see “Per Share Information.”

5. Unapplied Accounting Standards

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012)

(a) Outline

These accounting standards have been revised primarily to enhance disclosures and focusing on accounting for unrecognized actuarial differences, methods for treating unrecognized prior service costs and calculation retirement benefit obligation and service costs.

(b) Scheduled date of adoption

The scheduled adoption date for the revision of calculation methods of retirement benefit obligations and service costs will be the beginning of the year ending March 31, 2015. Concerning the adoption of the Accounting Standard for Retirement benefits, in accordance with the provisional treatment set out in Clause 37 of the Accounting Standard for Retirement Benefits, previous period financial statements is not adjusted retroactively.

(c) Impact of the Adoption of These Accounting Standards

The Company is currently assessing the effects of the adoption of the accounting standard and guidance on its consolidated financial statements.

6. Notes to Consolidated Balance Sheets

(a) Inventories

The components of inventories as of March 31, 2014 and 2013 were as follows:

	As of March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 550	¥ 579	$ 5,343
Materials and supplies	1,570	1,341	15,254
Costs on uncompleted construction contracts	17,178	17,261	166,906
Real estate for sale	2	2	19
	¥19,302	¥19,184	$187,543

(b) Investments in Real Estate

"Investments in real estate" includes accumulated depreciation in the amounts of ¥714 million ($6,937 thousand) and ¥912 million at March 31, 2014 and 2013, respectively.

(c) Pledged Assets

The following assets were pledged at March 31, 2014 and 2013 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,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 605	¥ 829	$ 5,878
Trade notes receivable, accounts receivable on completed construction contracts and other	25	–	242
Other current assets	–	9	–
Land	12,241	12,241	118,937
Buildings and structures, net of accumulated depreciation	1,308	1,237	12,708
Machinery, equipment and vehicles, net of accumulated depreciation	65	36	631
Investments in securities	2,634	2,312	25,592
Investments in real estate	3,768	3,800	36,610
	¥20,649	¥20,467	$200,631

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2014 and 2013 are summarized as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,258	¥1,258	$12,223
Buildings and structures, net of accumulated depreciation	217	226	2,108
Machinery, equipment and vehicles, net of accumulated depreciation	65	36	631
	¥1,542	¥1,521	$14,982

(c) Pledged Assets (continued)

The secured liabilities as of March 31, 2014 and 2013 are summarized as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥10,800	¥2,574	$104,935
[Including current portion of long-term debt]	[736]	[736]	[7,151]
Long-term debt	1,223	1,960	11,883
Other current liabilities	100	100	971
Other long-term liabilities	124	225	1,204

(d) 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 ¥697 million ($6,772 thousand) and ¥698 million more than the revalued book amount at March 31, 2014 and 2013, respectively.

(e) Contingent Liabilities

At March 31, 2014 and 2013, the Company and consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantors of bank loans to customers, unconsolidated subsidiaries, an affiliate and employees	¥ 31	¥ 71	$ 301
As endorsers of notes receivable discounted with banks	331	382	3,216

(f) Estimated Loss on Uncompleted Construction Contracts

An estimated loss on uncompleted construction contracts was recognized and included as part of inventories but was not offset against the amount on the balance sheet. It has been recorded as an allowance for losses on construction contracts in the amounts of ¥431 million ($4,187 thousand) and ¥49 million as of March 31, 2014 and 2013, respectively.

(g) Trade Notes Receivable Maturing on the Balance Sheet Date

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

Since the last day of the fiscal year in 2013 fell on a bank holiday, trade notes receivable maturing on that date were excluded from the corresponding balances in the consolidated balance sheets as of March 31, 2014 and 2013.

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥ –	¥179	$ –
Trade notes payable	–	168	–

7. 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 ¥284,191 million ($2,761,280 thousand) and ¥238,596 million for the years ended March 31, 2014 and 2013, 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 ¥1,530 million ($14,865 thousand) and ¥610 million for the years ended March 31, 2014 and 2013, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses at March 31, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 6,364	¥ 5,943	$ 61,834
Retirement benefit expenses	1,071	1,102	10,406
Provision of allowance for doubtful receivables	45	22	437
Other	7,468	7,261	72,561
Total	¥14,949	¥14,330	$145,248

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥975 million ($9,473 thousand) and ¥885 million for the years ended March 31, 2014 and 2013, respectively.

(e) Reversal of Allowance for Loss on Litigation

Though the Company had recognized an allowance for loss on litigation, which was estimated in relation to claims for damages due to bid-rigging on bridgework, the corresponding surcharge payment to the Ministry of Land, Infrastructure Transportation and Tourism of Japan and Fukushima Prefecture was less than the recognized amount, therefore, the difference was reversed. The corresponding payment was made during the year ended March 31, 2014.

(f) Gain on Sale of Property and Equipment

The significant components of gain on sale of property and equipment for the years ended March 31, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Investments in real estate	¥90	¥ –	$874
Buildings and structures	–	2	–
Others	5	11	48
Total	¥96	¥14	$932

(g) Gain on Donation of Assets

A consolidated subsidiary "Amenity Life, Inc.," which is involved in managing operations of a senior care facility, was the receipt of a bequest from a former resident.

(h) 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, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥31	¥12	$301
Loss on sales	13	0	126
Others	0	8	0
Total	¥44	¥21	$427

(i) Impairment Loss

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2014.

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

The book values of following assets were reduced to their recoverable values as a result of profit deterioration on rental property and a decline in the fair value of a resort facility etc. The corresponding write-down was recognized in the amount of ¥181 million ($1,758 thousand) as part of other income expenses.

Location	Usage	Classification	**Year ended March 31 2014,**	
			(Millions of yen)	*(Thousands of U.S. dollars)*
Izumisano, Osaka	Rental property (1 building)	Investment and other assets	¥139	$1,350
Uonuma, Niigata	Resort facility (3 rooms)	Land, Buildings and Structure	39	378
Sapporo, Hokkaido	Assets for business (1 building)	Buildings and Structure	2	19

In addition, the recoverable value of the rental property was estimated based on the estimated future cash flow discounted by the rate of 1.2%.

The recoverable value of the resort facility was estimated at its net realizable value based on amounts determined by a valuation made in accordance with real estate appraisal standards.

The recoverable value of assets for business use was estimated based on the estimated future cash flow and the value was estimated at nil, because the asset will be disposed.

8. Notes to Consolidated Statements of Comprehensive Income

Amount of recycling and amount of income tax effects associated with other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain on securities:			
Changes in items during the period	¥ 262	¥337	$ 2,545
Amount of recycling	(1)	0	(9)
Before income tax effect adjustment	261	338	2,535
Income tax effect adjustment	(164)	(1)	(1,593)
Unrealized holding gain on securities	97	336	942
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	(178)	175	(1,729)
Amount of recycling	–	–	–
Before income tax effect adjustment	(178)	175	(1,729)
Income tax effect adjustment	69	(66)	670
Deferred gain on hedging instruments, net of taxes	(109)	108	(1,059)
Land revaluation:			
Income tax effect adjustment	0	–	0
Land revaluation	0	–	0
Translation adjustments:			
Changes in items during the period	418	205	4,061
Amount of recycling	–	–	–
Before income tax effect adjustment	418	205	4,061
Income tax effect adjustment	–	–	–
Translation adjustments	418	205	4,061
Share of other comprehensive income of affiliates accounted for by the equity method:			
Changes in items during the period	(5)	4	(48)
Amount of recycling	–	(0)	–
Share of other comprehensive income of affiliates accounted for by the equity method	(5)	4	(48)
Total other comprehensive income	¥ 400	¥655	$ 3,886

9. Notes to Consolidated Statements of Changes in Net Assets

(a) Type and number of shares issued and treasury stock

(1) For the year ended March 31, 2014

	Balance at April 1, 2013	Increase	Decrease	Balance at March 31, 2014
	(Number of shares)			
Shares issued:				
Common stock	675,480,576	132,781,818	–	808,262,394
2nd Series Class A preferred stock	1,500,000	–	–	1,500,000
3rd Series Class C preferred stock	2,921,200	–	2,921,200	–
3rd Series Class D preferred stock	7,500	–	–	7,500
Total	679,909,276	132,781,818	2,921,200	809,769,894

Note 1: Increase of common stock is due to the acquisition of common stock by exercising call option on the 3rd Series Class C preferred stock.

Note 2: Decrease of 3rd Series Class C preferred stock is due to redemption by exercising a call option.

	Balance at April 1, 2013	Increase	Decrease	Balance at March 31, 2014
	(Number of shares)			
Treasury shares:				
Common stock	454,364	15,256	1,238	468,382
3rd Series Class C preferred stock	–	2,921,200	2,921,200	–
Total	454,364	2,936,456	2,922,438	468,382

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.

Note 3: Increase of 3rd Series Class C preferred stock is due to the acquisition of common stock by exercising a call option.

Note 4: Decrease of 3rd Series Class C preferred stock is due to redemption by exercising a call option.

(a) Type and number of shares issued and treasury stocks (continued)

(2) For the year ended March 31, 2013

	Balance at April 1, 2012	Increase	Decrease	Balance at March 31, 2013
	(Number of shares)			
Shares issued:				
Common stock	288,989,667	386,490,909	–	675,480,576
2nd Series Class A preferred stock	1,500,000	–	–	1,500,000
3rd Series Class C preferred stock	5,781,200	–	2,860,000	2,921,200
3rd Series Class D preferred stock	5,868,700	–	5,861,200	7,500
Total	302,139,567	386,490,909	8,721,200	679,909,276

Note 1: Increase of common stock is due to the acquisition of common stock by exercising call options on the 3nd Series Class C preferred stock and 3rd Series Class D preferred stock.

Note 2: Decrease of 3nd Series Class C preferred stock and 3rd Series Class D preferred stock is due to redemption by exercising a call option.

	Balance at April 1, 2012	Increase	Decrease	Balance at March 31, 2013
	(Number of shares)			
Treasury shares:				
Common stock	447,922	7,773	1,331	454,364
3rd Series Class C preferred stock	–	2,860,000	2,860,000	–
3rd Series Class D preferred stock	–	5,861,200	5,861,200	–
Total	447,922	8,728,973	8,722,531	454,364

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.

Note 3: Increase of 3nd Series Class C preferred stock and 3rd Series Class D preferred stock is due to the acquisition of common stock by exercising a call option.

Note 4: Decrease of 3nd Series Class C preferred stock and 3rd Series Class D preferred stock is due to redemption by exercising a call option.

(b) Dividends:

(1) Dividends paid

For the year ended March 31, 2014

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 27, 2013	2nd Series Class A preferred stock	¥ 10	¥ 7.17	March 31, 2013	June 28, 2013
	3rd Series Class C preferred stock	177	60.85		
	3rd Series Class D preferred stock	0	60.85		
		¥188			

For the years ended March 31, 2013, there were no dividends paid to shareholders of common stock.

(2) Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ending March 31, 2015 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 27, 2014	2nd Series Class A preferred stock	¥10	¥ 6.69	March 31, 2014	June 30, 2014
	3rd Series Class D preferred stock	0	58.45		
		¥10			

Dividends with the cut-off date in the year ended March 31, 2013 and the effective date in the year ending March 31, 2014 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 27, 2013	2nd Series Class A preferred stock	¥ 10	¥ 7.17	March 31, 2013	June 28, 2013
	3rd Series Class C preferred stock	177	60.85		
	3rd Series Class D preferred stock	0	60.85		
		¥188			

10. Notes to Consolidated Statements of Cash Flows

(a) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2014 and 2013 were as follows:

	As of March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥40,320	¥39,899	$391,760
Time deposits with maturities of over three months	(8,265)	(8,498)	(80,305)
Cash and cash equivalents	¥32,055	¥31,400	$311,455

(b) For the year ended March 31, 2014, there were no newly consolidated subsidiaries through the acquisition of shares.

The following is the summary of assets acquired and liabilities assumed through the acquisition of shares of MitsuiPrecon, Inc. during the year ended March 31, 2013, related acquisition costs and net disbursement:

	As of March 31,	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥ 1,220	$ 12,971
Non-current assets	1,484	15,778
Goodwill	17	180
Current liabilities	(1,605)	(17,065)
Long-term liabilities	(1,080)	(11,483)
Minority interests	(10)	(106)
Loss on step acquisitions	44	467
Acquisition cost for controlling interest in subsidiary	(52)	(552)
Total amount of the shares of the above consolidated subsidiary acquired by the Company	18	191
Cash and cash equivalents of the above consolidated subsidiary	(276)	(2,934)
Net Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	¥ 258	$ 2,743

11. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation / amortization and net book value of the leased property as of March 31, 2014 and 2013, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

(a) As lessee:

(1) Finance leases (of which commencement dates were prior to application of change in accounting method)

	As of March 31					
	2014		2013		2014	
	Machinery, equipment and vehicles	Total	Machinery, equipment and vehicles	Total	Machinery, equipment and vehicles	Total
	(Millions of yen)				*(Thousands of U.S. dollars)*	
Acquisition costs	¥383	¥383	¥383	¥383	$3,721	$3,721
Accumulated depreciation / amortization	316	316	263	263	3,070	3,070
Net book value	¥ 66	¥ 66	¥119	¥119	$ 641	$ 641

	As of March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Future minimum payments:			
Within one year	¥71	¥ 58	$689
Over one year	0	71	0
	¥71	¥129	$689
Lease payments	¥63	¥ 83	$612
Depreciation / amortization equivalents	52	71	505
Interest expense equivalents	4	7	38

Depreciation / amortization equivalents are computed by the straight-line method over the respective lease terms with a residual value of zero.

The difference between total lease expenses and acquisition costs of the leased assets comprise interest equivalents. Interest equivalents are computed by the interest method over the respective lease terms.

(2) Operating leases

	As of March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Future minimum payments:			
Within one year	¥0	¥0	$0
Over one year	–	0	–
	¥0	¥1	$0

12. Financial Instruments

(a) Overview

(1) Policy for financial instruments

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

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

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

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

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

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

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

The Company and certain consolidated subsidiaries hold trade receivables in foreign currencies. However, the risk of fluctuations in the currency exchange rate is not significant because a similar amount of trade payables 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. In order to fix the interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions for certain long-term debt.

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

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

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

(a) Overview (continued)

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

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 14 "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, 2014 and 2013, are 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, 2014					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
		(Millions of yen)			*(Thousands of U.S. dollars)*	
Cash and deposits	¥ 40,320	¥ 40,320	¥ –	$ 391,760	$ 391,760	$ –
Trade notes receivable, accounts receivable on completed construction contracts and other	129,418	129,390	(27)	1,257,462	1,257,190	(262)
Securities and investments in securities	3,164	3,165	1	30,742	30,752	9
Held-to-maturity securities	278	279	1	2,701	2,710	9
Other securities	2,886	2,886	–	28,041	28,041	–
Long-term loans receivable	6,494			63,097		
Allowance for doubtful receivables (*1)	(5,258)			(51,088)		
	1,235	1,154	(81)	11,999	11,212	(787)
Claims provable in bankruptcy and other	795			7,724		
Allowance for doubtful receivables (*1)	(774)			(7,520)		
	21	21	(0)	204	204	(0)
Total assets	174,160	174,053	(107)	1,692,188	1,691,148	(1,039)
Trade notes payable, accounts payable on construction contracts and other	136,453	136,453	–	1,325,816	1,325,816	–
Short-term bank loans and current portion of long-term debt	15,032	15,036	4	146,055	146,094	38
Long-term debt	1,440	1,397	(43)	13,991	13,573	(417)
Total liabilities	¥152,926	¥152,887	¥ (39)	$1,485,872	$1,485,493	$ (378)
Derivative transactions (*2)	45	45	–	437	437	–

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

(*2): Assets and liabilities arising from derivative transactions are shown at net value.

(b) Fair value of financial instruments (continued)

	As of March 31, 2013		
	Carrying value	Fair value	Difference
		(Millions of yen)	
Cash and deposits	¥ 39,899	¥ 39,899	¥ –
Trade notes receivable, accounts receivable on completed construction contracts and other	101,279	101,265	(13)
Securities and investments in securities	2,582	2,584	2
Held-to-maturity securities	217	219	2
Other securities	2,365	2,365	–
Long-term loans receivable	6,551		
Allowance for doubtful receivables (*1)	(4,933)		
	1,617	1,533	(83)
Claims provable in bankruptcy and other	867		
Allowance for doubtful receivables (*1)	(845)		
	21	21	(0)
Total assets	145,401	145,305	(95)
Trade notes payable, accounts payable on construction contracts and other	115,338	115,338	–
Short-term bank loans and current portion of long-term debt	8,391	8,407	16
Long-term debt	2,194	2,142	(51)
Total liabilities	¥125,923	¥125,888	¥(34)
Derivative transactions(*2)	224	224	–

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

(*2): Assets and liabilities arising from derivative transactions are shown at net value.

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."

(4) Long-term loans receivable, (5) Claims provable in bankruptcy and other

These 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. Further, the fair value of doubtful debts are determined by discounting the value of expected cash flows using the same discount rate, or estimated collectible amount secured by collateral or guaranteed.

Liabilities

(1) Trade notes payable, accounts payable on construction contracts and other

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

(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 fair value of loans subject to special hedge accounting treatment of interest rate swaps is based on the present value of the total principal and interest of the borrowings hedged by interest rate swaps, discounted by the interest rate to be applied if similar new loans were entered into.

The information of the fair value for derivatives is included in Note 14.

(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,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks (*)	¥3,409	¥4,077	$33,122

(*): Unlisted stocks are not included in "(3) 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, 2014 and 2013.

	As of March 31, 2014							
	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	¥ 40,282	¥ –	¥ –	¥ –	$ 391,391	$ –	$ –	$ –
Trade notes receivable, accounts receivable on completed construction contracts and other	122,739	6,678	–	–	1,192,567	64,885	–	–
Securities and investments in securities Held-to-maturity securities (Bonds)	–	9	268	–	–	87	2,603	–
Long-term loans receivable	3	82	355	794	29	796	3,449	7,714
Claims provable in bankruptcy and other	21	–	–	–	204	–	–	–
	¥163,046	¥6,771	¥623	¥794	$1,584,201	$65,788	$6,053	$7,714

	As of March 31, 2013			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)			
Deposits	¥ 39,869	¥ –	¥ –	¥ –
Trade notes receivable, accounts receivable on completed construction contracts and other	99,435	1,844	–	–
Investments in securities Held-to-maturity securities (Bonds)	9	–	207	–
Long-term loans receivable	3	77	690	846
Claims provable in bankruptcy and other	21	–	–	–
	¥139,339	¥1,922	¥897	¥846

Note 4: The redemption schedule for corporate bonds, long-term debt, and other interest bearing debt with maturity dates subsequent to the consolidated balance sheet date. See Note 22.

13. Securities

Securities at March 31, 2014 and 2013 are summarized as follows:

(a) Held-to-maturity securities

	As of March 31, 2014					
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Securities whose fair value exceeds their carrying value:						
Bonds	¥216	¥218	¥ 2	$2,098	$2,118	$19
Securities whose fair value does not exceed their carrying value:						
Bonds	61	60	(0)	592	582	(0)
	¥278	¥279	¥ 1	$2,701	$2,710	$ 9

	As of March 31, 2013		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Bonds	¥217	¥219	¥2

(b) Other securities

	As of March 31, 2014					
	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	¥2,665	¥2,076	¥ 589	$25,893	$20,171	$ 5,722
Unrealized loss:						
Stock	220	335	(114)	2,137	3,254	(1,107)
Total	¥2,886	¥2,411	¥ 474	$28,041	$23,425	$ 4,605

	As of March 31, 2013		
	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)		
Unrealized gain:			
Stock	¥1,865	¥1,488	¥ 376
Unrealized loss:			
Stock	499	663	(163)
Total	¥2,365	¥2,152	¥ 213

(c) Sales of other securities

	Year ended March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Sales proceeds	¥83	$806
Total gain on sales of security	43	417
Total loss on sales of security	1	9

14. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2014 and 2013 are summarized as follows:

(a) There are no derivative transactions to which hedge accounting is not applied.

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

(1) Currency-related transactions

As of March 31, 2014

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		¥ 0	¥ –	Note 2	$ 0	$ –	Note 2
	Thai baht		1	–	Note 2	9	–	Note 2
	Long	Future foreign currency transactions						
	U.S. dollar		587	96	¥41	5,703	932	$398
	Thai baht		18	–	4	174	–	38
Total			¥607	¥96	¥45	$5,897	$932	$437

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.

As of March 31, 2013

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		¥ 34	¥ –	Note 2
	Thai baht		33	–	Note 2
	Long	Future foreign currency transactions			
	U.S. dollar		852	71	¥158
	Thai baht		208	20	65
Total			¥1,129	¥92	¥224

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)

(2) Interest-related transactions

As of March 31, 2014

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			(Millions of yen)			*(Thousands of U.S. dollars)*		
Short-cut method	Interest rate swaps: Pay fixed/ Receive floating	Long-term debt	¥1,300	¥700	Note 1	$12,631	$6,801	Note 1

Note 1: Since these interest rate swaps accounted for by short-cut method are included in that of the long-term debt as the hedged item, the fair values of the contracts are included in the fair values of the long-term debt.

As of March 31, 2013

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
			(Millions of yen)		
Short-cut method	Interest rate swaps: Pay fixed/ Receive floating	Long-term debt	¥1,900	¥1,300	Note 1

Note 1: Since these interest rate swaps accounted for by short-cut method are included in that of the long-term debt as the hedged item, the fair values of the contracts are included in the fair value of the long-term debt.

15. Retirement Benefit Plans

For the year ended March 31, 2014, 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 has 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.

In March 2014, certain consolidated subsidiaries decided to transfer a part of the lump-sum retirement benefit plans to the defined contribution pension plan, and will transfer the plan in October 2014.

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows (excluding plans for which the simplified method is applied):

	Year ended March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥20,250	$196,754
Service cost	808	7,850
Interest cost	337	3,274
Actuarial loss	99	961
Retirement benefit paid	(2,034)	(19,762)
Prior service cost	(466)	(4,527)
Foreign currency translation	11	106
Transfer to defined contribution pension plan	(0)	(0)
Balance at the end of year	¥19,005	$184,657

Certain consolidated subsidiaries transferred a part of their lump-sum retirement benefit plans to the defined contribution pension plan. As a result, retirement benefit obligation decreased by ¥466 million ($4,527 thousand) and prior service cost of ¥466 million ($4,527 thousand) was incurred. Prior service cost is being amortized as incurred by the straight-line method over periods, which are shorter than the average remaining years of service of the employees from the day of the transfer.

The changes in plan assets during the year ended March 31, 2014 are as follows (excluding plans for which the simplified method is applied):

	Year ended March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥47	$456
Expected return on plan assets	4	38
Actuarial gain	2	19
Retirement benefit paid	(1)	(9)
Foreign currency translation	5	48
Balance at the end of year	¥58	$563

The changes in liability for retirement benefits based on the simplified method during the year ended March 31, 2014 are as follows:

	Year ended March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥1,158	$11,251
Retirement benefit expense	131	1,272
Retirement benefit paid	(111)	(1,078)
Contribution to defined contribution plan	(8)	(77)
Other	3	29
Balance at the end of year	¥1,174	$11,406

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, 2014 is as follows:

	As of March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 286	$ 2,778
Plan assets at fair value	(218)	(2,118)
	67	650
Unfunded retirement benefit obligation	20,054	194,850
Net liability for retirement benefits in the consolidated balance sheet	20,122	195,511
Liability for retirement benefits	20,122	195,511
Net liability for retirement benefits in the consolidated balance sheet	¥20,122	$195,511

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

The components of retirement benefit expense during the year ended March 31, 2014 are as follows:

	Year ended March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Service cost	¥ 808	$ 7,850
Interest cost	337	3,274
Expected return on plan assets	(4)	(38)
Amortization of actuarial loss	362	3,517
Amortization of prior service cost	(257)	(2,497)
Amortization of net retirement benefit obligation at transition	1,984	19,277
Retirement benefit expense calculated by the simplified method	131	1,272
Expense for transfer to defined contribution pension plan	0	0
Other	(1)	(9)
Total retirement benefit expense	¥3,362	$32,666

Unrecognized actuarial loss, unrecognized prior service cost and unrecognized net retirement benefit at transition included in accumulated other comprehensive income (before tax effect) component of retirement benefits expenses during the year ended March 31, 2014 are follows:

	As of March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Unrecognized actuarial loss	¥ 2,029	$ 19,714
Unrecognized prior service cost	(3,165)	(30,752)
Unrecognized net retirement benefit obligation at transition	1,984	19,277
Total	¥ 848	$ 8,239

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are follows:

	As of March 31, 2014
Bonds	93%
Other	7%
Total	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, 2014
Discount rate	Principally 1.7%
Expected rate of return on plan assets	5.9%

The contribution to defined contribution plans is ¥623 million ($6,053 thousand) for the year ended March 31, 2014.

For the year ended March 31, 2013, the Company and its consolidated subsidiaries have lump-sum retirement benefit plans and defined contribution pension plan. The benefit amounts are determined by reference to basic rates of pay, length of service and the conditions under which termination occurs. Certain consolidated domestic subsidiaries transferred annuity payments to a defined benefits pension plan or the Small and Medium Enterprise Retirement Allowance Mutual Aid Scheme. Certain foreign consolidated subsidiaries set up an employee pension trust.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2013 for the Company's and the consolidated subsidiaries' defined benefit plans:

	As of March 31, 2013
	(Millions of yen)
Retirement benefit obligation	¥(21,558)
Plan assets at fair value	196
Unfunded retirement benefit obligation	(21,362)
Unrecognized net retirement benefit obligation at transition	3,969
Unrecognized actuarial loss	2,292
Unrecognized prior service cost	(2,956)
Accrued retirement benefits	¥(18,057)

Note 1: Certain subsidiaries adopted the simplified method to calculate their retirement benefit obligation and recognized the remaining amount after deducting their payments to the Small and Medium Enterprise Retirement Allowance Mutual Aid Scheme as the retirement benefit obligation.

The components of retirement benefit expenses for the years ended March 31, 2013 are outlined as follows:

	As of March 31, 2013
	(Millions of yen)
Service cost *(Note 1)*	¥ 937
Interest cost	365
Expected return on plan assets	(5)
Amortization of net retirement benefit obligation at transition	1,984
Amortization of actuarial loss	531
Amortization of prior service cost	(253)
Total retirement benefit expenses	¥3,559
Other *(Note 2)*	637
Total retirement benefit expenses	¥4,197

Note 1: Certain subsidiaries adopted the simplified method to calculate the retirement benefit obligation and recognized the remaining amount after deducting payments to the Small and Medium Enterprise Retirement Allowance Mutual Aid Scheme as the retirement benefit obligation.

Note 2: "Other" is amount of payment to the defined contribution pension plan.

The principal assumptions used for the above plans were as follows:

	2013
Discount rate	Principally 1.7%
Expected rate of return on plan assets	1.0%
Amortization period for prior service cost	Principally 11 years
Amortization period for actuarial differences	Principally 11 years
Period for recognition of net retirement benefit obligation at transition	Principally 15 years

16. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ –	¥ 6,501	$ –
Liability for retirement benefits	6,875	–	66,799
Tax loss carryforwards	4,336	4,112	42,129
Allowance for bad debts	1,920	3,118	18,655
Accounts payable and accrued expenses	1,457	1,400	14,156
Allowance for loss on litigation	–	317	–
Allowance for losses on construction contracts	625	272	6,072
Reserve for defects on completed construction projects	284	271	2,759
Foreign tax credit carryforwards	–	269	–
Other	1,089	1,312	10,581
Gross deferred tax assets	16,590	17,577	161,193
Valuation allowance	(12,131)	(12,921)	(117,868)
Total deferred tax assets	4,459	4,655	43,324
Deferred tax liabilities:			
Unrealized holding gain on securities	(169)	(4)	(1,642)
Deferred gain on hedging instruments, net of taxes	(16)	(85)	(155)
Asset retirement obligations	(13)	(10)	(126)
Construction assistance fund receivables	(7)	(6)	(68)
Other	(0)	(8)	(0)
Total deferred tax liabilities	(207)	(115)	(2,011)
Net deferred tax assets	¥ 4,251	¥ 4,540	$ 41,303

The following table summarizes the significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2014 and 2013:

	Years ended March 31,	
	2014	**2013**
Statutory tax rate	38.0 %	–%
Non-deductible expenses	3.3	–
Non-taxable income	(2.5)	–
Per capita inhabitants' taxes	(0.9)	–
Valuation allowance	(4.0)	–
Different tax rate applied to foreign subsidiaries	(3.2)	–
Change in corporate tax rate	3.3	–
Other	(0.4)	–
Effective tax rates	33.6 %	–%

Note 1: The reconciliation for the year ended March 31, 2013 was omitted because the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory tax rate.

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.0% to 35.6% for temporary differences expected to be settled from fiscal years beginning on and after April 1, 2014.

As a result, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥263 million ($2,555 thousand), income taxes-deferred increased by ¥264 million ($2,565 thousand), and deferred gain on hedging instruments, net of taxes increased by ¥1 million ($9 thousand) as of and for the year ended March 31, 2014.

17. Investment and Rental Property

Investment and rental property as of March 31, 2014 and 2013 were as follows:

(a) Types of investment and rental property

A consolidated subsidiary maintains warehouses available for rent including land in Saitama prefecture. Gains on investment and rental property for the years ended March 31, 2014 and 2013 were ¥137 million ($1,331 thousand) and ¥137 million, respectively.

(b) Fair value of investment and rental property

The book value, net increase (decrease) and fair value of investment and rental property for the years ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014

Book value				Book value			
Balance as of April 1, 2013	Net increase (decrease)	Balance as of March 31, 2014	Fair value as of March 31, 2014	Balance as of April 1, 2013	Net increase (decrease)	Balance as of March 31, 2014	Fair value as of March 31, 2014
	(Millions of yen)				*(Thousands of U.S. dollars)*		
¥3,270	¥(31)	¥3,238	¥3,158	$31,772	$(301)	$31,461	$30,684

Note 1: The amount at the end of the year represents acquisition cost less accumulated depreciation and accumulated impairment loss.

Note 2: Net decrease is due to depreciation.

Note 3: Fair values are calculated based on the appraisal value for major properties.

Year ended March 31, 2013

Book value			
Balance as of April 1, 2012	Net increase (decrease)	Balance as of March 31, 2013	Fair value as of March 31, 2013
	(Millions of yen)		
¥3,302	¥(31)	¥3,270	¥3,001

Note 1: The amount at the end of the year represents acquisition cost less accumulated depreciation and accumulated impairment loss.

Note 2: Net decrease is due to depreciation.

Note 3: Fair values are calculated based on the appraisal value for major properties.

18. Segment Information, etc

Segment Information

(a) Outline of Segments

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

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

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

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

(b) Accounting methods used to calculate segment income (loss), segment assets and other items for reportable segments

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

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

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

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

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

	Year ended March 31, 2014						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
				(Millions of yen)			
Sales							
External Customers	¥135,124	¥246,794	¥381,918	¥805	¥382,724	¥ –	¥382,724
Intersegment transactions or transfers	1,344	65	1,409	53	1,463	(1,463)	–
Net sales	¥136,469	¥246,859	¥383,328	¥859	¥384,187	¥(1,463)	¥382,724
Segment income	12,149	10,520	22,669	356	23,025	(131)	22,894

Note 1: "Others," which includes the Company's business of 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.

Segment Information (continued)

	Year ended March 31, 2014						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Sales							
External Customers	$1,312,903	$2,397,920	$3,710,823	$7,821	$3,718,655	$ –	$3,718,655
Intersegment transactions or transfers	13,058	631	13,690	514	14,214	(14,214)	–
Net sales	$1,325,971	$2,398,552	$3,724,523	$8,346	$3,732,870	$(14,214)	$3,718,655
Segment income	118,043	102,215	220,258	3,458	223,717	(1,272)	222,444

	Year ended March 31, 2013						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales							
External Customers	¥136,370	¥205,546	¥341,917	¥810	¥342,727	¥ –	¥342,727
Intersegment transactions or transfers	1,352	0	1,352	58	1,410	(1,410)	–
Net sales	¥137,722	¥205,546	¥343,269	¥868	¥344,138	¥(1,410)	¥342,727
Segment income	11,326	8,608	19,935	301	20,237	(122)	20,115

Note 1: “Others,” which includes the Company’s business of 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, 2014

(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, 2014							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥312,514	¥68,603	¥1,606	¥382,724	$3,036,474	$666,566	$15,604	$3,718,655

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

Related 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, 2014.

(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, 2014.

For the year ended March 31, 2013

(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, 2013			
Japan	Asia	Others	Total
(Millions of yen)			
¥270,668	¥70,200	¥1,859	¥342,727

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 as the amount of tangible fixed assets in Japan constituted over 90% of total as of March 31, 2013.

(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, 2013.

Loss on impairment by reportable segment

For the year ended March 31, 2014, ¥181 million ($1,758 thousand) impairment loss was recorded.

Note 1: The above amount consists of rental property of ¥139 million ($1,350 thousand), resort facility of ¥39 million ($378 thousand), and assets for business of ¥2 million ($19 thousand).

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

For the year ended March 31, 2013, there was no loss on impairment for any reportable segment.

Amortization of goodwill and unamortized balance by reportable segment

For the year ended March 31, 2014, there was no amortization and unamortized balance of goodwill by reportable segment.

For the year ended March 31, 2013, the information is omitted due to the immateriality of amounts.

Gain on negative goodwill by reportable segment

For the years ended March 31, 2014 and 2013, there were no gain on negative goodwill by reportable segment.

19. Related Party Transactions

(a) Related party transaction

Transactions with affiliates for the year ended March 31, 2014 were summarized as follows:

	Year ended March 31, 2014					
	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, 2014
			(Millions of yen)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Long-term non operating accounts receivable	¥2,579	Long-term non operating accounts receivable	¥3,158
			Long-term accounts payable	¥2,579	Long-term accounts payable	¥2,579

	Year ended March 31, 2014					
	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, 2014
			(Thousands of U.S. dollars)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	$97	30.0%	Long-term non operating accounts receivable	$25,058	Long-term non operating accounts receivable	$30,684
			Long-term accounts payable	$25,058	Long-term accounts payable	$25,058

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 ¥2,840 million ($27,594 thousand). In addition, a provision of allowance for above long-term non operating accounts receivable was ¥60 million ($582 thousand) for the year ended March 31, 2014.

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2014.

(a) Related party transaction (continued)

Transactions with affiliates for the year ended March 31, 2012 were summarized as follows:

	Year ended March 31, 2013					
	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, 2013
			(Millions of yen)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Long-term non operating accounts receivable	¥2,579	Long-term non-operation accounts receivable	¥3,158
			Long-term accounts payable	¥2,579	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 ¥2,840 million ($27,594 thousand). In addition, a provision of allowance for above long-term non operating accounts receivable was ¥60 million ($582 thousand) for the year ended March 31, 2014.

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2014.

(b) Significant affiliates

(1) The parent information

There is no parent company at March 31, 2014 and 2013.

(2) Financial information about significant affiliates

There is no significant affiliates at March 31, 2014 and 2013

20. Per Share Information

Net assets and basic net income per share as of and for the years ended March 31, 2014 and 2013 were as follows:

	2014	2013	2014
	(Yen)		*(U.S. dollars)*
Net assets per share	¥30.34	¥19.98	$0.295
Net income per share – basic	5.51	4.56	0.054
Net income per share – diluted	5.17	2.56	0.050

The basis of calculation for net assets per share at March 31, 2014 and 2013 was as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥ 30,074	¥ 25,361	$292,207
Amounts deducted from total net assets	5,567	11,872	54,090
[Including paid-in amounts for shares of preferred stock]	[768]	[8,071]	[7,462]
[Including cash dividends on preferred stock]	[10]	[188]	[97]
[Including minority interests]	[4,787]	[3,611]	[46,511]
Total net assets attributable to common stock	¥24,507	¥13,489	$238,116
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	807,794	675,026	

The basis for calculating basic net income per share – based and net income per share – diluted for the years ended March 31, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income per share – basic:			
Net income	¥4,201	¥2,042	$40,818
Amount not available to common shareholders	10	188	97
[Including cash dividends on preferred stock]	[10]	[188]	[97]
Net income per share – basic	¥4,191	¥1,853	$40,720
	(Thousands of shares)		
Average number of shares of common stock outstanding	760,510	406,066	

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income per share – diluted:			
Adjustment for net income	¥ 10	¥ 188	$ 97
[Including cash dividends on preferred stock]	[10]	[188]	[97]
	(Thousands of shares)		
Increase in number of share of common stock	52,449	393,097	
[Including preferred stock]	[52,449]	[393,097]	

As described in "Changes in Accounting Methods," the Accounting Standard for Retirement Benefits was adopted, and the Company calculated net asset per share in accordance with the provisional treatment set out in Clause 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share decreased by ¥0.97 as of March 31, 2014.

21. Subsequent Event

There is no information to be disclosed as of March 31, 2014.

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

Short-term bank loans generally represent notes, principally at average annual interest rates of 2.2% and 2.0% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013 was summarized as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at average interest rates of 2.4% at 2014 and 2013)	¥1,960	¥2,696	$19,043
Debt without collateral (at average interest rates of 1.9% at 2014 and 2.1% at 2013)	433	466	4,207
Lease obligations	769	548	7,471
Current portion (excluding lease obligations)	(953)	(969)	(9,259)
Current portion of lease obligations	(274)	(188)	(2,662)
Deposits from employees	1,845	1,812	17,926
	¥3,780	¥4,365	$36,727

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2015	¥ 953	$ 9,259
2016	887	8,618
2017	303	2,944
2018 and thereafter	249	2,419
	¥2,394	$23,260

The aggregate annual maturities of lease obligations subsequent to March 31, 2014 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2015	¥274	$2,662
2016	199	1,933
2017	149	1,447
2018 and thereafter	145	1,408
	¥769	$7,471

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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, 2014, 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, 2014, 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 27, 2014
Tokyo, Japan

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

Year ended March 31, 2014
with Independent Auditor's Report

Sumitomo Mitsui Construction Co., Ltd.

Non-Consolidated Balance Sheets

March 31, 2014

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits *(Note 3-(b))*	¥ 17,209	¥ 19,915	$ 167,207
Trade notes receivable *(Note 3-(d))*	171	756	1,661
Accounts receivable on completed construction contracts *(Note 3-(b))*	105,814	82,089	1,028,118
Inventories	15,483	15,003	150,437
Deferred tax assets *(Note 6)*	2,545	1,321	24,727
Accounts receivable, other	2,654	2,079	25,787
Advance payments	7,108	6,110	69,063
Other current assets *(Note 3-(d))*	3,534	3,002	34,337
Allowance for doubtful receivables	(457)	(809)	(4,440)
Total current assets	154,064	129,469	1,496,929
Non-current assets:			
Property and equipment, at cost:			
Land *(Note 3-(b))*	5,500	5,500	53,439
Buildings *(Note 3-(b))*	4,749	4,776	46,142
Structures *(Note 3-(b))*	726	711	7,054
Machinery and equipment	2,353	2,675	22,862
Vehicles	347	316	3,371
Tools, furniture and fixtures	3,178	3,546	30,878
Construction in progress	7	11	68
Accumulated depreciation	(9,219)	(9,670)	(89,574)
Property and equipment, net	7,643	7,867	74,261
Intangible fixed assets	1,349	1,443	13,107
Investments and other assets:			
Investments in securities *(Note 3-(b))*	5,572	5,004	54,139
Investments in subsidiaries and affiliates *(Notes 3-(b) and 5)*	16,779	16,457	163,029
Long-term loans receivable	5,618	5,618	54,586
Long-term loans to employees	786	840	7,636
Claims provable in bankruptcy and other	771	821	7,491
Long-term prepaid expenses	34	41	330
Deferred tax assets *(Note 6)*	927	2,686	9,006
Long-term non-operating accounts receivable	4,092	24,485	39,759
Other	5,552	6,116	53,944
Allowance for doubtful receivables	(12,014)	(31,323)	(116,731)
Total investments and other assets	28,120	30,748	273,221
Total non-current assets	37,113	40,060	360,600
Total assets	¥191,178	¥169,529	$1,857,539

Sumitomo Mitsui Construction Co., Ltd.

Non-Consolidated Balance Sheets

March 31, 2014

	As of March 31,		
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable *(Note 3-(a))*	¥ 40,148	¥ 31,202	$ 390,089
Accounts payable on construction contracts *(Note 3-(a))*	67,781	61,208	658,579
Short-term bank loans and current portion of long-term debt *(Notes 3-(b) and 8)*	14,941	8,264	145,171
Accounts payable, other	1,765	1,668	17,149
Accrued expenses	1,917	1,787	18,626
Income taxes payable	208	213	2,020
Consumption taxes payable	1,191	1,463	11,572
Advances received on construction contracts in progress	16,384	18,921	159,191
Deposits received	5,655	5,690	54,945
Reserve for defects on completed construction projects	680	635	6,607
Allowance for losses on construction contracts	1,714	590	16,653
Allowance for loss on litigation	–	890	–
Other current liabilities	1,943	1,885	18,878
Total current liabilities	154,332	134,419	1,499,533
Long-term liabilities:			
Long-term debt *(Notes 3-(b) and 8)*	1,217	1,933	11,824
Accrued retirement benefits	16,615	15,654	161,436
Long-term accounts payable *(Note 3-(a))*	2,579	2,579	25,058
Other long-term liabilities	220	188	2,137
Total long-term liabilities	20,632	20,356	200,466
Contingent liabilities *(Note 3-(c))*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	116,624
Common stock:			
Authorized:			
2,669,464,970 shares in 2014 and 2013			
Issued and outstanding:			
808,262,394 shares in 2014 and 675,480,576 shares in 2013			
Preferred stock:			
Authorized:			
26,894,644 shares in 2014 and 2013			
Issued and outstanding:			
1,507,500 shares in 2014 and 4,428,700 shares in 2013			
Capital surplus:			
Other capital surplus	399	400	3,876
Total capital surpluses	399	400	3,876
Retained earnings:			
Legal retained earnings	102	83	991
Earned surplus carried forward	3,621	2,164	35,182
Total retained earnings	3,723	2,247	36,173
Treasury stock, at cost: 468,382 shares in 2014 and 454,364 shares in 2013	(242)	(241)	(2,351)
Total shareholders' equity	15,884	14,409	154,333
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	300	204	2,914
Deferred gain on hedging instruments, net of taxes	29	139	281
Total valuation, translation adjustments and other	329	343	3,196
Total net assets	16,213	14,753	157,530
Total liabilities and net assets	¥191,178	¥169,529	$1,857,539

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

March 31, 2014

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales:			
Completed construction *(Note 4-(a))*	¥280,612	¥256,027	$2,726,506
Cost of sales:			
Completed construction	268,404	244,106	2,607,889
Gross profit	12,207	11,921	118,606
Selling, general and administrative expenses *(Note 4-(d))*	10,485	10,107	101,875
Operating income	1,722	1,813	16,731
Other income (expenses):			
Interest and dividend income *(Note 4-(b))*	729	757	7,083
Payments received from insurance claims	134	146	1,301
Reversal of allowance for loss on litigation *(Note 4-(c))*	580	–	5,635
Reversal of allowance for doubtful receivables	447	149	4,343
Exchange gain, net	325	47	3,157
Royalty income *(Note 4-(b))*	273	101	2,652
Interest expense	(834)	(961)	(8,103)
Provision of allowance for doubtful receivables	(521)	(216)	(5,062)
Corporate tax on overseas sales	(304)	(230)	(2,953)
Gain on sales of investments in securities	43	0	417
Gain on liquidation of subsidiaries	1	–	9
Loss on sales and disposal of property and equipment	(9)	(9)	(87)
Loss on valuation of investments in subsidiaries and affiliates	–	(354)	–
Loss on litigation	–	(194)	–
Impairment loss	(139)	–	(1,350)
Impairment loss on membership	(60)	(20)	(582)
Other, net	(417)	(310)	(4,051)
	249	(1,212)	2,419
Income before income taxes	1,971	601	19,150
Income taxes *(Note 6)*:			
Current	(132)	92	(1,282)
Deferred	439	(0)	4,265
	306	91	2,973
Net income	¥ 1,664	¥ 509	$ 16,167
	(Yen)		*(U.S. dollars) (Note 2)*
Net income per share – basic	¥ 2.18	¥ 0.79	$ 0.021
Net income per share – diluted	2.05	0.63	0.020

See accompanying notes to non-consolidated financial statements.

Sumitomo Mitsui Construction Co., Ltd.

Non-Consolidated Statements of Changes In Net Assets

March 31, 2014

	Year ended March 31, 2014						
	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	¥400	¥ 83	¥2,164	¥2,247	¥(241)	¥14,409
Changes in items during the period							
Dividends from surplus				(188)	(188)		(188)
Provision of legal retained earnings			18	(18)	–		–
Net income				1,664	1,664		1,664
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)	18	1,456	1,475	(0)	1,474
Balance at the end of the period	¥12,003	¥399	¥102	¥3,621	¥3,723	¥(242)	¥15,884

	Year ended March 31, 2014			
	Valuation, translation adjustments and other			
	Unrealized holding gain 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	¥204	¥ 139	¥343	¥14,753
Changes in items during the period				
Dividends from surplus				(188)
Provision of legal retained earnings				–
Net income				1,664
Purchases of treasury stock				(1)
Disposition of treasury stock				0
Net changes in items other than shareholders' equity	96	(109)	(13)	(13)
Total changes in items during the period	96	(109)	(13)	1,460
Balance at the end of the period	¥300	¥ 29	¥329	¥16,213

Sumitomo Mitsui Construction Co., Ltd.

Non-Consolidated Statements of Changes In Net Assets

March 31, 2014

Year ended March 31, 2014

	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	$116,624	$3,886	$806	$21,026	$21,832	$(2,341)	$140,001
Changes in items during the period							
Dividends from surplus				(1,826)	(1,826)		(1,826)
Provision of legal retained earnings			174	(174)	–		–
Net income				16,167	16,167		16,167
Purchases of treasury stock						(9)	(9)
Disposition of treasury stock		(0)				0	0
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(0)	174	14,146	14,331	(0)	14,321
Balance at the end of the period	$116,624	$3,876	$991	$35,182	$36,173	$(2,351)	$154,333

Year ended March 31, 2014

	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
	(Thousands of U.S. dollars) (Note 2)			
Balance at the beginning of the period	$1,982	$ 1,350	$3,332	$143,344
Changes in items during the period				
Dividends from surplus				(1,826)
Provision of legal retained earnings				–
Net income				16,167
Purchases of treasury stock				(9)
Disposition of treasury stock				0
Net changes in items other than shareholders' equity	932	(1,059)	(126)	(126)
Total changes in items during the period	932	(1,059)	(126)	14,185
Balance at the end of the period	$2,914	$ 281	$3,196	$157,530

Sumitomo Mitsui Construction Co., Ltd.

Non-Consolidated Statements of Changes In Net Assets

March 31, 2014

	Year ended March 31, 2013						
	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	¥400	¥83	¥1,654	¥1,737	¥(241)	¥13,900
Changes in items during the period							
Net income				509	509		509
Purchases of treasury stock						(0)	(0)
Disposition of treasury stock		(0)				0	0
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(0)	–	509	509	0	509
Balance at the end of the period	¥12,003	¥400	¥83	¥2,164	¥2,247	¥(241)	¥14,409

	Year ended March 31, 2013			
	Valuation, translation adjustments and other			
	Unrealized holding (loss) gain on securities	Deferred 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	¥(124)	¥ 30	¥ (94)	¥13,805
Changes in items during the period				
Net income				509
Purchases of treasury stock				(0)
Disposition of treasury stock				0
Net changes in items other than shareholders' equity	329	108	438	438
Total changes in items during the period	329	108	438	947
Balance at the end of the period	¥ 204	¥139	¥343	¥14,753

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 of the respective assets as prescribed in the Corporation Tax Law of Japan except that the straight-line method is applied to office buildings acquired on or after April 1, 1998.

(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.

Finance leases other than those that transfer the ownership of the leased assets to the lessees, whose commencement dates are on or before March 31, 2008, continue to be accounted for in a similar manner as operating leases.

(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

The allowance for doubtful receivables is 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 Loss on Litigation

An allowance has been provided for future losses on pending litigation at on estimated amount calculated based on specific circumstances.

(j) Employees' Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the straight-line method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2014.

(2) Amortization of actuarial gain or loss, prior service cost and net retirement benefit obligation at transition

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.

The net retirement benefit obligation at transition is being amortized by the straight-line method over a period of 15 years.

(k) 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.

Revenues and costs of construction contracts that commenced on or before March 31, 2009, which cover a construction period longer than 12 months are, in principle, also recognized by the percentage-of-completion method, except for total revenue on long-term contracts of less than ¥500 million.

(l) Derivatives and Hedge Accounting

(1) Method of hedge accounting

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

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

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

(l) Derivatives and Hedge Accounting (continued)

(2) Hedging instruments and hedged items

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

(3) Hedging policy

The Company utilizes foreign exchange forward contracts and interest rate swaps only for the purpose of hedging future risks of fluctuation of foreign currency exchange rates or interest 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.

An evaluation of hedge effectiveness for interest rate swaps is not performed as all meet specified criteria under the short-cut method.

(m) Accounting for Retirement Benefits

Accounting for unrecognized actuarial loss, unrecognized prior service cost and unrecognized net retirement benefit obligation at transition on non-consolidated financial statements is different from the accounting on consolidated financial statements.

(n) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(o) 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 ¥102.92 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2014. 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, 2014 and 2013 were as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes payable	¥ 822	¥ 654	$ 7,986
Accounts payable on construction contracts	16,047	15,731	155,917

(b) Pledged Assets

The following assets were pledged at March 31, 2014 and 2013 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,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 539	¥ 807	$ 5,237
Accounts receivable on completed construction contracts	25	–	242
Land	5,209	5,209	50,612
Buildings, net of accumulated depreciation	328	351	3,186
Structures, net of accumulated depreciation	26	28	252
Investments in securities	2,606	2,293	25,320
Investments in subsidiaries and affiliates	364	364	3,536
	¥9,101	¥9,055	$88,427

(b) Pledged Assets (continued)

The secured liabilities as of March 31, 2014 and 2013 are summarized as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥10,763	¥2,538	$104,576
[Including current portion of long-term debt]	[700]	[700]	[6,801]
Long-term debt	1,000	1,700	9,716

(c) Contingent Liabilities

At March 31, 2014 and 2013, the Company was contingently liable for the following:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of bank loans to customers, subsidiaries, an affiliate and employees	¥1,047	¥1,284	$10,172
As endorsers of notes receivable discounted with banks	242	234	2,351
As endorsers of other current assets (Non-operating notes receivable) discounted with banks	88	148	855

(d) Trade Notes Receivable Maturing on the Balance Sheet Date

Trade notes receivable maturing at the end of the fiscal year are settled on the dates they mature. Since the last day of the fiscal year in 2013 fell on a bank holiday, Trade notes receivable maturing on that date were excluded from the corresponding balances in the non-consolidated balance sheet as of March 31, 2014 and 2013.

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥ –	¥ 4	$ –
Other current assets (Non-operating notes receivable)	–	26	–

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 ¥230,978 million ($2,244,247 thousand) and ¥194,563 million for the years ended March 31, 2014 and 2013, 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 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Dividend income	¥462	¥490	$4,488
Royalty income	273	101	2,652

(c) Reversal of Allowance for Loss on Litigation

Though the Company had recognized an allowance for loss on litigation, which was estimated in relation to claims for damages due to bid-rigging on bridgework, the corresponding surcharge payment to the Ministry of Land, Infrastructure Transportation and Tourism of Japan and Fukushima Prefecture was less than the recognized amount, therefore, the difference was reversed. The corresponding payment was made during the year ended March 31, 2014.

(d) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were as follows:

	Years ended March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 4,460	¥ 4,171	$ 43,334
Rent	1,027	1,019	9,978
Retirement benefit expenses	928	974	9,016
Communication and traveling expenses	825	845	8,015
Legal welfare expenses	674	609	6,548
Depreciation expenses	439	431	4,265
Other	2,128	2,055	20,676
Total	¥10,485	¥10,107	$101,875

5. Securities

Stocks of subsidiaries and affiliates at March 31, 2014 and 2013 were as follows:

	As of March 31, 2014					
	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	¥2,142	¥1,424	$6,966	$20,812	$13,835

	As of March 31, 2013		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Stocks of a subsidiary	¥717	¥1,932	¥1,215

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,		
	2014		**2013**
	Carrying value		Carrying value
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*
Stocks of a subsidiaries	¥2,696	$26,195	¥2,706
Stocks of a affiliates	6	58	6

6. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	As of March 31, 2014	As of March 31, 2013	As of March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ 5,921	¥ 5,631	$ 57,530
Allowance for bad debts	2,871	4,163	27,895
Tax loss carryforwards	1,952	1,365	18,966
Account payable and accrued expenses	929	994	9,026
Loss on devaluation of investments in subsidiaries and affiliates	875	1,234	8,501
Allowance for losses on construction contracts	611	224	5,936
Allowance for loss on litigation	–	317	–
Foreign tax credit carryforwards	–	269	–
Reserve for defects on completed construction projects	242	241	2,351
Other	315	233	3,060
Gross deferred tax assets	13,720	14,675	133,307
Valuation allowance	(10,060)	(10,575)	(97,745)
Total deferred tax assets	3,660	4,100	35,561
Deferred tax liabilities:			
Unrealized holding gain on securities	(165)	(0)	(1,603)
Deferred gain on hedging instruments, net of taxes	(16)	(85)	(155)
Asset retirement obligations	(5)	(5)	(48)
Total deferred tax liabilities	(187)	(92)	(1,816)
Net deferred tax assets	¥ 3,472	¥ 4,007	$ 33,734

The following table summarizes the significant differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2014 and 2013:

	Years ended March 31, 2014	Years ended March 31, 2013
Statutory tax rates	38.0 %	38.0 %
Non-deductible expenses	7.8	43.3
Non-taxable income	(9.1)	(30.0)
Per capita inhabitants' taxes	(6.7)	(2.4)
Tax credit	–	(49.2)
Valuation allowance	(26.6)	16.1
Change in corporate tax rate	12.5	–
Other	(0.3)	(0.5)
Effective tax rates	15.6 %	15.3 %

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.0% to 35.6% for temporary differences expected to be settled from fiscal years beginning on and after April 1, 2014.

As a result, net deferred tax assets (after deducting deferred tax liabilities) decreased ¥245 million ($2,380 thousand), income taxes-deferred increased ¥246 million ($2,390 thousand), and deferred gain on hedging instruments, net of taxes increased ¥1 million ($9 thousand) as of and for the year ended March 31, 2014.

7. Subsequent Event

There is no information to be disclosed as of March 31, 2014.

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

Short-term bank loans generally represent notes, principally at average interest rates of 2.2% and 2.0% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013 is summarized as follows:

	As of March 31,		
	2014	**2013**	**2014**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at average interest rates of 2.3% and 2.4% at 2014 and 2013)	¥1,700	¥2,400	$16,517
Less current portion	(700)	(700)	(6,801)
	¥1,000	¥1,700	$ 9,716

Building a better
working world

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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, 2014, 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, 2014, 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.

June 27, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC

CORPORATE OUTLINE

Corporate Name:
Sumitomo Mitsui Construction Co.,Ltd.

Established:
October 14, 1941

Permission:
(Special-23)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

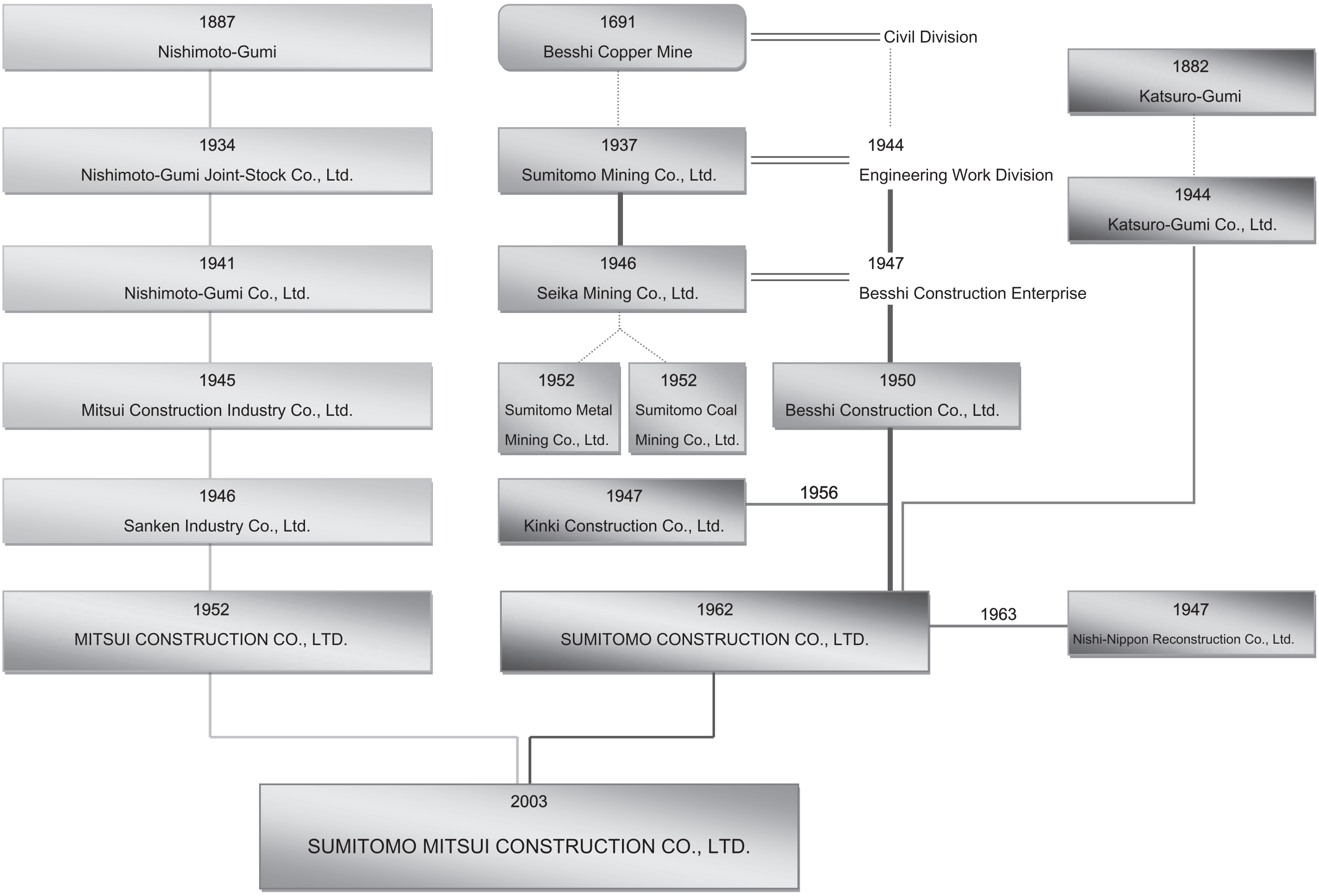
2) To plan, design and supervise marine development, regional development, urban development, natural resource development and environment maintenance

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, Ltd

Main Shareholders
Japan Securities Finance Co., Ltd.
Matsui Securities Co., Ltd.
BBH Boston Custodian for GMO INTL. Intrinsic Value Fund
State Street Bank and Trust Company 505041
SBI Securities Co., Ltd.

Corporate History



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