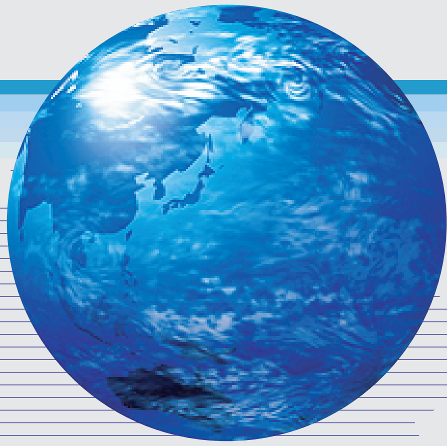

ANNUAL REPORT 2013

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

The first half of the fiscal year ended March 31, 2013, featured a business recession in Japan caused by a slowdown of the overseas economy around Europe and the prolonged appreciation of the yen, as well as a less friendly relationship between Japan and China, additional factors include the delay of reconstruction activities out of the Great East Japan Earthquake and Tsunami disaster and the reduction of governmental financial assistance such as "eco-car" subsidy. However, with the Liberal Democratic Party's landslide victory in the election in last December and the economic recovery measures announced by the new administration, the economic outlook became positive, leading to a weakened Japanese yen and increased stock prices. The future outlook of the economy in Japan is expected to remain positive with improved corporate earnings and increases in exports.

In the domestic construction market, the public investment for restoration and reconstruction activities including disaster relief works have started in full-scale and private residential investment is expected to grow prior to future increase in consumption taxes. However, we continued to cope with a severe business environment as the private capital investment remained slow, in addition, high labor costs and its impact on the construction works became apparent resulting from the shortage of workforce in the construction industry.

Under these circumstances, in the fiscal ended March 31, 2013, SMCC group has achieved total sales of 342.7 billion yen (up 29.2 billion yen from the previous fiscal year), operating profit of 5.8 billion yen (up 1.1 billion yen from the previous fiscal year), and a net profit of 2.0 billion yen.

We have released "The 4th Mid-term Management Plan 2013-2015" based on our brave challenge to the forthcoming next 10 years, to accomplish the planned business target and tasks "CHALLENGES", and to establish a sound and stable business portfolio with a strong management control.

The Major policies of the Plan are as follows:

◇ Strengthen the quality of three core segments of our business and build up a diverse profit centers for future growth

1. "Improve Competitiveness & Profitability" on domestic construction business.
2. "Establish Stronger Management Platform for Overseas Business" with focusing on Asia.
3. "Investment in the Future" to achieve sustainable contribution 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 of profits out of our superior technologies on the core business, increasing competitiveness to obtain more orders and improving profitability through the measures of outperforming to the other competitors and developing our business solution skills.
For the civil engineering division, we continue to focus on "Tunnel Work" where our presence has already been steadily improved, in addition to the "Prestressed Concrete Bridge" as the core activities.
For building construction division, we continue to focus on the construction of "Housing" and "Commercial & Logistics Facilities".
b. For overseas division, we will emphasize strengthening the construction and risk-management control systems in overseas activities including subsidiaries around Asia and training both of our staffs and the local employees, in order to establish stronger business platform that enables us to further grow in the future.
c. For new business fields, we will start up the preliminary study for the new business with a long term perspective through utilizing existing business practices such as PFI (Private Finance Initiative).

While reconstruction from the Great East Japan Earthquake and Tsunami disaster starts to increase, the roles and responsibilities of general construction industries, such as upgrading remaining infrastructures, have been increased. We shall perform and execute our social mission and responsibilities as a construction company by establishing stabilized business foundation through implementation of policies and measures stipulated in "The 4th Mid-term Management Plan 2013-2015".

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, 2013
with Independent Auditor's Report

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 6-(c) and 10)*	¥ 39,899	¥ 34,897	$ 424,231
Trade notes and accounts receivable *(Notes 6-(c) and 6-(g))*	101,279	115,418	1,076,863
Inventories *(Notes 6-(a) and 6-(f))*	19,184	22,471	203,976
Deferred tax assets *(Note 16)*	1,673	1,504	17,788
Other current assets *(Note 6-(c))*	10,424	10,364	110,834
Less allowance for doubtful receivables	(379)	(531)	(4,029)
Total current assets	172,083	184,124	1,829,696
Non-current assets:			
Property and equipment, at cost:			
Land *(Notes 6-(c) and 6-(d))*	16,750	15,820	178,096
Buildings and structures *(Note 6-(c))*	15,883	14,694	168,878
Machinery, equipment and vehicles *(Note 6-(c))*	18,161	16,435	193,099
Construction in progress	16	58	170
Accumulated depreciation	(27,109)	(24,202)	(288,240)
Property and equipment, net	23,701	22,807	252,004
Intangible fixed assets	2,060	2,294	21,903
Investments and other assets:			
Investments in securities *(Notes 6-(c) and 13)*	5,238	4,707	55,693
Long-term loans receivable	6,491	7,487	69,016
Claims provable in bankruptcy and other	867	4,912	9,218
Investments in unconsolidated subsidiaries and affiliates	1,850	1,547	19,670
Investments in real estate *(Notes 6-(b) and 6-(c))*	4,243	4,067	45,114
Long-term non-operating accounts receivable *(Notes 6-(e) and 20)*	24,497	37,425	260,467
Deferred tax assets *(Note 16)*	2,867	2,926	30,483
Other	6,557	7,364	69,718
Less allowance for doubtful receivables	(29,042)	(46,058)	(308,793)
Total investments and other assets	23,570	24,381	250,611
Total non-current assets	49,332	49,483	524,529
Total assets	¥221,416	¥233,608	$2,354,237

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans and current portion of long-term debt *(Notes 6-(c) and 23)*	¥ 8,391	¥ 20,579	$ 89,218
Trade notes and accounts payable (*Note 6-(g))*	115,338	118,786	1,226,347
Accrued expenses	2,642	2,292	28,091
Advances received on contracts in progress	27,768	29,433	295,247
Reserve for defects on completed construction projects	728	939	7,740
Allowance for losses on construction contracts *(Note 6-(f))*	717	1,624	7,623
Allowance for loss on litigation	890	862	9,463
Other current liabilities *(Note 6-(c))*	13,804	12,772	146,772
Total current liabilities	170,280	187,291	1,810,526
Long-term liabilities:			
Long-term debt *(Notes 6-(c) and 23)*	2,194	2,413	23,328
Accrued retirement benefits *(Note 15)*	18,057	16,662	191,993
Deferred tax liability on land revaluation *(Note 6-(d))*	335	335	3,561
Other long-term liabilities *(Notes 6-(c) and 6-(e))*	5,186	4,901	55,140
Total long-term liabilities	25,773	24,313	274,035
Contingent liabilities *(Notes 6-(e) and 20)*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	127,623
Common stock:			
Authorized:			
2,669,464,970 shares in 2013 and 2012			
Issued and outstanding:			
675,480,576 shares in 2013 and 288,989,667 shares in 2012			
Preferred stock:			
Authorized:			
26,894,644 shares in 2013 and 2012			
Issued and outstanding:			
4,428,700 shares in 2013 and 13,149,900 shares in 2012			
Additional paid-in capital	480	481	5,103
Retained earnings	9,814	7,771	104,348
Less treasury stock, at cost: 454,364 shares in 2013 and 447,922 shares in 2012	(241)	(241)	(2,562)
Total shareholders' equity	22,056	20,014	234,513
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	197	(137)	2,094
Deferred gain on hedging instruments, net of taxes *(Note 14)*	139	30	1,477
Land revaluation *(Note 6-(d))*	39	39	414
Translation adjustments	(682)	(856)	(7,251)
Total accumulated other comprehensive income (loss)	(306)	(923)	(3,253)
Minority interests	3,611	2,913	38,394
Total net assets	25,361	22,004	269,654
Total liabilities and net assets	¥221,416	¥233,608	$2,354,237

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales *(Note 7-(a))*	¥342,727	¥313,558	$3,644,093
Cost of sales *(Note 7-(b))*	322,612	294,521	3,430,217
Gross profit	20,115	19,036	213,875
Selling, general and administrative expenses *(Notes 7-(c) and 15)*	14,330	14,345	152,365
Operating income	5,784	4,691	61,499
Other income (expenses):			
Interest and dividend income	644	433	6,847
Payments received from insurance claims	153	156	1,626
Interest expense	(926)	(1,048)	(9,845)
Exchange loss, net	–	(683)	–
Corporate tax on overseas sales	(230)	(172)	(2,445)
Loss on disaster *(Note 7-(g))*	–	(77)	–
Equity in earnings of affiliates	–	24	–
Gain on sales of property and equipment *(Note 7-(e))*	14	21	148
Loss on sales and disposal of property and equipment *(Note 7-(f))*	(21)	(86)	(223)
Gain on liquidation of investments in securities	14	–	148
Loss on litigation	(194)	(69)	(2,062)
Loss on step acquisitions	(44)	–	(467)
Other, net	(876)	(143)	(9,314)
	(1,466)	(1,647)	(15,587)
Income before income taxes and minority interests	4,317	3,043	45,901
Income taxes *(Note 16)*:			
Current	1,741	1,109	18,511
Deferred	(165)	265	(1,754)
	1,576	1,375	16,757
Income before minority interests	2,740	1,668	29,133
Minority interests in net income of consolidated subsidiaries	698	294	7,421
Net income	¥ 2,042	¥ 1,374	$ 21,711
	(Yen)		*(U.S. dollars) (Note 3)*
Net income per share – basic *(Note 21)*	¥ 4.56	¥ 4.82	$ 0.048
Net income per share – diluted *(Note 21)*	2.56	1.81	0.027

The accompanying notes are an integral part of these statements.

	Years ended March 31, 2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Income before minority interests	¥2,740	¥1,668	$29,133
Other comprehensive income:			
Unrealized holding gain on securities	336	58	3,572
Deferred gain on hedging instruments, net of taxes	108	30	1,148
Land revaluation	–	47	–
Translation adjustments	205	(197)	2,179
Share of other comprehensive income of affiliates accounted for by the equity method	4	(7)	42
Total other comprehensive income (loss) *(Note 8)*	655	(67)	6,964
Comprehensive income	¥3,396	¥1,601	$36,108
Comprehensive income attributable to:			
Owners of the parent	¥2,659	¥1,320	$28,272
Minority interests	736	280	7,825

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Shareholders' equity			
Capital stock:			
Balance at the beginning of the period	¥12,003	¥12,003	$127,623
Changes in items during the period			
Total changes in items during the period	–	–	–
Balance at the end of the period	12,003	12,003	127,623
Additional paid-in capital:			
Balance at the beginning of the period	481	682	5,114
Changes in items during the period			
Disposition of treasury stock	(0)	(1)	(0)
Cancellation of treasury stock	–	(200)	–
Total changes in items during the period	(0)	(201)	(0)
Balance at the end of the period	480	481	5,103
Retained earnings:			
Balance at the beginning of the period	7,771	6,360	82,626
Changes in items during the period			
Net income	2,042	1,374	21,711
Reversal of revaluation reserve for land, net of taxes	–	36	–
Total changes in items during the period	2,042	1,411	21,711
Balance at the end of the period	9,814	7,771	104,348
Treasury stock, at cost:			
Balance at the beginning of the period	(241)	(242)	(2,562)
Changes in items during the period			
Purchases of treasury stock	(0)	(200)	(0)
Disposition of treasury stock	0	1	0
Cancellation of treasury stock	–	200	–
Total changes in items during the period	0	0	0
Balance at the end of the period	(241)	(241)	(2,562)
Total shareholders' equity:			
Balance at the beginning of the period	20,014	18,804	212,801
Changes in items during the period			
Dividends from surplus	–	–	–
Net income	2,042	1,374	21,711
Purchases of treasury stock	(0)	(200)	(0)
Disposition of treasury stock	0	0	0
Cancellation of treasury stock	–	–	–
Reversal of revaluation reserve for land, net of taxes	–	36	–
Total changes in items during the period	2,042	1,210	21,711
Balance at the end of the period	22,056	20,014	234,513

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Accumulated other comprehensive income			
Unrealized holding (loss) gain on securities:			
Balance at the beginning of the period	(137)	(195)	(1,456)
Changes in items during the period			
Net changes in items other than shareholders' equity	335	58	3,561
Total changes in items during the period	335	58	3,561
Balance at the end of the period	197	(137)	2,094
Deferred gain on hedging instruments, net of taxes			
Balance at the beginning of the period	30	–	318
Changes in items during the period			
Net changes in items other than shareholders' equity	108	30	1,148
Total changes in items during the period	108	30	1,148
Balance at the end of the period	139	30	1,477
Land revaluation:			
Balance at the beginning of the period	39	57	414
Changes in items during the period			
Net changes in items other than shareholders' equity	–	(17)	–
Total changes in items during the period	–	(17)	–
Balance at the end of the period	39	39	414
Translation adjustments:			
Balance at the beginning of the period	(856)	(694)	(9,101)
Changes in items during the period			
Net changes in items other than shareholders' equity	173	(161)	1,839
Total changes in items during the period	173	(161)	1,839
Balance at the end of the period	(682)	(856)	(7,251)
Total accumulated other comprehensive income (loss):			
Balance at the beginning of the period	(923)	(833)	(9,813)
Changes in items during the period			
Net changes in items other than shareholders' equity	617	(90)	6,560
Total changes in items during the period	617	(90)	6,560
Balance at the end of the period	(306)	(923)	(3,253)
Minority interests			
Balance at the beginning of the period	2,913	2,677	30,972
Changes in items during the period			
Net changes in items other than shareholders' equity	698	236	7,421
Total changes in items during the period	698	236	7,421
Balance at the end of the period	3,611	2,913	38,394

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Total net assets			
Balance at the beginning of the period	22,004	20,648	233,960
Changes in items during the period			
Net income	2,042	1,374	21,711
Purchases of treasury stock	(0)	(200)	(0)
Disposition of treasury stock	0	0	0
Cancellation of treasury stock	–	–	–
Reversal of revaluation reserve for land, net of taxes	–	36	–
Net changes in items other than shareholders' equity	1,315	145	13,981
Total changes in items during the period	3,357	1,356	35,693
Balance at the end of the period	¥25,361	¥22,004	$269,654

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

March 31, 2013

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Income before income taxes and minority interests	¥ 4,317	¥ 3,043	$ 45,901
Depreciation and amortization	1,637	1,786	17,405
Amortization of goodwill	22	–	233
(Decrease) in allowance for doubtful receivables	(31)	(491)	(329)
Increase in accrued retirement benefits	1,229	531	13,067
(Decrease) in reserve for defects on completed construction projects	(227)	(220)	(2,413)
(Decrease) increase in allowance for losses on construction contracts	(961)	1,251	(10,217)
Increase (decrease) in allowance for loss on litigation	28	(417)	297
(Decrease) in provision for loss on disaster	–	(470)	–
Loss on sales and disposal of property and equipment	6	65	63
(Gain) on liquidation of investments in securities	(12)	–	(127)
Interest and dividend income	(644)	(433)	(6,847)
Interest expense	926	1,048	9,845
Exchange (gain) loss, net	(583)	81	(6,198)
Equity in loss (earnings) of affiliates	135	(24)	1,435
Loss on step acquisitions	44	–	467
Decrease (increase) in trade notes and accounts receivable	14,386	(22,457)	152,961
Decrease (increase) in inventories	3,721	(1,231)	39,564
Decrease in other assets	599	1,611	6,368
(Increase) decrease in trade notes and accounts payable	(4,564)	17,466	(48,527)
(Decrease) increase in advances received on contracts in progress	(2,377)	8,471	(25,273)
Increase (decrease) in other liabilities	685	(4,188)	7,283
Other	13	31	138
Subtotal	18,352	5,454	195,130
Interest and dividends received	588	496	6,251
Interest paid	(894)	(1,087)	(9,505)
Income taxes paid	(1,493)	(875)	(15,874)
Net cash provided by operating activities	16,553	3,987	176,002
Investing activities			
Increase in fixed deposits	(3,155)	(1,544)	(33,545)
Purchases of property and equipment	(817)	(1,175)	(8,686)
Proceeds from sales of property and equipment	21	255	223
Purchases of intangible fixed assets	(88)	(344)	(935)
Purchases of investments in securities	(208)	(1)	(2,211)
Proceeds from sales of investments in securities	1	1	10
Increase in investments in unconsolidated subsidiaries and affiliates	(18)	(10)	(191)
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	267	–	2,838
Disbursements for loans	(63)	(1,047)	(669)
Proceeds from collection of loans	421	604	4,476
Other	69	24	733
Net cash (used in) investing activities	(3,571)	(3,238)	(37,969)
Financing activities			
(Decrease) increase in short-term bank loans	(12,288)	12,892	(130,653)
Increase in long-term debt	750	700	7,974
Decrease in long-term debt	(869)	(700)	(9,239)
Increase in long-term loans of employees	53	97	563
(Increase) in treasury stock	(0)	(200)	(0)
Cash dividends paid for minority shareholders	(47)	(62)	(499)
Other	(161)	(127)	(1,711)
Net cash (used in) provided by financing activities	(12,563)	12,598	(133,577)
Effect of exchange rate changes on cash and cash equivalents	1,135	(243)	12,068
Net increase in cash and cash equivalents	1,553	13,104	16,512
Cash and cash equivalents at beginning of the year	29,847	16,742	317,352
Cash and cash equivalents at end of the year	¥ 31,400	¥ 29,847	$ 333,864

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 15 consolidated subsidiaries, 2 unconsolidated subsidiaries and 1 affiliate accounted for by the equity method as of March 31, 2013.

(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) 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) Advances Received on 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.

(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) Employees' Retirement Benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for the unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost.

The net retirement benefit obligation at transition is being amortized principally over a period of 15 years. 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. 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.

(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).

(n) Derivatives and Hedge Accounting (continued)

(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 ¥94.05 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2013. 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

Changes in Accounting Policies Which Are Difficult to Distinguish from Changes in Accounting Estimates

In accordance with an amendment to the Corporation Tax Law of Japan effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired after April 1, 2012.

As a result, operating income and income before income taxes and minority interests increased by ¥20 million ($212 thousand) for the year ended March 31, 2013 compared with the corresponding amounts which would have been recorded under the previous method.

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

From the perspective of improving financial reporting and based on international trends, 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 is the end of the fiscal year ending March 31, 2014. However, 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.

(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, 2013 and 2012 were as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 579	¥ 440	$ 6,156
Materials and supplies	1,341	1,977	14,258
Costs on uncompleted construction contracts	17,261	19,963	183,530
Real estate for sale	2	89	21
	¥19,184	¥ 22,471	$203,976

(b) Investments in Real Estate

"Investments in real estate" includes accumulated depreciation in the amounts of ¥912 million ($9,696 thousand) and ¥651 million at March 31, 2013 and 2012, respectively.

(c) Pledged Assets

The following assets were pledged at March 31, 2013 and 2012 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,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 829	¥ 1,894	$ 8,814
Trade notes and accounts receivable	—	17,390	—
Other current assets	9	—	95
Land	12,241	12,210	130,154
Buildings and structures, net of accumulated depreciation	1,237	1,297	13,152
Machinery, equipment and vehicles, net of accumulated depreciation	36	54	382
Investments in securities	2,312	1,990	24,582
Investments in real estate	3,800	3,832	40,404
	¥20,467	¥38,669	$217,618

(c) Pledged Assets (continued)

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2013 and 2012 are summarized as follows:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,258	¥1,236	$13,375
Buildings and structures, net of accumulated depreciation	226	245	2,402
Machinery, equipment and vehicles, net of accumulated depreciation	36	54	382
	¥1,521	¥1,536	$16,172

The secured liabilities as of March 31, 2013 and 2012 are summarized as follows:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥2,574	¥14,073	$27,368
[Including current portion of long-term debt]	[736]	[636]	[7,825]
Long-term debt	1,960	2,196	20,839
Other current liabilities	100	100	1,063
Other long-term liabilities	225	325	2,392

(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 ¥698 million ($7,421 thousand) and ¥689 million more than the revalued book amount at March 31, 2013 and 2012, respectively.

(e) Contingent Liabilities

At March 31, 2013 and 2012, the Company and consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantors of bank loans to customers, unconsolidated subsidiaries, an affiliate and employees	¥ 71	¥3,096	$ 754
As endorsers of notes receivable discounted with banks	382	331	4,061

Note 1: Though the amount of an estimated loss corresponding to the Company's affiliate Yoshiikikaku Co., Ltd. had been recognized, the amount of contingent liabilities was disclosed since the guaranteed amount was not determined as of March 31, 2012.
As of March 31, 2013, the amount of claims and guarantees was calculated based on the understanding that this company would be liquidated.
As a result, the Company recognized ¥2,579 million ($27,421 thousand) of long-term non-operating accounts receivable and other long-term liabilities, respectively as of March 31, 2013.

(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 ¥49 million ($520 thousand) and ¥507 million as of March 31, 2013 and 2012, respectively.

(g) Trade Notes Maturing on the Balance Sheet Date

Trade notes are settled on the dates they mature.

Since the last day of the fiscal year in 2013 and 2012 fell on a bank holiday, the below-listed notes maturing on that day are excluded from the corresponding balances in the consolidated balance sheets as of March 31, 2013 and 2012, respectively.

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥179	¥214	$1,903
Trade notes payable	168	175	1,786

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 ¥238,596 million ($2,536,905 thousand) and ¥215,008 million for the years ended March 31, 2013 and 2012, 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 ¥610 million ($6,485 thousand) and ¥1,542 million for the years ended March 31, 2013 and 2012, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses at March 31, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 5,943	¥ 6,099	$ 63,189
Retirement benefit expenses	1,102	1,001	11,717
Provision for doubtful receivables	22	23	233
Other	7,261	7,221	77,203
Total	¥14,330	¥14,345	$152,365

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥885 million ($9,409 thousand) and ¥909 million for the years ended March 31, 2013 and 2012, respectively.

(e) Gain on Sale of Property and Equipment

The significant components of gain on sale of property and equipment for the years ended March 31, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥—	¥ 5	$ —
Buildings and structures	2	3	21
Others	11	12	116
Total	¥14	¥21	$148

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

The significant components of loss on sales and disposal of property and equipment for the years ended March 31, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥12	¥19	$127
Loss on sales	0	44	0
Others	8	22	85
Total	¥21	¥86	$ 223

(g) Loss on Disaster

Loss on disaster was due to the Great East Japan Earthquake on March 11, 2011.

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, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding gain on securities:			
Changes in items during the period	¥337	¥ 59	$3,583
Amount of recycling	0	–	0
Before income tax effect adjustment	338	59	3,593
Income tax effect adjustment	(1)	(0)	(10)
Unrealized holding gain on securities	336	58	3,572
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	175	48	1,860
Amount of recycling	–	–	–
Before income tax effect adjustment	175	48	1,860
Income tax effect adjustment	(66)	(18)	(701)
Deferred gain on hedging instruments, net of taxes	108	30	1,148
Land revaluation:			
Income tax effect adjustment	–	47	—
Land revaluation	–	47	—
Translation adjustments:			
Changes in items during the period	205	(197)	2,179
Amount of recycling	–	–	—
Before income tax effect adjustment	205	(197)	2,179
Income tax effect adjustment	–	–	—
Translation adjustments	205	(197)	2,179
Share of other comprehensive income of affiliates accounted for by the equity method:			
Changes in items during the period	4	(7)	42
Amount of recycling	(0)	–	(0)
Share of other comprehensive income of affiliates accounted for by the equity method	4	(7)	42
Total other comprehensive income (loss)	¥655	¥(67)	$6,964

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, 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 3rd Series Class C preferred stock and 3rd Series Class D preferred stock.

Note 2: Decrease of 3rd 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 3rd 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 3rd Series Class C preferred stock and 3rd Series Class D 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, 2012

	Balance at April 1, 2011	Increase	Decrease	Balance at March 31, 2012
		(Number of shares)		
Shares issued:				
Common stock	283,363,598	5,626,069	–	288,989,667
2nd Series Class A preferred stock	2,020,600	–	520,600	1,500,000
3rd Series Class C preferred stock	5,861,200	–	80,000	5,781,200
3rd Series Class D preferred stock	5,961,900	–	93,200	5,868,700
Total	297,207,298	5,626,069	693,800	302,139,567

Note 1: Increase of common stock is due to the acquisition of common stock by exercising call options on the 2nd Series Class A preferred stock and 3rd Series Class D preferred stock.

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

Note 3: Decrease of 3rd Series Class C preferred stock is due to redemption to based on a resolution at the annual general meeting of the shareholders on June 29, 2011.

	Balance at April 1, 2011	Increase	Decrease	Balance at March 31, 2012
		(Number of shares)		
Treasury shares:				
Common stock	436,646	13,431	2,155	447,922
2nd Series Class A preferred stock	–	520,600	520,600	–
3rd Series Class C preferred stock	–	80,000	80,000	–
3rd Series Class D preferred stock	–	93,200	93,200	–
Total	436,646	707,231	695,955	447,922

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 2nd Series Class A 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 2nd Series Class A preferred stock and 3rd Series Class D preferred stock is due to redemption by exercising a call option.

Note 5: Increase of 3rd Series Class C preferred stock is due to the acquisition of common stock by exercising a call option based on a resolution at the annual general meeting of the shareholders on June 29, 2011.

Note 6: Decrease of 3rd Series Class C preferred stock is due to redemption based on a resolution at the annual general meeting of the shareholders on June 29, 2011.

(b) Dividends:

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			

For the years ended March 31, 2012 and 2011, there were no dividends paid to shareholders of common stock.

10. Notes to Consolidated Statements of Cash Flows

(a) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2012 were as follows:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥39,899	¥34,897	$424,231
Time deposits with maturities of over three months	(8,498)	(5,050)	(90,356)
Cash and cash equivalents	¥31,400	¥29,847	$333,864

(b) 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, 2013 and 2012, 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,					
	2013			2012		
	Machinery, equipment and vehicles	Intangible fixed assets	Total	Machinery, equipment and vehicles	Intangible fixed assets	Total
	(Millions of yen)					
Acquisition costs	¥383	¥—	¥383	¥514	¥83	¥597
Accumulated depreciation / amortization	263	—	263	326	75	402
Net book value	¥119	¥—	¥119	¥187	¥ 7	¥195

	As of March 31, 2013		
	Machinery, equipment and vehicles	Intangible fixed assets	Total
	(Thousands of U.S. dollars)		
Acquisition costs	$4,072	$—	$4,072
Accumulated depreciation / amortization	2,796	—	2,796
Net book value	$1,265	$—	$1,265

(a) As lessee: (continued)

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Future minimum payments:			
Within one year	¥ 58	¥ 85	$ 616
Over one year	71	124	754
	¥129	¥209	$1,371
Lease payments	¥ 83	¥130	$ 882
Depreciation / amortization equivalents	71	112	754
Interest expense equivalents	7	12	74

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,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Future minimum payments:			
Within one year	¥0	¥2	$ 0
Over one year	0	1	0
	¥1	¥3	$10

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.

(a) Overview (continued)

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

Trade notes and accounts receivable 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 and accounts receivable 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, 2013 and 2012, 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, 2013					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and deposits	¥ 39,899	¥ 39,899	¥ –	$ 424,231	$ 424,231	$ –
Trade notes and accounts receivable	101,279	101,265	(13)	1,076,863	1,076,714	(138)
Securities and investments in securities	2,582	2,584	2	27,453	27,474	21
Held-to-maturity securities	217	219	2	2,307	2,328	21
Other securities	2,365	2,365	–	25,146	25,146	–
Long-term loans receivable	6,551			69,654		
Allowance for doubtful receivables (*1)	(4,933)			(52,450)		
	1,617	1,533	(83)	17,192	16,299	(882)
Claims provable in bankruptcy and other	867			9,218		
Allowance for doubtful receivables (*1)	(845)			(8,984)		
	21	21	(0)	223	223	(0)
Long-term non-operating accounts receivable	24,875			264,486		
Allowance for doubtful receivables (*1)	(22,571)			(239,989)		
	2,304	2,284	(19)	24,497	24,284	(202)
Total assets	147,705	147,590	(115)	1,570,494	1,569,271	(1,222)
Trade notes and accounts payable	115,338	115,338	–	1,226,347	1,226,347	–
Short-term bank loans and current portion of long-term debt	8,391	8,407	16	89,218	89,388	170
Long-term debt	2,194	2,142	(51)	23,328	22,775	(542)
Total liabilities	¥125,923	¥125,888	¥ (34)	$1,338,894	$1,338,522	$(361)
Derivative transactions (*2)	224	224	–	2,381	2,381	–

(*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, 2012		
	Carrying value	Fair value	Difference
	(Millions of yen)		
Cash and deposits	¥ 34,897	¥ 34,897	¥ –
Trade notes and accounts receivable	115,418	115,377	(40)
Investments in securities	2,031	2,031	0
Held-to-maturity securities	9	9	0
Other securities	2,021	2,021	–
Long-term loans receivable	7,547		
Allowance for doubtful receivables (*)	(5,845)		
	1,701	1,566	(135)
Claims provable in bankruptcy and other	4,912		
Allowance for doubtful receivables (*)	(4,856)		
	56	55	(0)
Long-term non-operating accounts receivable	37,425		
Allowance for doubtful receivables (*)	(34,605)		
	2,819	2,794	(25)
Total assets	156,925	156,724	(201)
Trade notes and accounts payable	118,786	118,786	–
Short-term bank loans and current portion of long-term debt	20,579	20,597	18
Long-term debt	2,413	2,269	(144)
Total liabilities	¥141,779	¥141,653	¥(125)
Derivative transactions	48	48	–

(*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 and accounts receivable

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, and
(6) Long-term non-operating accounts receivable

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 and accounts payable

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, 2013	As of March 31, 2012	As of March 31, 2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks (*)	¥4,077	¥4,163	$43,349

(*): 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, 2013 and 2012.

	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	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	¥ 39,869	¥ –	¥ –	¥ –	$ 423,912	$ –	$ –	$ –
Trade notes and accounts receivable	99,435	1,844	–	–	1,057,256	19,606	–	–
Securities and investments in securities								
Held-to-maturity securities (Bonds)	9	–	207	–	95	–	2,200	–
Long-term loans receivable	3	77	690	846	31	818	7,336	8,955
Claims provable in bankruptcy and other (*)	21	–	–	–	223	–	–	–
Long-term non-operating accounts receivable (*)	93	999	1	–	988	10,662	10	–
	¥139,433	¥2,921	¥898	¥846	$1,482,541	$31,057	$9,548	$8,995

(*) The fair values of these items are extremely difficult to determine. This table does not include the amount of ¥1,209 million ($12,854 thousand) out of long-term non-operating accounts receivable related to Yoshiikikaku Co., Ltd.

(b) Fair value of financial instruments (continued)

	As of March 31, 2012			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)			
Deposits	¥ 34,869	¥ –	¥ –	¥ –
Trade notes and accounts receivable	111,553	3,864	–	–
Investments in securities				
Held-to-maturity securities (Bonds)	–	9	–	–
Long-term loans receivable	3	6	789	902
Claims provable in bankruptcy and other (*)	22	1	–	–
Long-term non-operating accounts receivable (*)	1,039	588	0	–
	¥147,488	¥4,469	¥789	¥902

(*) The fair values of these items are extremely difficult to determine. This table does not include the amount of ¥32 million out of claims provable in bankruptcy and other and the amount of ¥1,191 million out of long-term non-operating accounts receivable.

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 23.*

13. Securities

Securities at March 31, 2013 and 2012 are summarized as follows:

(a) Held-to-maturity securities

	As of March 31, 2013					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Securities whose fair value exceeds their carrying value:						
Bonds	¥217	¥219	¥2	$2,307	$2,328	$21

	As of March 31, 2012		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Bonds	¥ 9	¥ 9	¥0

(b) Other securities

	As of March 31, 2013					
	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	¥1,865	¥1,488	¥376	$19,829	$15,821	$3,997
Unrealized loss:						
Stock	499	663	(163)	5,305	7,049	(1,733)
Total	¥2,365	¥2,152	¥213	$25,146	$22,881	$2,264

	As of March 31, 2012		
	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)		
Unrealized gain:			
Stock	¥ 972	¥ 817	¥ 154
Unrealized loss:			
Stock	1,049	1,330	(281)
Total	¥2,021	¥2,148	¥(126)

14. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2013 and 2012 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, 2013

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 Long	Accounts payable						
	U.S. dollar		¥ 34	¥ –	Note 2	$ 361	$ –	Note 2
	Thai baht		33	–	Note 2	350	–	Note 2
	Long	Future foreign currency transactions						
	U.S. dollar		852	71	¥158	9,059	754	$1,679
	Thai baht		208	20	65	2,211	212	691
Total			¥1,129	¥92	¥224	$12,004	$978	$2,381

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, 2012

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 Long	Accounts payable			
	U.S. dollar		¥ 2	¥ –	*Note 2*
	Long U.S. dollar	Future foreign currency transactions	1,761	886	¥48
Total			¥1,763	¥886	¥48

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, 2013

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	¥1,900	¥1,300	*Note 1*	$20,202	$13,822	*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, 2012

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	¥2,500	¥1,900	*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, 2013, the Company and its consolidated subsidiaries have lump-sum retirement benefit plans and defined contribution pension system. 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 Smaller 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 and 2012 for the Company's and the consolidated subsidiaries' defined benefit plans:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	¥(21,558)	¥(22,012)	$(229,218)
Plan assets at fair value	196	187	2,083
Unfunded retirement benefit obligation	(21,362)	(21,825)	(227,134)
Unrecognized net retirement benefit obligation at transition	3,969	5,948	42,200
Unrecognized actuarial loss	2,292	2,424	24,370
Unrecognized prior service cost	(2,956)	(3,210)	(31,430)
Accrued retirement benefits	¥(18,057)	¥(16,662)	$(191,993)

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 Smaller Enterprise Retirement Allowance Mutual Aid Scheme as the retirement benefit obligation.

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost *(Note 1)*	¥ 937	¥1,007	$ 9,962
Interest cost	365	408	3,880
Expected return on plan assets	(5)	(4)	(53)
Amortization of net retirement benefit obligation at transition	1,984	1,983	21,095
Amortization of actuarial loss	531	554	5,645
Amortization of prior service cost	(253)	(174)	(2,690)
Total retirement benefit expenses	¥3,559	¥3,775	$37,841
Expenses for transfer to defined contribution pension plan	–	2	–
Other *(Note 2)*	637	–	6,772
Total retirement benefit expenses	¥4,197	¥3,777	$44,625

Note 1: Certain subsidiaries adopted the simplified method to calculate the retirement benefit obligation and recognized the remaining amount after deducting payments to the Smaller 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	2012
Discount rate	Principally 1.7%	Principally 1.7%
Expected rate of return on plan assets	1.0%	1.0%
Amortization period for prior service cost	Principally 11 years	Principally 11 years
Amortization period for actuarial differences	Principally 11 years	Principally 11 years
Period for recognition of net retirement benefit obligation at transition	Principally 15 years	Principally 15 years

16. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ 6,501	¥ 6,008	$ 69,122
Tax loss carryforwards	4,112	38,358	43,721
Allowance for bad debts	3,118	2,431	33,152
Accounts payable and accrued expenses	1,400	1,404	14,885
Allowance for loss on litigation	317	307	3,370
Allowance for losses on construction contracts	272	616	2,892
Reserve for defects on completed construction projects	271	353	2,881
Foreign tax credit carryforwards	269	–	2,860
Other	1,312	1,228	13,950
Gross deferred tax assets	17,577	50,707	186,889
Valuation allowance	(12,921)	(46,227)	(137,384)
Total deferred tax assets	4,655	4,480	49,494
Deferred tax liabilities:			
Deferred gain on hedging instruments, net of taxes	(85)	(18)	(903)
Asset retirement obligations	(10)	(11)	(106)
Construction assistance fund receivables	(6)	–	(63)
Unrealized holding gain on securities	(4)	(2)	(42)
Other	(8)	(17)	(85)
Total deferred tax liabilities	(115)	(49)	(1,222)
Net deferred tax assets	¥ 4,540	¥ 4,430	$(48,272)

The following table summarizes the significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2013 and 2012:

	Years ended March 31,	
	2013	**2012**
Statutory tax rate	–%	40.7%
Non-deductible expenses	–	12.0
Non-taxable income	–	(7.1)
Per capita inhabitants' taxes	–	3.3
Valuation allowance	–	(9.2)
Adjustments related to consolidation	–	(0.3)
Change in corporate tax rate	–	10.3
Other	–	(4.5)
Effective tax rates	–%	45.2%

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.

17. Business Combinations

Business combinations for the year ended March 31, 2013 are summarized as follows:

Business combination through acquisition

(a) Outline of the business combination

(1) Name of the acquired companies and description of business

(i) Name of the acquired company: Mitsui Precon, Inc.

(ii) Description of business: Building construction, civil engineering, design for electrical construction, etc.

(2) Main reasons for the business combination

The Company determined to additionally acquire shares of Mitsui Precon, Inc., which was an affiliate accounted for by the equity method for the year ended March 31, 2012, to increase efficiencies and achieve cost reductions resulting from Mitsui Precon, Inc.'s expertise in precast concrete, which is expected to increase the corporate value of the Company .

(3) Date of business combination

March 25, 2013

(4) Legal form of business combination

Acquisition of shares by cash

(a) Outline of the business combination (continued)

(5) Company name after business combination

The company name remains unchanged.

(6) Percentage share of voting rights the Company has acquired

Percentage share of voting rights held immediately before the business combination	38.6%
Percentage share of voting rights additionally acquired on the business combination date	5.0%
Percentage share of voting rights after the acquisition	43.6%

(7) Main reason in determining the acquiring company

The Company acquired a majority of the voting rights through the acquisition of shares by cash.

(b) Period of the acquired company's financial results included in the consolidated financial statements.

Since the business combination was deemed to take place on March 31, 2013, gain and loss related to the acquired company for the period from April 1, 2012 to March 31, 2013 is presented as loss on equity method investment in the consolidated statements of income.

(c) Acquisition cost and breakdown of the cost

	(Millions of yen)	*(Thousands of U.S. dollars)*
Fair value of common stock of Mitsui Precon, Inc. prior to business combination	¥ 7	$ 74
Cash used to additionally acquire the common stocks of Mitsui Precon, Inc.	¥18	$191
Total acquisition cost	¥25	$265

(d) Difference between acquisition cost of the acquired company and total acquisition cost of individual transactions leading to acquisition

	(Millions of yen)	*(Thousands of U.S. dollars)*
Loss on step acquisitions	¥44	$467

(e) Amounts of goodwill incurred, reason for recognizing goodwill, amortization method and amortization period

	(Millions of yen)	*(Thousands of U.S. dollars)*
(1) Amounts of goodwill incurred	¥17	$180

(2) Reason for recognizing goodwill

Goodwill was incurred due to the difference between the equivalent amounts of the Company's equity interest in the acquired company and acquisition cost.

(3) Amortization method and period

Goodwill is expensed as incurred because the amount was immaterial.

(f) Details of assets and liabilities acquired on the day of the business combination and main breakdown

	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥1,220	$12,971
Non-current assets	¥1,484	$15,778
Total assets	¥2,704	$28,750
Current liabilities	¥1,605	$17,065
Long-term liabilities	¥1,808	$19,223
Total liabilities	¥2,685	$28,548

(g) Approximate amounts and their calculation method of impact on the consolidated statements of income for the year ended March 31, 2013, assuming that the business combination had been completed at the beginning of the year ended March 31, 2013. The information is omitted due to its immateriality. The amounts in the above table have not been audited by Ernst & Young ShinNihon LLC.

18. Investment and Rental Property

Investment and rental property as of March 31, 2013 and 2012 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, 2013 and 2012 were ¥137 million ($1,456 thousand) and ¥134 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, 2013 and 2012 were as follows:

Year ended March 31, 2013

Book value				Book value			
Balance as of March 31, 2012	Net increase (decrease)	Balance as of March 31, 2013	Fair value as of March 31, 2013	Balance as of March 31, 2012	Net increase (decrease)	Balance as of March 31, 2013	Fair value as of March 31, 2013
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥3,302	¥(31)	¥3,270	¥3,001	$35,108	$(329)	$34,768	$31,908

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, 2012

Book value			
Balance as of March 31, 2011	Net increase (decrease)	Balance as of March 31, 2012	Fair value as of March 31, 2012
(Millions of yen)			
¥3,333	¥(31)	¥3,302	¥2,869

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.

19. 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.

Segment Information (continued)

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, 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.

Segment Information (continued)

	Year ended March 31, 2013						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Sales							
External Customers	$1,449,973	$2,185,497	$3,635,481	$8,612	$3,644,093	$ –	$3,644,093
Intersegment transactions or transfers	14,375	0	14,375	616	14,992	(14,992)	–
Net sales	$1,464,348	$2,185,497	$3,649,856	$9,229	$3,659,096	$(14,992)	$3,644,093
Segment income	120,425	91,525	211,961	3,200	215,172	(1,297)	213,875

	Year ended March 31, 2012						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales							
External Customers	¥119,492	¥193,330	¥312,823	¥735	¥313,558	¥ –	¥313,558
Intersegment transactions or transfers	1,153	20	1,173	51	1,224	(1,224)	–
Net sales	¥120,645	¥193,350	¥313,996	¥786	¥314,783	¥(1,224)	¥313,558
Segment income	10,496	8,323	18,819	306	19,126	(89)	19,036

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, 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	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥270,668	¥70,200	¥1,859	¥342,727	$2,877,916	$746,411	$19,766	$3,644,093

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, 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.

For the year ended March 31, 2012

(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, 2012			
Japan	Asia	Others	Total
(Millions of yen)			
¥270,576	¥42,354	¥627	¥313,558

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, 2012.

(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, 2012.

Loss on impairment by reportable segment

For the years ended March 31, 2013 and 2012, 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, 2013, the information is omitted due to the immateriality of amounts.

For the year ended March 31, 2012, there was no amortization and unamortized balance of goodwill by reportable segment.

Gain on negative goodwill by reportable segment

For the years ended March 31, 2013 and 2012, there were no gain on negative goodwill by reportable segment.

20. Related Party Transactions

(a) Related party transaction

Transactions with affiliates for the year ended March 31, 2013 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 operating accounts receivable	¥3,158
			Long-term accounts payable	¥2,579	Long-term accounts payable	¥2,579

	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
	(Thousands of U.S. dollars)					
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	$106	30.0%	Long-term non operating accounts receivable	$27,421	Long-term non operating accounts receivable	$33,577
			Long-term accounts payable	$27,421	Long-term accounts payable	$27,421

(a) Related party transaction (continued)

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

	Year ended March 31, 2012					
	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, 2012
			(Millions of yen)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Guarantee of bank loan	¥2,797	Long-term non-operation accounts receivable	¥579

(b) Significant affiliates

(1) The parent information

There is no parent company at March 31, 2013 and 2012.

(2) Financial information about significant affiliates

For the year ended March 31, 2013, a significant affiliate was Aseismic Devices Co., Ltd. Financial information about the company as of and for the years ended March 31, 2013 and 2012 was as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total current assets	¥2,558	¥2,458	$ 27,198
Total non-current assets	205	224	2,179
Total current liabilities	1,828	1,959	19,436
Total long-term liabilities	6	3	63
Total net assets	¥ 929	¥ 720	$ 9,877
Net sales	¥3,716	¥3,027	$39,510
Income before income taxes	586	442	6,230
Net income	¥ 328	¥ 237	$ 3,487

21. Per Share Information

Net assets and basic net income per share as of and for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012	2013
	(Yen)		*(U.S. dollars)*
Net assets per share	¥19.98	¥(37.37)	$0.212
Net income per share – basic	4.56	4.82	0.048
Net income per share – diluted	2.56	1.81	0.027

The basis of calculation for net assets per share at March 31, 2013 and 2012 was as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥ 25,361	¥ 22,004	$269,654
Amounts deducted from total net assets	11,872	32,788	126,230
[Including paid-in amounts for shares of preferred stock]	[8,071]	[29,874]	[85,816]
[Including cash dividends on preferred stock]	[188]	[–]	[1,998]
[Including minority interests]	[3,611]	[2,913]	[38,394]
Total net assets attributable to common stock	¥13,489	¥(10,783)	$143,423
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	675,026	288,541	

The basis for calculating basic net income per share – based and net income per share – diluted for the years ended March 31, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income per share – basic:			
Net income	¥2,042	¥1,374	$21,711
Amount not available to common shareholders	188	–	1,998
[Including cash dividends on preferred stock]	[188]	[–]	[1,998]
Net income per share – basic	¥1,853	¥1,374	$19,702
	(Thousands of shares)		
Average number of shares of common stock outstanding	406,066	285,186	

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income per share – diluted:			
Adjustment for net income	¥188	–	1,998
[Including cash dividends on preferred stock]	[188]	–	1,998
	(Thousands of shares)		
Increase in number of share of common stock	393,097	476,133	
[Including preferred stock]	[393,097]	[476,133]	

22. Subsequent Event

There is no information to be disclosed as of March 31, 2013.

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

Short-term bank loans generally represent notes, principally at average annual interest rates of 2.0% and 2.4% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 was summarized as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at average interest rates of 2.4% at 2013 and 2.6% at 2012)	¥2,696	¥2,832	$28,665
Debt without collateral (at average interest rates of 2.1% at 2013 and 2.3% at 2012)	466	450	4,954
Lease obligations	548	404	5,826
Current portion (excluding lease obligations)	(969)	(869)	(10,303)
Current portion of lease obligations	(188)	(128)	(1,998)
Deposits from employees	1,812	1,758	19,266
	¥4,365	¥4,447	$46,411

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2014	¥ 969	$10,303
2015	886	9,420
2016	820	8,718
2017 and thereafter	487	5,178
	¥3,163	$33,631

The aggregate annual maturities of lease obligations subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2014	¥188	$1,998
2015	173	1,839
2016	99	1,052
2017 and thereafter	86	914
	¥548	$5,826

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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, 2013, 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, 2013, 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, 2013
Tokyo, Japan

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

Year ended March 31, 2013
with Independent Auditor's Report

Non-Consolidated Balance Sheets

March 31, 2013

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits *(Note 4-(c))*	¥ 19,915	¥ 20,743	$ 211,749
Notes receivable *(Note 4-(g))*	756	744	8,038
Accounts receivable on completed contracts *(Note 4-(c))*	82,089	97,664	872,822
Inventories *(Notes 4-(a) and 4-(f))*	15,003	17,421	159,521
Deferred tax assets *(Note 8)*	1,321	1,290	14,045
Accounts receivable, other	2,079	2,370	22,105
Advance payments	6,110	5,750	64,965
Other current assets *(Note 4-(g))*	3,002	11,772	31,919
Less allowance for doubtful receivables	(809)	(1,040)	(8,601)
Total current assets	129,469	156,716	1,376,597
Non-current assets:			
Property and equipment, at cost:			
Land *(Note 4-(c))*	5,500	5,500	58,479
Buildings *(Note 4-(c))*	4,776	4,768	50,781
Structures *(Note 4-(c))*	711	702	7,559
Machinery and equipment	2,675	2,713	28,442
Vehicles	316	300	3,359
Tools, furniture and fixtures	3,546	3,568	37,703
Construction in progress	11	56	116
Accumulated depreciation	(9,670)	(9,306)	(102,817)
Property and equipment, net	7,867	8,303	83,646
Intangible fixed assets	1,443	1,650	15,342
Investments and other assets:			
Investments in securities *(Note 4-(c))*	5,004	4,475	53,205
Investments in subsidiaries and affiliates *(Notes 4-(c) and 7)*	16,457	6,382	174,981
Long-term loans receivable	5,618	6,561	59,734
Long-term loans to employees	840	895	8,931
Claims provable in bankruptcy and other	821	4,819	8,729
Long-term prepaid expenses	41	50	435
Deferred tax assets *(Note 8)*	2,686	2,784	28,559
Long-term non-operating accounts receivable *(Note 4-(b))*	24,485	37,412	260,340
Other	6,116	6,801	65,029
Less allowance for doubtful receivables	(31,323)	(48,111)	(333,046)
Total investments and other assets	30,748	22,071	326,932
Total non-current assets	40,060	32,025	425,943
Total assets	¥169,529	¥188,742	$1,802,541

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans and current portion of long-term debt *(Notes 4-(c) and 11)*	¥ 8,264	¥ 20,389	$ 87,868
Trade notes payable *(Note 4-(b))*	31,202	37,593	331,759
Accounts payable on completed contracts *(Note 4-(b))*	61,208	61,545	650,802
Accounts payable, other	1,668	1,748	17,735
Accrued expenses	1,787	1,674	19,000
Income taxes payable	213	212	2,264
Consumption taxes payable	1,463	2,309	15,555
Advances received on contracts in progress	18,921	22,526	201,180
Deposits received	5,690	4,813	60,499
Deposits received from employees	1,812	1,758	19,266
Reserve for defects on completed construction projects	635	888	6,751
Allowance for losses on construction contracts *(Note 4-(f)*	590	1,521	6,273
Allowance for loss on litigation	890	862	9,463
Other current liabilities	73	58	776
Total current liabilities	134,419	157,903	1,429,229
Long-term liabilities:			
Long-term debt *(Notes 4-(c) and 11)*	1,933	2,116	20,552
Accrued retirement benefits	15,654	14,635	166,443
Long-term accounts payable *(Notes 4-(b) and 4-(e))*	2,579	–	27,421
Other long-term liabilities	188	279	1,998
Total long-term liabilities	20,356	17,032	216,438
Contingent liabilities *(Note 4-(d))*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	127,623
Common stock:			
Authorized:			
2,669,464,970 shares in 2013 and 2012			
Issued and outstanding:			
675,480,576 shares in 2013 and 288,989,667 shares in 2012			
Preferred stock:			
Authorized:			
26,894,644 shares in 2013 and 2012			
Issued and outstanding:			
4,428,700 shares in 2013 and 13,149,900 shares in 2012			
Capital surplus:			
Other capital surplus	400	400	4,253
Total capital surpluses	400	400	4,253
Retained earnings:			
Legal retained earnings	83	83	882
Earned surplus carried forward	2,164	1,654	23,009
Total retained earnings	2,247	1,737	23,891
Less treasury stock, at cost: 454,364 shares in 2013 and 447,922 shares in 2012	(241)	(241)	(2,562)
Total shareholders' equity	14,409	13,900	153,205
Valuation, translation adjustments and other:			
Unrealized holding gain (loss) on securities	204	(124)	2,169
Deferred gain on hedging instruments, net of taxes	139	30	1,477
Total valuation, translation adjustments and other	343	(94)	3,646
Total net assets	14,753	13,805	156,863
Total liabilities and net assets	¥169,529	¥188,742	$1,802,541

See accompanying notes to non-consolidated financial statements.

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales:			
Completed construction *(Note 5-(a))*	¥256,027	¥247,037	$2,722,243
Cost of sales:			
Completed construction *(Note 5-(b))*	244,106	234,239	2,595,491
Gross profit	11,921	12,798	126,751
Selling, general and administrative expenses *(Note 5-(d))*	10,107	10,500	107,464
Operating income	1,813	2,297	19,276
Other income (expenses):			
Interest and dividend income *(Note 5-(c))*	757	822	8,048
Payments received from insurance claims	146	147	1,552
Reversal of provision for doubtful receivables	149	776	1,584
Interest expense	(961)	(1,073)	(10,217)
Exchange loss, net	–	(693)	–
Provision for doubtful receivables	(216)	(216)	(2,296)
Loss on sales and disposal of property and equipment	(9)	(27)	(95)
Loss on valuation of investments in subsidiaries and affiliates	(354)	–	(3,763)
Loss on disaster *(Note 5-(f))*	–	(77)	–
Corporate tax on overseas sales	(230)	(172)	(2,445)
Gain on liquidation of investments in securities	11	–	116
Loss on litigation	(194)	(69)	(2,062)
Other, net	(310)	(545)	(3,296)
	(1,212)	(1,128)	(12,886)
Income before income taxes	601	1,169	6,390
Income taxes *(Note 8)*:			
Current	92	50	978
Deferred	(0)	398	(0)
	91	449	967
Net income	¥ 509	¥ 719	$ 5,412
	(Yen)		*(U.S. dollars) (Note 2)*
Net income per share – basic *(Note 9)*	¥ 0.79	¥ 2.52	$ 0.008
Net income per share – diluted *(Note 9)*	0.63	0.95	0.006

See accompanying notes to non-consolidated financial statements.

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Shareholders' equity			
Capital stock:			
Balance at the beginning of the period	¥12,003	¥12,003	$ 127,623
Changes in items during the period			
Total changes in items during the period	–	–	–
Balance at the end of the period	12,003	12,003	127,623
Additional paid-in capital:			
Other capital surplus:			
Balance at the beginning of the period	400	601	4,253
Changes in items during the period			
Disposition of treasury stock	(0)	(1)	(0)
Cancellation of treasury stock	–	(200)	–
Total changes of items during the period	(0)	(201)	(0)
Balance at the end of the period	400	400	4,253
Retained earnings:			
Earned reserve:			
Balance at the beginning of the period	83	83	882
Changes in items during the period			
Total changes in items during the period	–	–	–
Balance at the end of the period	83	83	882
Earned surplus carried forward:			
Balance at the beginning of the period	1,654	934	17,586
Changes in items during the period			
Net income	509	719	5,412
Total changes in items during the period	509	719	5,412
Balance at the end of the period	2,164	1,654	23,009
Total retained earnings:			
Balance at the beginning of the period	1,737	1,018	18,468
Changes in items during the period			
Net income	509	719	5,412
Total changes in items during the period	509	719	5,412
Balance at the end of the period	2,247	1,737	23,891

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Treasury stock, at cost:			
Balance at the beginning of the period	(241)	(242)	(2,562)
Changes in items during the period			
Purchases of treasury stock	(0)	(200)	(0)
Disposition of treasury stock	0	1	0
Cancelation of treasury stock	–	200	–
Total changes in items during the period	0	0	0
Balance at the end of the period	(241)	(241)	(2,562)
Total shareholders' equity:			
Balance at the beginning of the period	13,900	13,381	147,793
Changes in items during the period			
Net income	509	719	5,412
Purchases of treasury stock	(0)	(200)	(0)
Disposition of treasury stock	0	0	0
Cancelation of treasury stock	–	–	–
Total changes in items during the period	509	519	5,412
Balance at the end of the period	14,409	13,900	153,205
Valuation, translation adjustments and other			
Unrealized holding gain (loss) on securities:			
Balance at the beginning of the period	(124)	(180)	(1,318)
Changes in items during the period			
Net changes in items other than shareholders' equity	329	55	3,498
Total changes in items during the period	329	55	3,498
Balance at the end of the period	204	(124)	2,169
Deferred gain on hedging instruments, net of taxes			
Balance at the beginning of the period	30	–	318
Changes in items during the period			
Net changes in items other than shareholders' equity	108	30	1,148
Total changes in items during the period	108	30	1,148
Balance at the end of the period	139	30	1,477
Total valuation, translation adjustments and other:			
Balance at the beginning of the period	(94)	(180)	(999)
Changes in items during the period			
Net changes in items other than shareholders' equity	438	86	4,657
Total changes in items during the period	438	86	4,657
Balance at the end of the period	343	(94)	3,646

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Total net assets			
Balance at the beginning of the period	13,805	13,200	146,783
Changes in items during the period			
Net income	509	719	5,412
Purchases of treasury stock	(0)	(200)	(0)
Disposition of treasury stock	0	0	0
Cancelation of treasury stock	–	–	–
Net changes in items other than shareholders' equity	438	86	4,657
Total changes in items during the period	947	605	10,069
Balance at the end of the period	¥ 14,753	¥ 13,805	$ 156,863

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) 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.

(f) Advances Received on 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.

(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

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for the unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost.

(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) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(n) Income Taxes

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

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 ¥94.05 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2013. 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. Changes in Accounting Methods

Changes in Accounting Policies Which Are Difficult to Distinguish from Changes in Accounting Estimates

In accordance with an amendment to the Corporation Tax Law of Japan effective April 1, 2012, the Company has changed its depreciation method for property, plant and equipment acquired on or after April 1, 2012.

As a result of this change, operating income, and income before income taxes increased by ¥11 million ($116 thousand) for the year ended March 31, 2013.

4. Notes to Non-Consolidated Balance Sheets

(a) Inventories

The components of inventories as of March 31, 2013 and 2012 were as follows:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Costs on uncompleted construction contracts	¥15,003	¥17,333	$159,521
Real estate for sale	—	87	—
	¥15,003	¥17,421	$159,521

(b) Transactions and 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, 2013 and 2012 were as follows:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Long-term non-operating accounts receivable	¥ 3,158	¥ 579	$ 33,577
Trade notes payable	654	1,122	6,953
Accounts payable on completed contracts	15,731	13,748	167,262
Long-term accounts payable	2,579	—	27,421

(c) Pledged Assets

The following assets were pledged at March 31, 2013 and 2012 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,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 807	¥ 1,848	$ 8,580
Accounts receivable on completed contracts	—	17,169	—
Land	5,209	5,209	55,385
Buildings, net of accumulated depreciation	351	375	3,732
Structures, net of accumulated depreciation	28	33	297
Investments in securities	2,293	1,965	24,380
Investments in subsidiaries and affiliates	364	364	3,870
	¥9,055	¥26,966	$96,278

The secured liabilities as of March 31, 2013 and 2012 are summarized as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥2,538	¥14,037	$26,985
[Including current portion of long-term debt]	[700]	[600]	[7,442]
Long-term debt	1,700	1,900	18,075

(d) Contingent Liabilities

At March 31, 2013 and 2012, the Company was contingently liable for the following:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of bank loans to customers, subsidiaries, an affiliate and employees	¥1,284	¥4,124	$13,652
As endorsers of notes receivable discounted with banks	234	78	2,488
As endorsers of other current assets (Non-operating notes receivable) discounted with banks	148	252	1,573

(e) Long-term accounts payable

Though the amount of an estimated loss corresponding to the Company's affiliate Yoshiikikaku Co., Ltd. had been recognized, the amount of contingent liabilities was disclosed since the guaranteed amount was not determined until March 31, 2012.
As of March 31, 2013, the amount of claims and guarantees was calculated based on the understanding that this company would be liquidated.
As a result, the Company recognized ¥2,579 million ($27,421 thousand) of long-term non-operating accounts receivable and long-term accounts payable, respectively as of March 31, 2013.

(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 nil and ¥485 million as of March 31, 2013 and 2012, respectively.

(g) Trade Notes Maturing on the Balance Sheet Date

Trade notes maturing at the end of the fiscal year are settled on the dates they mature. Since the last day of the fiscal year in 2013 and 2012 fell on a bank holiday, notes receivable maturing on that date were excluded from the corresponding balances in the non-consolidated balance sheet as of March 31, 2013 and 2012.

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥ 4	¥ 8	$ 42
Other current assets (Non-operating notes receivable)	26	16	276

5. 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 ¥194,563 million ($2,068,718 thousand) and ¥186,588 million for the years ended March 31, 2013 and 2012, 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 ¥484 million ($5,146 thousand) and ¥1,472 million for the years ended March 31, 2013 and 2012, respectively.

(c) Transactions and Outstanding Balances 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 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Interest and dividend income	¥656	¥721	$6,975

(d) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and wages	¥ 4,171	¥ 4,360	$ 44,348
Rent	1,019	1,022	10,834
Retirement benefit expenses	974	879	10,356
Communication and traveling expenses	845	841	8,984
Legal welfare expenses	609	658	6,475
Depreciation expenses	431	499	4,582
Provision for doubtful receivables	—	7	—
Other	2,055	2,231	21,850
Total	¥10,107	¥10,500	$107,464

(e) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥800 million ($8,506 thousand) and ¥835 million for the years ended March 31, 2013 and 2012, respectively.

(f) Loss on Disaster

Loss on disaster was due to the Great East Japan Earthquake on March 11, 2011.

6. Notes to Non-Consolidated Statements of Changes in Net Assets

Type and number of treasury stocks at March 31, 2013 are as follows:

	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 acquire common stock by exercising a call option.

Type and number of treasury stocks at March 31, 2012 were as follows:

	Balance at April 1, 2011	Increase	Decrease	Balance at March 31, 2012
	(Number of shares)			
Treasury shares:				
Common stock	436,646	13,431	2,155	447,922
2nd Series Class A preferred stock	–	520,600	520,600	–
3rd Series Class C preferred stock	–	80,000	80,000	–
3rd Series Class D preferred stock	–	93,200	93,200	–
Total	436,646	707,231	695,955	447,922

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 2nd Series Class A 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 2nd Series Class A preferred stock and 3rd Series Class D preferred stock is due to redemption acquire common stock by exercising a call option.

Note 5: Increase of 3rd Series Class C preferred stock is due to the acquisition of common stock by exercising a call option based on a resolution at the annual general meeting of the shareholders on June 29, 2011.

Note 6: Decrease of 3rd Series Class C preferred stock is due to redemption based on a resolution at the annual general meeting of the shareholders on June 29, 2011.

7. Securities

Stocks of subsidiaries and affiliates at March 31, 2013 and 2012 were as follows:

	As of March 31, 2013					
	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	¥1,932	¥1,215	$7,623	$20,542	$12,918

	As of March 31, 2012		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Stocks of a subsidiary	¥717	¥1,863	¥1,145

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,		
	2013		2012
	Carrying value		Carrying value
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*
Stocks of a subsidiaries	¥2,706	$28,771	¥2,628
Stocks of a affiliates	6	63	400

8. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ 5,631	¥ 5,273	$ 59,872
Allowance for bad debts	4,163	3,508	44,263
Tax loss carryforwards	1,365	36,058	14,513
Loss on devaluation of investments in subsidiaries and affiliates	1,234	1,108	13,120
Account payable and accrued expenses	994	1,180	10,568
Allowance for loss on litigation	317	307	3,370
Foreign tax credit carryforwards	269	—	2,860
Reserve for defects on completed construction projects	241	337	2,562
Allowance for losses on construction contracts	224	577	2,381
Other	233	406	2,477
Gross deferred tax assets	14,675	48,758	156,034
Valuation allowance	(10,575)	(44,658)	(112,440)
Total deferred tax assets	4,100	4,100	43,593
Deferred tax liabilities:			
Deferred gain on hedging instruments, net of taxes	(85)	(18)	(903)
Asset retirement obligations	(5)	(6)	(53)
Unrealized holding gain on securities	(0)	(0)	(0)
Total deferred tax liabilities	(92)	(25)	(978)
Net deferred tax assets	¥ 4,007	¥ 4,074	$ 42,604

The following table summarizes the significant differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2013 and 2012:

	Years ended March 31,	
	2013	2012
Statutory tax rates	38.0 %	40.7 %
Non-deductible expenses	43.3	28.8
Non-taxable income	(30.0)	(18.6)
Per capita inhabitants' taxes	(2.4)	4.3
Tax credit	(49.2)	—
Valuation allowance	16.1	(41.5)
Change in corporate tax rate	—	24.8
Other	(0.5)	—
Effective tax rates	15.3%	38.5%

9. Per Share Information

Net assets and basic net income per share as of and for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012	2013
	(Yen)		*(U.S. dollars)*
Net assets per share	¥9.62	¥(55.69)	$0.102
Net income per share – basic	0.79	2.52	0.008
Net income per share – diluted	0.63	0.95	0.006

The basis of calculation for net assets per share at March 31, 2013 and 2012 were as follows:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥14,753	¥ 13,805	$156,863
Amounts deducted from total net assets	8,260	29,874	87,825
[Including paid-in amounts for shares of preferred stock]	[8,071]	[29,874]	[85,816]
[Including cash dividends on preferred stock]	[188]	[—]	[1,998]
Total net assets attribute to common stock	¥ 6,492	¥(16,068)	$ 69,027
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	675,026	288,541	

The basis for calculating basic net income per share – basic and net income per share – diluted for the years ended March 31, 2013 and 2012 were as follows:

	Years ended March 31,		
	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income per share – basic:			
Net income	¥509	¥719	$5,412
Amount not available to common shareholders	188	—	1,998
[Including cash dividends on preferred stock]	[188]	[–]	[1,998]
Net income per share – basic	¥320	¥719	$3,402
	(Thousands of shares)		
Average number of share of common stock outstanding	406,066	285,186	

	Years ended March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income per share – diluted:			
Adjustment for net income	¥178	¥–	$1,892
[Including cash dividends on preferred stock]	[178]	[–]	[1,892]
	(Thousands of shares)		
Increase in number of share of common stock	388,227	476,133	
[Including preferred stock]	[388,227]	[476,133]	

10. Subsequent Event

There is no information to be disclosed as of March 31, 2013.

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

Short-term bank loans generally represent notes, principally at average interest rates of 2.0% and 2.4% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 is summarized as follows:

	As of March 31,		
	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at average interest rates of 2.4% and 2.6% at 2013 and 2012)	¥2,400	¥2,500	$25,518
Less current portion	(700)	(600)	(7,442)
	¥1,700	¥1,900	$18,075

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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, 2013, 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, 2013, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2013
Tokyo, Japan

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:
(14)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

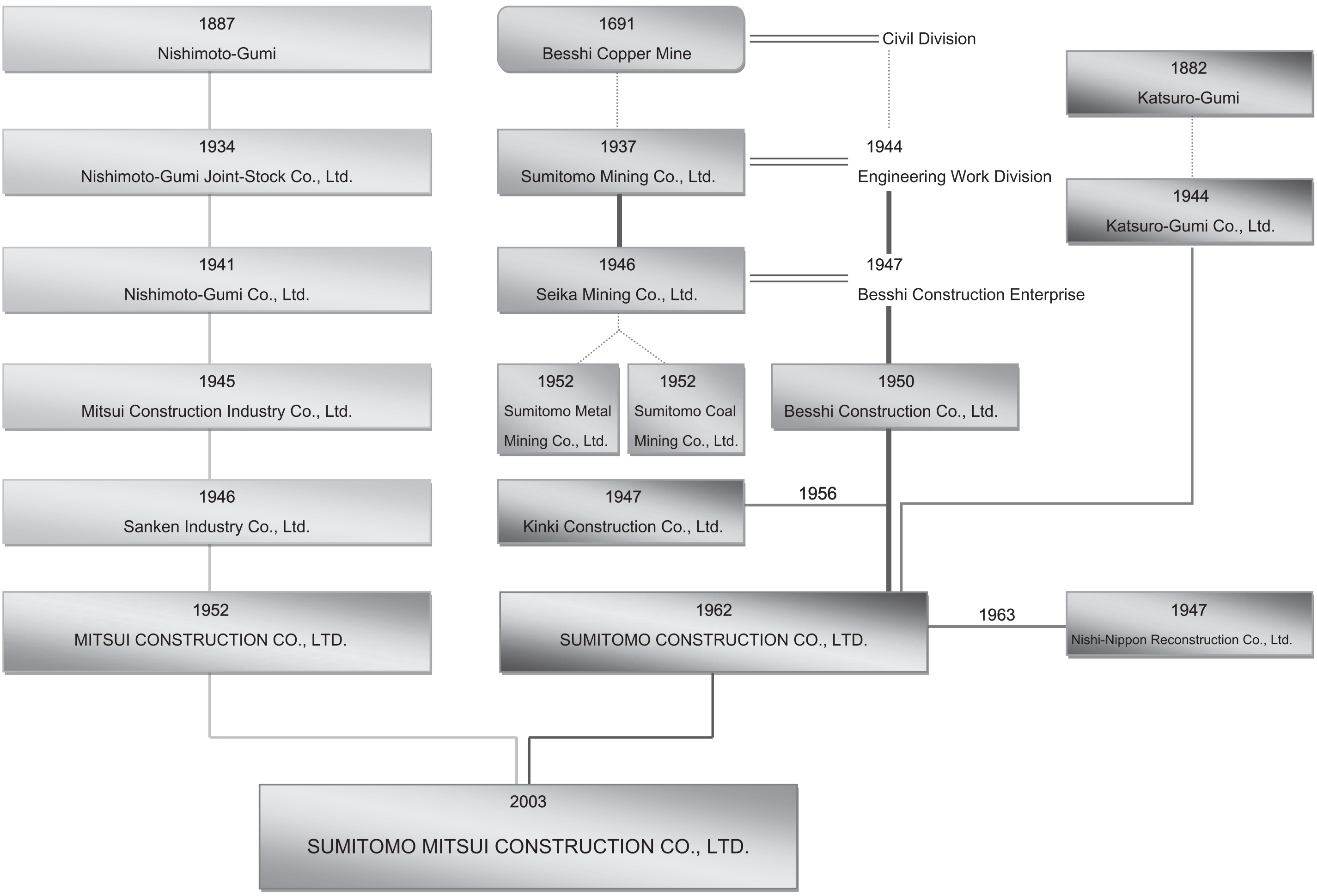
2) To plan, design and supervise marine development, regional development, urban development, natural resource development and environment maintenance

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
Daiwa Securities SMBC Principal Investments Co., Ltd.
Japan Securities Finance Co., Ltd.
Matsui Securities Co., Ltd.
Nomura Securities Co., Ltd.
Daiwa Securities Co., Ltd.

Corporate History



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