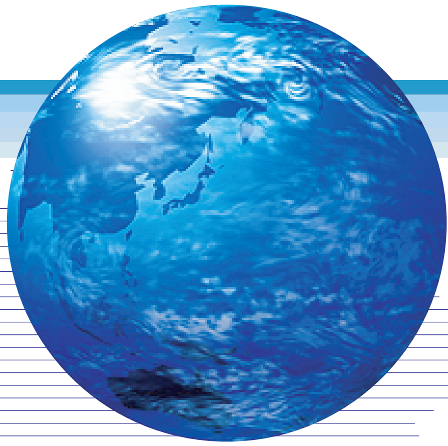


ANNUAL REPORT 2019

SUMITOMO MITSUI CONSTRUCTION CO.,LTD.

CONTENTS

Disclaimer for Forward-Looking Statements:

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

PROFILE

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

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

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

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

THE MESSAGE FROM THE PRESIDENT

I. Review of the Year ended March 31, 2019

In the current fiscal year, Japan's economy continues to recover at a moderate pace due to improvement of employment and income conditions, greater private-sector investments, despite concerns regarding the outlook for global economic growth arising from the U.S.-China trade friction, Brexit and other international issues.

In regard to the domestic construction market, in addition to support from public-sector investments, private-sector investments funded by robust corporate income, such as maintenance and upgrading, labor-saving effect investments, redevelopment projects in metropolitan areas, have remained generally consistent, which contributes to the continued stability of the market.

Against this background, the results of the last year of the Medium-term Management Plan 2016-2018 were as follows:

	Business target (consolidated)	Achievement
Net sales:	¥440 billion	¥448.8 billion
Operating income margin:	5.0% or higher	6.5%
Capital-to-asset ratio:	20.0% or higher	26.6%
Dividend payout ratio:	20.0% or higher	20.5%

On a consolidated basis, net sales were 448.8 billion yen, a 31.4 billion yen increase over the previous fiscal year. This result is attributable to the steady progress in high-level, undelivered construction work. On the other hand, total net profit was 51.0 billion yen, which is a 10 million yen decrease from the figure of previous fiscal year, and this result is due in part to rising material costs.

Although operating profit was 29.2 billion yen, a 1.4 billion yen decrease from the figure of previous fiscal year due in part to higher labor costs and R&D costs, ordinary profit was 28.9 billion yen, a 0.4 billion yen increase over the figure of previous fiscal year due to a decrease in non-operating expenses, establishing a new record in terms of ordinary profit, post-merger, for the fifth consecutive year. Net profit attributable to the shareholders of the parent company was 18.8 billion yen, a 1.9 billion yen decrease from the figure of previous fiscal year due to certain factors such as an increase in the corporate income tax burden.

II. Management Strategy and Foresight

The SMCC Group has prioritized restoration of the group's creditability and our corporate value, which were damaged by the incident relating to past piling works as the most important management issue, and has effected group-wide efforts to implement our theme of "Restoring creditability and enhancing our corporate value." In terms of performance, profits exceeding levels set in our business plan have been secured throughout the term and targets for capital-to-asset ratio and returns on shareholders' investments have been achieved, supported by the brisk domestic construction market.

With reference to the medium to long-term outlook for the business environment affecting the SMCC Group, high demand in terms of infrastructure works has been expected in light of rapid economic growth in regions overseas, especially in emerging countries such as those in Southeast Asia, South Asia and Africa, while concern exists that domestic construction demand is shrinking. In addition, although labor shortage, which is an issue common to all companies in the domestic construction industry, is expected to worsen, technological innovations such as IoT and AI applications and devices as well as other advanced information and communications technologies have rapidly progressed and expanded use of digitalization in the construction process has been forecasted.

In the face of such changes occurring in our business environment, we have established the "Vision 2030" in order to enhance the strengths of the SMCC Group, make each employee act with a vision for the future and achieve a sustainable society and sustainable growth of the SMCC Group.

■ "Vision 2030"

A construction company that globally supports and connects "People" and "Communities" with new value

Provide "New value"

(1) Revolutionize construction process
~Next-generation construction system~
(2) Diverse services extended from construction
(3) Sustainable technology
(4) Global human resources

■ "Mid-term Management Plan 2019-2021"

The theme: "Accelerate Changes"

Accelerate changes to enhance our business competitiveness and create corporate value while flexibly adapting to the changing business environment to contribute to achieving SDGs.

Basic policy:

(1) Change the construction process
(2) Strengthen overseas business
(3) Expand businesses domain

■ Numerical management principal targets for the last year of the "Mid-term Management Plan 2019-2021"

・Consolidated numerical management targets

Net sales	¥500 billion
Operating income margin	6% or higher
ROE	12% or higher
Capital-to-asset ratio	30% or higher
Total return ratio	30% or higher

・Target figure resulting from strengthen overseas business

Contract amount from overseas orders	¥100 billion

・Target gains resulting from productivity improvement (non-consolidated/domestic)

Construction revenue per employee	10% improvement (from fiscal 2018)

・Investments

Total volume for the term	¥50 billion

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

Having established the "Mid-term Management Plan 2019-2021", we will make concerted efforts to strengthen competitiveness and create greater corporate value to realize the "Vision 2030".

新井英雄

Hideo Arai
Representative Director,
President

Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2019
with Independent Auditor's Report

Consolidated Balance Sheets

March 31, 2019

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Assets			
Current assets:			
Cash and deposits *(Notes 6-(b), 10 and 11)*	¥ 74,319	¥ 80,788	$ 669,600
Trade notes receivable, accounts receivable on completed construction contracts and other *(Notes 6-(f) and 11)*	166,875	146,933	1,503,513
Inventories *(Notes 6-(a) and 6-(e))*	25,826	25,909	232,687
Other current assets *(Note 6-(b))*	18,121	13,390	163,266
Total current assets	285,143	267,022	2,569,087
Non-current assets:			
Property and equipment, at cost:			
Land *(Notes 6-(b) and 6-(c))*	13,995	14,611	126,092
Buildings and structures *(Note 6-(b))*	15,951	16,353	143,715
Machinery, equipment and vehicles *(Note 6-(b))*	19,179	18,796	172,799
Construction in progress	16	54	144
Accumulated depreciation	(26,735)	(25,718)	(240,877)
Property and equipment, net	22,406	24,096	201,874
Intangible fixed assets	2,225	2,109	20,046
Investments and other assets:			
Investments in securities *(Notes 6-(b), 11 and 12)*	20,677	12,899	186,296
Deferred tax assets *(Note 15)*	3,684	5,004	33,192
Investments in unconsolidated subsidiaries and affiliates	1,159	916	10,442
Other *(Note 6-(b))*	6,499	6,899	58,554
Allowance for doubtful receivables	(944)	(1,259)	(8,505)
Total investments and other assets	31,076	24,460	279,989
Total non-current assets	55,708	50,666	501,919
Total assets	¥340,851	¥317,688	$3,071,006

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable, accounts payable on construction contracts and other (*Notes 6-(f) and 11)*	¥ 98,496	¥ 94,632	$ 887,431
Electronically recorded payable (*Note 6-(f) and 11)*	32,103	31,691	289,242
Short-term bank loans and current portion of long-term debt *(Notes 6-(b), 6-(g), 11 and 20)*	1,777	2,769	16,010
Accrued expenses	7,610	7,354	68,564
Income tax payable	4,481	3,178	40,373
Advances received on construction contracts in progress	25,030	28,707	225,515
Reserve for defects on completed construction projects	1,008	976	9,081
Allowance for losses on construction contracts *(Note 6-(e))*	257	127	2,315
Allowance for contingency loss	2,159	2,159	19,452
Other current liabilities	17,470	18,511	157,401
Total current liabilities	190,395	190,108	1,715,424
Long-term liabilities:			
Long-term debt *(Notes 6-(b), 6-(g), 11 and 20)*	29,842	21,353	268,871
Deferred tax liability on land revaluation *(Note 6-(c))*	285	285	2,567
Liability for retirement benefits *(Note 14)*	17,475	18,231	157,446
Other long-term liabilities	4,899	4,857	44,139
Total long-term liabilities	52,502	44,727	473,033
Contingent liabilities *(Notes 6-(d) and 17)*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	108,144
Common stock:			
Authorized:			
533,892,994 shares in 2019 and 2018			
Issued and outstanding:			
162,673,321 shares in 2019 and 2018			
Additional paid-in capital	528	524	4,757
Retained earnings	79,694	63,790	718,028
Treasury stock, at cost: 2,094,304 shares in 2019 and 131,601 shares in 2018	(1,716)	(262)	(15,460)
Total shareholders' equity	90,509	76,056	815,469
Accumulated other comprehensive income:			
Unrealized holding gain on securities	1,926	1,010	17,352
Deferred (loss) on hedging instruments, net of taxes *(Note 13)*	(170)	(0)	(1,531)
Land revaluation *(Note 6-(c))*	73	73	657
Translation adjustments	(1,086)	(466)	(9,784)
Retirement benefits liability adjustment *(Note 14)*	(655)	(660)	(5,901)
Total accumulated other comprehensive income	86	(44)	774
Non-controlling interests	7,357	6,840	66,285
Total net assets	97,953	82,852	882,538
Total liabilities and net assets	¥340,851	¥317,688	$3,071,006

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Net sales *(Note 7-(a))*	¥448,758	¥417,310	$4,043,229
Cost of sales *(Notes 7-(b) and 7-(d))*	397,709	366,252	3,583,286
Gross profit	51,049	51,057	459,942
Selling, general and administrative expenses *(Notes 7-(c), 7-(d) and 14)*	21,831	20,473	196,693
Operating income	29,217	30,584	263,239
Other income (expenses):			
Interest and dividend income	975	905	8,784
Payments received from insurance claims	89	126	801
Reversal of allowance for PCB disposal expenses	165	—	1,486
Interest expense	(462)	(556)	(4,162)
Litigation expenses	(209)	(983)	(1,883)
Gain on sales of property and equipment *(Note 7-(e))*	98	8	882
Gain on sales of investment in securities *(Note 12-(c))*	325	189	2,928
Gain on liquidation of subsidiaries and affiliates	75	45	675
Loss on sales and disposal of property and equipment *(Note 7-(f))*	(111)	(79)	(1,000)
Impairment loss *(Note 7-(g))*	(794)	(581)	(7,153)
Other, net	(924)	(1,617)	(8,325)
	(772)	(2,542)	(6,955)
Profit before income taxes	28,444	28,041	256,275
Income taxes *(Note 15)*:			
Current	7,811	7,200	70,375
Deferred	944	(553)	8,505
	8,755	6,646	78,880
Profit	19,688	21,395	177,385
Profit attributable to:			
Non-controlling interests	859	672	7,739
Owners of parent	¥ 18,828	¥ 20,723	$169,636
	(Yen)		*(U.S. dollars) (Note 4)*
Profit per share *(Note 18)*	¥ 117.03	¥ 127.48	$ 1.054

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Profit	¥19,688	¥21,395	$177,385
Other comprehensive income:			
Unrealized holding gain on securities	916	697	8,252
Deferred (loss) gain on hedging instruments, net of taxes	(170)	3	(1,531)
Translation adjustments	(726)	183	(6,541)
Retirement benefits liability adjustments	11	(14)	99
Total other comprehensive income *(Note 8)*	30	870	270
Comprehensive income	¥19,719	¥22,265	$177,664
Comprehensive income attributable to:			
Owners of the parent	¥18,960	¥21,515	$170,826
Non-controlling interests	759	750	6,838

The accompanying notes are an integral part of these statements.

	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	Year ended March 31, 2019				
	Shareholders' equity				
	(Millions of yen)				
Balance at the beginning of the period	¥12,003	¥524	¥63,790	¥ (262)	¥76,056
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		0			0
Dividends from surplus			(2,925)		(2,925)
Profit attributable to owners of the parent			18,828		18,828
Purchases of treasury stock				(1,512)	(1,512)
Disposition of treasury stock		3		58	61
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	3	15,903	(1,453)	14,452
Balance at the end of the period	¥12,003	¥528	¥79,694	¥(1,716)	¥90,509

	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Year ended March 31, 2019							
	Accumulated other comprehensive income							
	(Millions of yen)							
Balance at the beginning of the period	¥1,010	¥ (0)	¥73	¥ (466)	¥(660)	¥(44)	¥6,840	¥82,852
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								0
Dividends from surplus								(2,925)
Profit attributable to owners of the parent								18,828
Purchases of treasury stock								(1,512)
Disposition of treasury stock								61
Net changes in items other than shareholders' equity	916	(170)	0	(619)	5	131	517	648
Total changes in items during the period	916	(170)	0	(619)	5	131	517	15,101
Balance at the end of the period	¥1,926	¥(170)	¥73	¥(1,086)	¥(655)	¥ 86	¥7,357	¥97,953

	Year ended March 31, 2019				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balance at the beginning of the period	$108,144	$4,721	$574,736	$ (2,360)	$685,250
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		0			0
Dividends from surplus			(26,353)		(26,353)
Profit attributable to owners of the parent			169,636		169,636
Purchases of treasury stock				(13,622)	(13,622)
Disposition of treasury stock		27		522	549
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	27	143,283	(13,091)	130,209
Balance at the end of the period	$108,144	$4,757	$718,028	$(15,460)	$815,469

	Year ended March 31, 2019							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)							
Balance at the beginning of the period	$ 9,099	$ (0)	$657	$(4,198)	$(5,946)	$(396)	$61,627	$746,481
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								0
Dividends from surplus								(26,353)
Profit attributable to owners of the parent								169,636
Purchases of treasury stock								(13,622)
Disposition of treasury stock								549
Net changes in items other than shareholders' equity	8,252	(1,531)	0	(5,577)	45	1,180	4,658	5,838
Total changes in items during the period	8,252	(1,531)	0	(5,577)	45	1,180	4,658	136,057
Balance at the end of the period	$17,352	$ (1,531)	$657	$(9,784)	$(5,901)	$ 774	$66,285	$882,538

Year ended March 31, 2018

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' Equity
	(Millions of yen)				
Balance at the beginning of the period	¥12,003	¥523	¥45,506	¥(247)	¥57,786
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		6			6
Dividends from surplus			(2,438)		(2,438)
Profit attributable to owners of the parent			20,723		20,723
Purchases of treasury stock				(21)	(21)
Disposition of treasury stock		(4)		6	2
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	1	18,284	(15)	18,270
Balance at the end of the period	¥12,003	¥524	¥63,790	¥(262)	¥76,056

Year ended March 31, 2018

	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred (loss) gain on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Millions of yen)							
Balance at the beginning of the period	¥ 312	¥(4)	¥73	¥(601)	¥(617)	¥(837)	¥6,293	¥63,242
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								6
Dividends from surplus								(2,438)
Profit attributable to owners of the parent								20,723
Purchases of treasury stock								(21)
Disposition of treasury stock								2
Net changes in items other than shareholders' equity	697	3	—	134	(43)	792	546	1,338
Total changes in items during the period	697	3	—	134	(43)	792	546	19,609
Balance at the end of the period	¥1,010	¥(0)	¥73	¥(466)	¥(660)	¥ (44)	¥6,840	¥82,852

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

March 31, 2019

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Operating activities			
Profit before income taxes	¥28,444	¥28,041	$256,275
Depreciation and amortization	2,115	1,998	19,055
Impairment loss	794	581	7,153
Decrease in allowance for doubtful receivables	(18)	(12)	(162)
Increase in reserve for defects on completed construction projects	41	171	369
Increase (decrease) in allowance for losses on construction contracts	129	(262)	1,162
(Decrease) in allowance for loss related to Antitrust Law	—	(146)	—
(Decrease) in liability for retirement benefits	(727)	(486)	(6,550)
Loss on sales and disposal of property and equipment	13	70	117
Interest and dividend income	(975)	(905)	(8,784)
Interest expense	462	556	4,162
Exchange (gain) loss, net	(324)	494	(2,919)
Equity in loss of affiliates	45	—	405
Reversal of allowance for PCB disposal expenses	(165)	—	(1,486)
(Increase) in trade notes receivable, accounts receivable on completed construction contracts and other	(20,644)	(3,163)	(185,998)
Decrease (increase) in inventories	51	(3,603)	459
(Increase) decrease in other assets	(4,655)	6,276	(41,940)
Increase in retirement benefits liability adjustments included in accumulated other comprehensive income	27	2	243
Increase (decrease) in trade notes payable, accounts payable on construction contracts and other	4,873	(4,318)	43,904
(Decrease) increase in advances received on construction contracts in progress	(3,505)	4,427	(31,579)
(Decrease) increase in other liabilities	(574)	7,041	(5,171)
Other	(275)	(209)	(2,477)
Subtotal	5,131	36,553	46,229
Interest and dividends received	898	893	8,090
Interest paid	(451)	(574)	(4,063)
Income taxes paid	(6,601)	(8,592)	(59,473)
Net cash provided by (used in) operating activities	(1,021)	28,279	(9,199)
Investing activities			
Decrease (increase) in fixed deposits	1,172	(1,322)	10,559
Purchases of property and equipment	(874)	(1,908)	(7,874)
Proceeds from sales of property and equipment	444	274	4,000
Purchases of intangible fixed assets	(352)	(275)	(3,171)
Purchases of investments in securities	(6,915)	(1,921)	(62,302)
Proceeds from sales of investments in securities	490	651	4,414
Purchases of shares of subsidiaries and affiliates	(295)	(183)	(2,657)
Proceeds from liquidation of subsidiaries and affiliates	—	45	—
Disbursements for loans receivable	(160)	(22)	(1,441)
Proceeds from collection of loans receivable	125	93	1,126
Other	(36)	327	(324)
Net cash (used in) investing activities	(6,400)	(4,241)	(57,662)

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Financing activities			
(Decrease) in short-term bank loans	¥ (196)	¥ (196)	$ (1,765)
Proceed from long-term debt	10,000	―	90,098
Payments of long-term debt	(2,286)	(9,557)	(20,596)
Increase in long-term loans of employees	267	333	2,405
(Increase) in treasury stock	(1,511)	(19)	(13,613)
Cash dividends paid	(2,918)	(2,430)	(26,290)
Cash dividends paid for non-controlling shareholders	(225)	(164)	(2,027)
Other	(409)	(541)	(3,685)
Net cash provided by (used in) financing activities	2,719	(12,576)	24,497
Effect of exchange rate changes on cash and cash equivalents	7	(146)	63
Net (decrease) increase in cash and cash equivalents	(4,695)	11,315	(42,301)
Cash and cash equivalents at beginning of the year	71,125	59,809	640,823
Cash and cash equivalents at end of the year *(Note 10)*	¥66,430	¥71,125	$598,522

The accompanying notes are an integral part of these statements.

1. Basis of Preparation

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

The Company had 17 consolidated subsidiaries and 1 affiliates accounted for by the equity method as of March 31, 2019.

(b) Fiscal Year of Consolidated Subsidiaries

All foreign consolidated subsidiaries (6 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. Cost of real estate for sale and materials and supplies is written down when their carrying amounts become unrecoverable.

(e) Depreciation and Amortization

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

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

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

(2) Intangible fixed assets (except leased assets)

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

(e) Depreciation and Amortization (continued)

(3) Leased assets

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

(f) Advances Received on Construction Contracts in Progress

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

(g) Allowance for Doubtful Receivables

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

(h) Reserve for Defects on Completed Construction Projects

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

(i) Allowance for Losses on Construction Contracts

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

(j) Allowance for Contingency Loss

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

(k) Accounting for Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2019.

(k) Accounting for Retirement Benefits (continued)

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

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

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

(l) Recognition of Revenues and Costs on Construction Contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method is applied for contracts for which the percentage of completion cannot be reliably estimated.

(m) Recognition of Income from Finance Leases

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

(n) Derivatives and Hedge Accounting

(1) Method of hedge accounting

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

(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.

(n) Derivatives and Hedge Accounting (continued)

(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 performed on a quarterly basis to confirm that there is a strong correlation between hedged items and hedging instruments by comparing accumulated amount of the change of cash flows of hedged items and accumulated amount of the change of cash flows of hedging instruments to assess whether the forward contract qualifies for hedge accounting.

(o) Cash Equivalents

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

(p) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(q) Income Taxes

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

The Company has adopted the consolidated taxation system.

3. Accounting Changes

Change in presentation

Partial Amendments to Accounting Standard for Tax Effect Accounting
The Company and its consolidated subsidiaries have adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) (hereinafter, the “Partial Amendments”) from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.
As a result, ¥3,409million of deferred tax assets in current assets previously presented in consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥5,004million of deferred tax assets in investments and other assets.

4. 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 ¥110.99 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2019. 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.

5. Unapplied Accounting Standard and Implementation Guidance

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

(1) Outline

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

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

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

(iii) Determine the transaction price

(iv) Allocate the transaction price to the performance obligations

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

(2) Scheduled Date of Application

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

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

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

6. Notes to Consolidated Balance Sheets

(a) Inventories

The components of inventories as of March 31, 2019 and 2018 were as follows:

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 1,292	¥ 1,148	$ 11,640
Materials and supplies	2,637	1,939	23,758
Costs on uncompleted construction contracts	21,894	22,819	197,261
Real estate for sale	2	2	18
	¥25,826	¥25,909	$232,687

(b) Pledged Assets

The following assets were pledged at March 31, 2019 and 2018 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,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 0	¥ 0	$ 0
Land	6,070	9,831	54,689
Buildings and structures, net of accumulated depreciation	565	766	5,090
Machinery, equipment and vehicles, net of accumulated depreciation	152	117	1,369
Investments in securities	10	10	90
Others (Current assets)	—	9	—
Others (Investments and other assets)	10	530	90
	¥6,810	¥11,268	$61,356

(b) Pledged Assets (continued)

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2019 and 2018 were summarized as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,258	¥1,258	$11,334
Buildings and structures, net of accumulated depreciation	229	213	2,063
Machinery, equipment and vehicles, net of accumulated depreciation	152	117	1,369
	¥1,640	¥1,589	$14,776

The secured liabilities as of March 31, 2019 and 2018 were summarized as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥ 11	¥ 11	$ 99
[Including current portion of long-term debt]	[11]	[11]	[99]
Long-term debt	92	103	828

(c) Land Revaluation

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

The market value of the land was less than the revalued book amount by ¥660 million ($5,946 thousand) and ¥666 million at March 31, 2019 and 2018, respectively.

(d) Contingent Liabilities

At March 31, 2019 and 2018, the Company and consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantors of bank loans to employees (house building fund)	¥ 3	¥ 4	$ 27
As endorsers of notes receivable discounted with banks	300	300	2,702
As endorsers of notes receivable endorsed to vendors	11	—	99

(e) Estimated Loss on Uncompleted Construction Contracts

An estimated loss on uncompleted construction contracts was recognized and included as part of inventories but was not offset against the amount on the balance sheet. It has been recorded as an allowance for losses on construction contracts in the amounts of ¥37 million ($333 thousand) and ¥8 million as of March 31, 2019 and 2018, respectively.

(f) Trade Notes Maturing on the Balance Sheet Date

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

Since the last day of the fiscal year which is March 31, 2019 and 2018 fell on a bank holiday, the below-listed trade notes maturing on that date were excluded from the corresponding balances in the consolidated balance sheets as of March 31, 2019 and 2018, respectively.

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥213	¥278	$1,919
Trade notes payable	51	274	459
Electronically recorded payable	123	67	1,108

(g) Financial covenants

For the year ended March 31, 2019

(1) The Company has entered into a syndicated loan contract dated on March 29, 2016 and loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

(g) Financial covenants (continued)

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($90,098 thousand) in long-term debt as of March 31, 2019.

Unused amount on loan commitment agreement as of March 31, 2019 and 2018 were as follows.

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$180,196
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$180,196

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥7,500 million ($67,573 thousand) in long-term debt (including the current portion) as of March 31, 2019.

(g) Financial covenants (continued)

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥3,750 million ($33,786 thousand) in long-term debt (including the current portion) as of March 31, 2019.

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($90,098 thousand) in long-term debt as of March 31, 2019.

Unused amount on the committed syndicated loan contract as of March 31, 2019 and 2018 were as follows.

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$90,098
Loan balance outstanding	10,000	–	90,098
Difference (unused portion)	¥ –	¥10,000	$ –

(g) Financial covenants (continued)

For the year ended March 31, 2018

(1) The Company has entered into a syndicated loan contract dated on March 29, 2016 and loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2018.

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

	As of March 31,	
	2018	**2017**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

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

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

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

(g) Financial covenants (continued)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥8,500 million in long-term debt (including the current portion) as of March 31, 2018.

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥4,250 million in long-term debt (including the current portion) as of March 31, 2018.

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

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

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

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

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

	As of March 31,	
	2018	**2017**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	¥10,000	¥–

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 ¥345,416 million ($3,112,136 thousand) and ¥323,114 million for the years ended March 31, 2019 and 2018, 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 ¥216 million ($1,946 thousand) and ¥93 million for the years ended March 31, 2019 and 2018, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses at March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 9,884	¥ 9,339	$ 89,053
Retirement benefit expenses	574	636	5,171
Provision of allowance for doubtful receivables	0	1	0
Other	11,371	10,497	102,450
Total	¥21,831	¥20,473	$196,693

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥2,474 million ($22,290 thousand) and ¥2,067 million for the years ended March 31, 2019 and 2018, respectively.

(e) Gain on Sales of Property and Equipment

The significant components of gain on sales of property and equipment for the years ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥32	¥0	$288
Machinery, equipment and vehicles	29	7	261
Land	36	0	324
Total	¥98	¥8	$882

(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, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥ 34	¥77	$ 306
Loss on sales	77	0	693
Others	–	1	–
Total	¥111	¥79	$1,000

(g) Impairment Loss

The Group recognized impairment loss on the following asset groups.

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

(1) For the year ended March 31, 2019

The book values of following assets were reduced to their recoverable values as a result of profit deterioration on elder care facility. The corresponding write-down was recognized in the amount of ¥794 million ($7,153 thousand) as part of other expenses.

Location	Usage	Classification	Year ended March 31, 2018	
			(Millions of yen)	*(Thousands of U.S. dollars)*
Hachioji, Tokyo	Elder care facility (1 building)	Land, buildings and structures	¥794	$7,153

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

(2) For the year ended March 31, 2018

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

(g) Impairment Loss (continued)

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

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

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, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain on securities:			
Changes in items during the period	¥1,322	¥1,194	$11,910
Amount of recycling	(0)	(188)	(0)
Before income tax effect adjustment	1,322	1,005	11,910
Income tax effect adjustment	(406)	(307)	(3,657)
Unrealized holding gain on securities	916	697	8,252
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	(245)	6	(2,207)
Amount of recycling	–	–	–
Before income tax effect adjustment	(245)	6	(2,207)
Income tax effect adjustment	75	(2)	675
Deferred gain on hedging instruments, net of taxes	(170)	3	(1,531)
Translation adjustments:			
Changes in items during the period	(651)	183	(5,865)
Amount of recycling	(75)	–	(675)
Before income tax effect adjustment	(726)	183	(6,541)
Income tax effect adjustment	–	–	–
Translation adjustments	(726)	183	(6,541)
Retirement benefits liability adjustments:			
Changes in items during the period	1	(65)	9
Amount of recycling	25	67	225
Before income tax effect adjustment	27	2	243
Income tax effect adjustment	(15)	(17)	(135)
Retirement benefits liability adjustments	11	(14)	99
Total other comprehensive income	¥ 30	¥ 870	$ 270

9. Notes to Consolidated Statements of Changes in Net Assets

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

For the year ended March 31, 2019

	Balance at April 1, 2018	Increase	Decrease	Balance at March 31, 2019
		(Number of shares)		
Shares issued:				
Common stock	162,673,321	–	–	162,673,321

	Balance at April 1, 2018	Increase	Decrease	Balance at March 31, 2019
		(Number of shares)		
Treasury shares:				
Common stock	131,601	2,033,555	70,852	2,094,304

Note 1: Increase of common stock is due to the purchase of fractional 16,755 shares and the acquisition of treasury stock of 2,016,800 shares based on the resolution of the board of directors held on May 14, 2018.

Note 2: Decrease of common stock is due to the sale of fractional 1,207 shares in response to shareholder requests and the disposition of treasury stock of 69,645 shares as the compensation of restricted stocks based on the resolution of the board of directors held on July 27, 2018.

For the year ended March 31, 2018

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

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

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

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

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

(b) Dividends:

(1) Dividends paid

For the year ended March 31, 2019

Resolution	Type of shares	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2018	Common stock	¥2,925	¥18.00	March 31, 2018	June 29, 2018

For the year ended March 31, 2018

Resolution	Type of shares	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2017	Common stock	¥2,438	¥3.00	March 31, 2017	June 30, 2017

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

(2) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020 were as follows:

Resolution	Type of shares	Source of dividends	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2019	Common stock	Retained earnings	¥3,853	¥24.00	March 31, 2019	June 28, 2019

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

Resolution	Type of shares	Source of dividends	Total dividends *(Millions of yen)*	Dividends per share *(Yen)*	Cut-off date	Effectiv e date
Annual general meeting of the shareholders on June 28, 2018	Common stock	Retained earnings	¥2,925	¥18.00	March 31, 2018	June 29, 2018

10. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2019 and 2018 were as follows:

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥74,319	¥80,788	$669,600
Time deposits with maturities of over three months	(7,888)	(9,662)	(71,069)
Cash and cash equivalents	¥66,430	¥71,125	$598,522

11. Financial Instruments

(a) Overview

(1) Policy for financial instruments

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

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

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

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

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

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

(a) Overview (continued)

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

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

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

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

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

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

(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 13 "Derivatives and Hedge Accounting" are not necessarily indicative of the actual market risk involved in the derivative transactions.

(b) Fair value of financial instruments

Amounts recognized in the consolidated balance sheets, market value, and the difference at March 31, 2019 and 2018, were as shown below. Moreover, items for which it is extremely difficult to determine fair values are not included in the following table (see Note 2).

	As of March 31, 2019					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and deposits	¥ 74,319	¥ 74,319	¥ –	$ 669,600	$ 669,600	$ –
Trade notes receivable, accounts receivable on completed construction contracts and other	166,875	166,858	(17)	1,503,513	1,503,360	(153)
Securities and investments in securities	17,276	17,281	4	155,653	155,698	36
Held-to-maturity securities	274	279	4	2,468	2,513	36
Other securities	17,001	17,001	–	153,175	153,175	–
Total assets	¥258,471	¥258,459	¥(12)	$2,328,777	$2,328,669	$(108)
Trade notes payable, accounts payable on construction contracts and other	¥ 98,496	¥ 98,496	¥ –	$ 887,431	$ 887,431	$ –
Electronically recorded payable	32,103	32,103	–	289,242	289,242	–
Short-term bank loans and current portion of long-term debt	1,777	1,760	(17)	16,010	15,857	(153)
Long-term debt	29,842	29,150	(691)	268,871	262,636	(6,225)
Total liabilities	¥162,219	¥161,510	¥(708)	$1,461,564	$1,455,176	$(6,378)
Derivative transactions (*)						
Hedge accounting is applied	¥ (246)	¥ (246)	¥ –	$ (2,216)	$ (2,216)	$ –

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

(b) Fair value of financial instruments (continued)

	As of March 31, 2018		
	Carrying value	Fair value	Difference
		(Millions of yen)	
Cash and deposits	¥ 80,788	¥ 80,788	¥ –
Trade notes receivable, accounts receivable on completed construction contracts and other	146,933	146,919	(13)
Securities and investments in securities	10,083	10,089	5
Held-to-maturity securities	283	289	5
Other securities	9,800	9,800	–
Total assets	¥237,805	¥237,797	¥ (7)
Trade notes payable, accounts payable on construction contracts and other	¥ 94,632	¥ 94,632	¥ –
Electronically recorded payable	31,691	31,691	–
Short-term bank loans and current portion of long-term debt	2,769	2,746	(23)
Long-term debt	21,353	21,098	(255)
Total liabilities	¥150,447	¥150,169	¥(278)
Derivative transactions (*)			
Hedge accounting is not applied	¥ (4)	¥ (4)	¥ –
Hedge accounting is applied	¥ (0)	¥ (0)	¥ –

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

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

Assets

(1) Cash and deposits

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

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

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

(b) Fair value of financial instruments (continued)

(3) Securities and investments in securities

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

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

Liabilities

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

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

(2) Short-term bank loans

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

(3) Long-term debt

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

The information of the fair value for derivatives is included in Note 13.

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

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks (*)	¥4,535	¥3,367	$40,859

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

(b) Fair value of financial instruments (continued)

Note 3: The redemption schedule for monetary claims and held-to-maturity debt securities with maturity dates subsequent to March 31, 2019 and 2018

	As of March 31, 2019							
	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	¥ 74,302	¥ –	¥–	¥–	$ 669,447	$ –	$–	$–
Trade notes receivable, accounts receivable on completed construction contracts and other	154,199	12,676	–	–	1,389,305	114,208	–	–
Securities and investments in securities								
Held-to-maturity securities (Bonds)	113	161	–	–	1,018	1,450	–	–
	¥228,615	¥12,837	¥–	¥–	$2,059,780	$115,659	$–	$–

	As of March 31, 2018			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)			
Deposits	¥ 80,767	¥ –	¥ –	¥–
Trade notes receivable, accounts receivable on completed construction contracts and other	139,873	7,060	–	–
Securities and Investments in securities				
Held-to-maturity securities (Bonds)	9	212	60	–
	¥220,650	¥7,272	¥60	¥–

Note 4: The redemption schedule for corporate bonds, long-term debt and other interest bearing debt with maturity dates subsequent to March 31, 2019 and 2018. See Note 20.

12. Securities

Securities at March 31, 2019 and 2018 were summarized as follows:

(a) Held-to-maturity securities

	As of March 31, 2019					
	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	¥274	¥279	¥4	$2,468	$2,513	$36

	As of March 31, 2018		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Bonds	¥283	¥289	¥5

(b) Other securities

	As of March 31, 2019					
	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	¥13,693	¥10,591	¥3,101	$123,371	$ 95,423	$27,939
Unrealized loss:						
Stock	3,307	3,618	(310)	29,795	32,597	(2,793)
Total	¥17,001	¥14,210	¥2,791	$153,175	$128,029	$25,146

	As of March 31, 2018		
	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)		
Unrealized gain:			
Stock	¥4,707	¥2,667	¥2,039
Unrealized loss:			
Stock	5,093	5,663	(570)
Total	¥9,800	¥8,331	¥1,469

(c) Sales of other securities

	Year ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	¥490	¥651	$4,414
Total gain on sales of security	325	188	2,928
Total loss on sales of security	0	–	0

13. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2019 and 2018 were summarized as follows:

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

Currency-related transactions

There were no currency-related transactions to which the hedge accounting is not applied for the year ended March 31, 2019.

As of March 31, 2018

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

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

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

(1) Currency-related transactions

There were no currency-related transactions to which the hedge accounting is applied for the year ended March 31, 2019.

As of March 31, 2018

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
				(Millions of yen)	
Allocation accounting method for foreign exchange forward contracts	Foreign exchange forward contracts	Accounts payable			
	Long U.S. dollar		¥—	¥—	Note 2
	Long U.S. dollar	Future foreign currency transactions	9	—	¥(0)
Total			¥9	¥—	¥(0)

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

Note 2: Since foreign exchange forward contracts accounted for are included in that of the account payable as the hedged item, the fair values of the contracts are included in the fair values of the account payable.

(2) Interest-related transactions

			As of March 31, 2019					
Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			(Millions of yen)			*(Thousands of U.S. dollars)*		
Fair value	Interest rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 7,500	¥ 7,500	¥(139)	$67,573	$67,573	$ (1,252)
	Pay fixed/ Receive floating	Long-term debt	2,500	2,500	(106)	22,524	22,524	(955)
Total			¥10,000	¥10,000	¥(246)	$90,098	$90,098	$(2,216)

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

There were no interest-related transactions to which the hedge accounting is applied for the year ended March 31, 2018.

14. Retirement Benefit Plans

For the year ended March 31, 2019, the Group has either funded or unfunded defined benefit and defined contribution plans.

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

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

The changes in the retirement benefit obligation during the year ended March 31, 2019 and 2018 were as follows (excluding plans for which the simplified method is applied):

	Year ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥16,929	¥17,499	$152,527
Service cost	866	851	7,802
Interest cost	72	75	648
Actuarial loss	(6)	26	(54)
Retirement benefit paid	(1,714)	(1,556)	(15,442)
Prior service cost	—	36	—
Foreign currency translation	(31)	(3)	(279)
Balance at the end of year	¥16,116	¥16,929	$145,202

The changes in plan assets during the year ended March 31, 2019 and 2018 were as follows (excluding plans for which the simplified method is applied):

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥52	¥59	$468
Expected return on plan assets	3	4	27
Actuarial gain	(4)	(2)	(36)
Retirement benefit paid	(3)	(7)	(27)
Foreign currency translation	(3)	(1)	(27)
Balance at the end of year	¥44	¥52	$396

The changes in liability for retirement benefits based on the simplified method during the year ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥1,354	¥1,280	$12,199
Retirement benefit expense	120	156	1,081
Retirement benefit paid	(57)	(72)	(513)
Contribution to defined contribution plan	(13)	(10)	(117)
Balance at the end of year	¥1,404	¥1,354	$12,649

A reconciliation of the funded retirement benefit obligation and plan assets and the net liability for retirement benefits recognized in the consolidated balance sheet at March 31, 2019 and 2018 is as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 345	¥ 350	$ 3,108
Plan assets at fair value	(182)	(185)	(1,639)
	163	165	1,468
Unfunded retirement benefit obligation	17,312	18,066	155,978
Net liability for retirement benefits in the consolidated balance sheet	17,475	18,231	157,446
Liability for retirement benefits	17,475	18,231	157,446
Assets for retirement benefits	–	–	–
Net liability for retirement benefits in the consolidated balance sheet	¥17,475	¥18,231	$157,446

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

The components of retirement benefit expense during the year ended March 31, 2019 and 2018 were as follows:

	Year ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 866	¥ 851	$7,802
Interest cost	72	75	648
Expected return on plan assets	(3)	(4)	(27)
Amortization of actuarial loss	385	430	3,468
Amortization of prior service cost	(360)	(363)	(3,243)
Retirement benefit expense calculated by the simplified method	120	156	1,081
Total retirement benefit expense	¥1,081	¥1,146	$9,739

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) during the year ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial loss	¥387	¥402	$3,486
Prior service cost	(360)	(399)	(3,243)
Total	¥ 27	¥ 2	$ 243

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 were follows:

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial loss	¥1,940	¥2,328	$17,479
Unrecognized prior service cost	(1,224)	(1,584)	(11,028)
Total	¥ 716	¥ 743	$ 6,451

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 were follows:

	As of March 31,	
	2019	**2018**
Bonds	93%	95%
Other	7%	5%
Total	100%	100%

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

The principal assumptions used for above plans were as follows:

	Years ended March 31,	
	2019	**2018**
Discount rate	Principally 0.3%	Principally 0.3%
Expected rate of return on plan assets	5.8%	5.4%
Expected rate of increase in salaries	Principally 4.7%	Principally 4.4%

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

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Contribution to defined contribution plans	¥792	¥808	$7,135

15. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Liability for retirement benefits	¥ 5,360	¥ 5,660	$ 48,292
Accounts payable and accrued expenses	3,521	3,697	31,723
Impairment loss	1,062	979	9,568
Other	2,063	3,447	18,587
Gross deferred tax assets	12,008	13,784	108,189
Valuation allowance	(7,070)	(7,943)	(63,699)
Total deferred tax assets	4,938	5,841	44,490
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(375)	(337)	(3,378)
Unrealized holding gain on securities	(855)	(449)	(7,703)
Other	(27)	(49)	(243)
Total deferred tax liabilities	(1,258)	(837)	(11,334)
Net deferred tax assets	¥ 3,679	¥ 5,004	$ 33,147

The following table summarizes the significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2019 and 2018:

	Years ended March 31,	
	2019	2018
Statutory tax rate	—%	30.9%
Non-deductible expenses	—	0.7
Non-taxable income	—	(0.9)
Per capita inhabitants' taxes	—	0.4
Tax credit	—	(2.3)
Valuation allowance	—	(6.2)
Different tax rate applied to foreign subsidiaries	—	0.5
Retained earnings of foreign consolidated subsidiaries	—	(0.1)
Other	—	0.7
Effective tax rates	—%	23.7%

The significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2019 has been omitted as its difference was less than 5% of the statutory tax rate.

16. Segment Information, etc.

Segment Information

(a) Outline of Segments

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

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

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

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

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

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

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

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

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

Segment Information (continued)

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

	Year ended March 31, 2019						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
				(Millions of yen)			
Sales							
External Customers	¥168,109	¥279,775	¥447,884	¥873	¥448,758	¥ –	¥448,758
Intersegment transactions or transfers	792	32	825	72	897	(897)	–
Net sales	¥168,901	¥279,808	¥448,709	¥946	¥449,655	¥(897)	¥448,758
Segment income	¥ 23,580	¥ 27,211	¥ 50,791	¥346	¥ 51,138	¥ (89)	¥ 51,049

	Year ended March 31, 2019						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
				(Thousands of U.S. dollars)			
Sales							
External Customers	$1,514,631	$2,520,722	$4,035,354	$7,865	$4,043,229	$ –	$4,043,229
Intersegment transactions or transfers	7,135	288	7,433	648	8,081	(8,081)	–
Net sales	$1,521,767	$2,521,019	$4,042,787	$8,523	$4,051,310	$ (8,081)	$4,043,229
Segment income	$ 212,451	$ 245,166	$ 457,617	$3,117	$ 460,744	$ (801)	$ 459,942

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

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

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

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

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

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

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

Related Information

For the year ended March 31, 2019

(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, 2019							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥384,728	¥55,324	¥8,706	¥448,758	$3,466,330	$498,459	$78,439	$4,043,229

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

(2) Tangible fixed assets

Geographical segment information on tangible fixed assets has been omitted as the amount of tangible fixed assets in Japan constituted over 90% of total as of March 31, 2019.

(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, 2019.

For the year ended March 31, 2018

(a) Product and service information

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

(b) Geographical segment information

(1) Sales

Year ended March 31, 2018			
Japan	Asia	Others	Total
(Millions of yen)			
¥358,797	¥54,123	¥4,389	¥417,310

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

Related Information (continued)

(b) Geographical segment information (continued)

(2) Tangible fixed assets

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

(c) Major customer information

Information on major customers has been omitted as there were no sales to a single customer constituting over 10% of net sales for the year ended March 31, 2018.

Losses on impairment by reportable segment

For the year ended March 31, 2019, ¥794 million ($7,153 thousand) impairment loss was recorded.

Note 1: The above amount consists of elder care facilities of ¥794 million ($7,153 thousand).

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

For the year ended March 31, 2018, ¥581 million impairment loss was recorded.

Note 1: The above amount consists of elder care facilities of ¥568 million and assets for business of ¥13 million.

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

Amortization of goodwill and unamortized balance by reportable segment

For the year ended March 31, 2019 and 2018, there were no amortization and unamortized balance of goodwill by reportable segment.

Gain on negative goodwill by reportable segment

For the years ended March 31, 2019 and 2018, there were no gain on negative goodwill by reportable segment.

17. Related Party Transactions

Related party transaction

Transactions with affiliates for the year ended March 31, 2019 were summarized as follows:

	Year ended March 31, 2019					
	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, 2019
			(Millions of yen)			
Affiliated company: Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Long-term non operating accounts receivable	¥–	Long-term non operating accounts receivable	¥2,918
			Long-term accounts payable	¥–	Long-term accounts payable	¥2,339

	Year ended March 31, 2019					
	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, 2019
			(Thousands of U.S. dollars)			
Affiliated company: Yoshiikikaku Co., Ltd. (Real estate business)	$90	30.0%	Long-term non operating accounts receivable	$–	Long-term non operating accounts receivable	$26,290
			Long-term accounts payable	$–	Long-term accounts payable	$21,073

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

Note 2: Allowance for above long-term non operating accounts receivable was recognized in the amount of ¥2,889 million ($26,029 thousand).

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2019

.

Related party transaction (continued)

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

	Year ended March 31, 2018					
	Capital investment	Number of voting shares held as a percentage of voting shares issued	Nature of transaction	Total amount of transaction	Balance sheet account	Balance at March 31, 2018
			(Millions of yen)			
Affiliated company:						
Yoshiikikaku Co., Ltd. (Real estate business)	¥10	30.0%	Long-term non operating accounts receivable	¥–	Long-term non operating accounts receivable	¥3,158
			Long-term accounts payable	¥–	Long-term accounts payable	¥2,579

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

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

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

.

18. Per Share Information

Net assets and basic profit per share as of and for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018	2019
	(Yen)		*(U.S. dollars)*
Net assets per share	¥564.19	¥467.65	$5.083
Profit per share	117.03	127.48	1.054

Note 1: Profit per share – diluted was omitted as there were no diluted share for the year ended March 31, 2019 and 2018.

Note 2: The Company executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2017. Net assets per share and Profit per share are recalculated on the assumption that the consolidation of shares executed at the beginning of the year ended March 31, 2018.

The basis of calculation for net assets per share at March 31, 2019 and 2018 were as follows:

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥97,953	¥82,852	$882,538
Amounts deducted from total net assets	7,357	6,840	66,285
[Including non-controlling interests]	[7,357]	[6,840]	[66,285]
Total net assets attributable to common stock	¥90,596	¥76,012	$816,253
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	160,579	162,541	

The basis for calculating basic profit per share – based and profit per share – diluted for the years ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Profit per share – basic:			
Profit attributable to owners of parent	¥18,828	¥20,723	$169,636
Amount not available to common shareholders	–	–	–
Profit attributable to owners of parent per share – basic	¥18,828	¥20,723	$169,636
	(Thousands of shares)		
Average number of shares of common stock outstanding	160,886	162,560	

19. Subsequent Event

Stock Repurchase

At the meeting of the Board of Directors held on May 10, 2019, the Company resolved to repurchase its stock in accordance with Article 156 of the Company Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan.

(a) Reason for repurchase of treasury stock

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

(b) Details of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	Up to 800,000 shares (0.50% of the total number of shares of common stock outstanding excluding treasury stock)
(3) Total amount	Up to 500,000,000 yen
(4) Period	From May 13, 2019 to September 30, 2019
(5) Repurchase method	Auction market on Tokyo Stock Exchange

(Reference)

Result of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	800,000 shares
(3) Total amount	497,082,300 yen
(4) Period	From May 13, 2019 to June 10, 2019 (contract basis)
(5) Repurchase method	Auction market on Tokyo Stock Exchange

20. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2019 and 2018 were summarized as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans (at weighted-average interest rates of 4.8% at 2019 and 4.5% at 2018)	¥ 266	¥ 483	$ 2,396
Deposits from employees (at interest rates of 1.0% at 2019 and 1.0% at 2018)	¥2,982	¥2,714	$26,867

Long-term debt at March 31, 2019 and 2018 were summarized as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at weighted-average interest rates of 2.5% at 2019 and 2.5% at 2018)	¥ 103	¥ 115	$ 928
Debt without collateral (at weighted-average interest rates of 1.4% at 2019 and 1.2% at 2018)	31,250	23,525	281,556
Lease obligations	1,037	956	9,343
Current portion (excluding lease obligations)	(1,511)	(2,286)	(13,613)
Current portion of lease obligations	(350)	(392)	(3,153)

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2020	¥ 1,511	$ 13,613
2021	11,511	103,712
2022	6,012	54,167
2023	512	4,613
2024	9,262	83,448
2025 and thereafter	2,543	22,911
	¥31,353	$282,484

The aggregate annual maturities of lease obligations subsequent to March 31, 2019 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2020	¥ 350	$3,153
2021	285	2,567
2022	222	2,000
2023	136	1,225
2024	40	360
2025 and thereafter	0	0
	¥1,037	$9,343

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1720
Fax: +81 3 3503 1828
ey.com

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, 2019, 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, 2019, 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 4.

Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

Year ended March 31, 2019
with Independent Auditor's Report

	As of March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits	¥ 45,308	¥ 54,534	$ 408,216
Trade notes receivable *(Note 4-(d))*	1,074	2,500	9,676
Accounts receivable on completed construction contracts	143,619	117,106	1,293,981
Securities	113	—	1,018
Inventories	18,321	21,345	165,068
Other current assets *(Note 4-(d))*	18,465	16,927	166,366
Allowance for doubtful receivables	(20)	—	(180)
Total current assets	226,883	212,414	2,044,175
Non-current assets:			
Property and equipment, at cost:			
Land *(Note 4-(b))*	5,328	5,328	48,004
Buildings *(Note 4-(b))*	4,734	4,689	42,652
Structures *(Note 4-(b))*	796	782	7,171
Machinery and equipment	3,200	3,119	28,831
Vehicles	311	318	2,802
Tools, furniture and fixtures	3,883	3,741	34,985
Construction in progress	11	45	99
Accumulated depreciation	(9,754)	(9,283)	(87,881)
Property and equipment, net	8,513	8,741	76,700
Intangible fixed assets	1,634	1,532	14,722
Investments and other assets:			
Investments in securities	20,464	12,490	184,376
Investments in subsidiaries and affiliates *(Notes 4-(b) and 6)*	14,082	14,287	126,876
Long-term loans receivable	73	73	657
Long-term loans to employees	442	500	3,982
Long-term prepaid expenses	28	22	252
Deferred tax assets *(Note 7)*	2,294	3,648	20,668
Other	4,914	5,244	44,274
Allowance for doubtful receivables	(4,611)	(4,769)	(41,544)
Total investments and other assets	37,689	31,496	339,571
Total non-current assets	47,837	41,770	431,002
Total assets	¥274,721	¥254,185	$2,475,186

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable *(Note 4-(a))*	¥ 11,350	¥ 11,817	$ 102,261
Electronically recorded payable *(Note 4-(a))*	24,354	26,685	219,425
Accounts payable on construction contracts *(Note 4-(a))*	69,542	62,304	626,560
Short-term bank loans and current portion of long-term debt *(Notes 4-(e))*	1,500	2,275	13,514
Income taxes payable	3,767	2,202	33,939
Advances received on construction contracts in progress	19,043	24,807	171,574
Reserve for defects on completed construction projects	866	852	7,802
Allowance for losses on construction contracts	248	115	2,234
Allowance for losses on business of subsidiaries and affiliates	750	32	6,757
Allowance for contingency loss	2,159	2,159	19,452
Other current liabilities	20,962	21,568	188,863
Total current liabilities	154,545	154,820	1,392,422
Long-term liabilities:			
Long-term debt *(Notes 4-(e))*	29,750	21,250	268,042
Accrued retirement benefits	13,538	14,317	121,974
Other long-term liabilities	2,931	2,989	26,407
Total long-term liabilities	46,220	38,557	416,433
Contingent liabilities *(Note 4-(c))*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	108,144
Common stock:			
Authorized:			
533,892,994 shares in 2019 and 2018			
Issued and outstanding:			
162,673,321 shares in 2019 and 2018			
Capital surplus:			
Other capital surplus	397	393	3,576
Total capital surpluses	397	393	3,576
Retained earnings:			
Legal retained earnings	883	590	7,955
Earned surplus carried forward	60,619	47,071	546,166
Total retained earnings	61,503	47,662	554,131
Treasury stock, at cost:			
2,094,304 shares in 2019 and 131,601 shares in 2018	(1,716)	(262)	(15,460)
Total shareholders' equity	72,188	59,797	650,400
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	1,937	1,010	17,452
Deferred (loss) on hedging instruments, net of taxes	(170)	(0)	(1,531)
Total valuation, translation adjustments and other	1,766	1,010	15,911
Total net assets	73,954	60,807	666,312
Total liabilities and net assets	¥274,721	¥254,185	$2,475,186

See accompanying notes to non-consolidated financial statements.

	Years ended March 31, 2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales:			
Completed construction *(Note 5-(a))*	¥349,923	¥316,065	$3,152,743
Others	152	84	1,369
	350,076	316,150	3,154,121
Cost of sales:			
Completed construction	310,014	275,969	2,793,170
Others	80	42	720
	310,095	276,011	2,793,900
Gross profit			
Completed construction	39,908	40,095	359,563
Others	71	42	639
	39,980	40,138	360,212
Selling, general and administrative expenses *(Note 5-(e))*	16,329	14,848	147,121
Operating income	23,650	25,290	213,082
Other income (expenses):			
Interest and dividend income *(Note 5-(b))*	1,316	1,214	11,856
Payments received from insurance claims	81	110	729
Royalty income *(Note 5-(b))*	821	580	7,397
Interest expense	(510)	(613)	(4,595)
Provision of allowance for doubtful receivables *(Note 5-(b))*	(155)	(530)	(1,396)
Provision for loss on business of subsidiaries and affiliates *(Note 5-(b))*	(717)	(32)	(6,460)
Gain on sales of property and equipment *(Note 5-(c))*	1	—	9
Gain on sales of investments in securities	180	189	1,621
Loss on sales and disposal of property and equipment *(Note 5-(d))*	(10)	(45)	(90)
Loss on membership evaluation	(12)	—	(108)
Loss on liquidation of subsidiaries and affiliates	(7)	—	(63)
Other, net	(921)	(3,003)	(8,298)
	64	(2,131)	576
Profit before income taxes	23,715	23,158	213,667
Income taxes *(Note 7)*:			
Current	5,929	4,919	53,419
Deferred	1,019	(556)	9,181
	6,949	4,362	62,609
Profit	¥ 16,766	¥ 18,795	$ 151,058
	(Yen)		*(U.S. dollars) (Note 3)*
Profit per share – basic	¥ 104.21	¥ 115.62	$ 0.938

See accompanying notes to non-consolidated financial statements.

Year ended March 31, 2019

	Shareholders' equity						
		Additional paid-in capital	Retained earnings				
	Capital stock	Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
				(Millions of yen)			
Balance at the beginning of the period	¥12,003	¥393	¥590	¥47,071	¥47,662	¥ (262)	¥59,797
Changes in items during the period							
Dividends from surplus				(2,925)	(2,925)		(2,925)
Provision of legal retained earnings			292	(292)	–		–
Profit				16,766	16,766		16,766
Purchases of treasury stock						(1,512)	(1,512)
Disposition of treasury stock		3				58	61
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	3	292	13,548	13,841	(1,453)	12,390
Balance at the end of the period	¥12,003	¥397	¥883	¥60,619	¥61,503	¥(1,716)	¥72,188

Year ended March 31, 2019

	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
		(Millions of yen)		
Balance at the beginning of the period	¥1,010	¥ (0)	¥1,010	¥60,807
Changes in items during the period				
Dividends from surplus				(2,925)
Provision of legal retained earnings				–
Profit				16,766
Purchases of treasury stock				(1,512)
Disposition of treasury stock				61
Net changes in items other than shareholders' equity	926	(170)	756	756
Total changes in items during the period	926	(170)	756	13,147
Balance at the end of the period	¥1,937	¥(170)	¥1,766	¥73,954

	Capital stock	Additional paid-in capital: Other capital surplus	Retained earnings: Earned reserve	Retained earnings: Earned surplus carried forward	Retained earnings: Total retained earnings	Treasury stock, at cost	Total shareholders' equity
	Year ended March 31, 2019						
	Shareholders' equity						
	(Thousands of U.S. dollars) (Note 3)						
Balance at the beginning of the period	$108,144	$3,540	$5,315	$424,101	$429,426	$ (2,360)	$538,760
Changes in items during the period							
Dividends from surplus				(26,353)	(26,353)		(26,353)
Provision of legal retained earnings			2,630	(2,630)	–		–
Profit				151,058	151,058		151,058
Purchases of treasury stock						(13,622)	(13,622)
Disposition of treasury stock		27				522	549
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	27	2,630	122,065	124,704	(13,091)	111,631
Balance at the end of the period	$108,144	$3,576	$7,955	$546,166	$554,131	$(15,460)	$650,400

	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
	Year ended March 31, 2019			
	Valuation, translation adjustments and other			
	(Thousands of U.S. dollars) (Note 3)			
Balance at the beginning of the period	$ 9,099	$ (0)	$ 9,099	$547,860
Changes in items during the period				
Dividends from surplus				(26,353)
Provision of legal retained earnings				–
Profit				151,058
Purchases of treasury stock				(13,622)
Disposition of treasury stock				549
Net changes in items other than shareholders' equity	8,343	(1,531)	6,811	6,811
Total changes in items during the period	8,343	(1,531)	6,811	118,452
Balance at the end of the period	$17,452	$(1,531)	$15,911	$666,312

Year ended March 31, 2018

	Shareholders' equity						
		Additional paid-in capital	Retained earnings				
	Capital stock	Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Millions of yen)						
Balance at the beginning of the period	¥12,003	¥398	¥347	¥30,957	¥31,304	¥(247)	¥43,460
Changes in items during the period							
Dividends from surplus				(2,438)	(2,438)		(2,438)
Provision of legal retained earnings			243	(243)	–		–
Profit				18,795	18,795		18,795
Purchases of treasury stock						(21)	(21)
Disposition of treasury stock		(4)				6	2
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(4)	243	16,113	16,357	(15)	16,337
Balance at the end of the period	¥12,003	¥393	¥590	¥47,071	¥47,662	¥(262)	¥59,797

Year ended March 31, 2018

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

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 (cost of materials and supplies is written down when their carrying amounts become unrecoverable).

(d) Depreciation and Amortization

(1) Property and equipment (except leased assets)

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

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

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

(3) Leased assets

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

(e) Advances Received on Construction Contracts in Progress

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

(f) Allowance for Doubtful Receivables

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

(g) Reserve for Defects on Completed Construction Projects

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

(h) Allowance for Losses on Construction Contracts

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

(i) Allowance for Losses on Business of Subsidiaries and Affiliates

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

(j) Allowance for Contingency Loss

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

(k) Employees' Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2019.

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

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

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

(l) Recognition of Revenues and Costs on Construction Contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage-of-completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method is applied for contracts for which the percentage of completion cannot be reliably estimated.

(m) Derivatives and Hedge Accounting

(1) Method of hedge accounting

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

(m) 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 performed on a quarterly basis to confirm that there is a strong correlation between hedged items and hedging instruments by comparing accumulated amount of the change of cash flows of hedged items and accumulated amount of the change of cash flows of hedging instruments to assess whether the forward contract qualifies for hedge accounting.

(n) Accounting for Retirement Benefits

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

(o) Consumption Taxes

Consumption taxes are accounted for by the tax exclusion method.

(p) Income Taxes

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

The Company has adopted the consolidated taxation system.

2. Accounting Changes

Change in presentation

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets are included within investments and other assets.
As a result, ¥2,540 million of deferred tax assets in current assets previously presented in non-consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥3,648 million of deferred tax assets in investments and other assets.

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 at ¥110.99 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2019. 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. Notes to Non-Consolidated Balance Sheets

(a) Outstanding Balances with Subsidiaries and Affiliates

Significant outstanding balances for subsidiaries and affiliates other than individually presented on the accompanying non-consolidated balance sheets at March 31, 2019 and 2018 were as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes payable	¥ 494	¥ 218	$ 4,450
Electronically recorded payable	4,127	5,432	37,183
Accounts payable on construction contracts	8,572	8,219	77,232

(b) Pledged Assets

The following assets were pledged at March 31, 2019 and 2018 principally as collateral for guarantees (such as guarantees for the completion of construction contracts):

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,735	¥5,209	$15,632
Buildings, net of accumulated depreciation	120	273	1,081
Structures, net of accumulated depreciation	34	60	306
Investments in subsidiaries and affiliates	369	369	3,324
Total	¥2,258	¥5,912	$20,344

There were no secured liabilities as of March 31, 2019 and 2018.

(c) Contingent Liabilities

At March 31, 2019 and 2018, the Company was contingently liable for the following:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of bank loans to subsidiaries and other	¥1,829	¥2,113	$16,478

(d) Trade Notes Maturing on the Balance Sheet Date

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

Since the last day of the fiscal year which is March 31, 2019 and 2018 fell on a bank holiday, the below-listed trade notes maturing on that date were excluded from the corresponding balances in the non-consolidated balance sheets as of March 31, 2019 and 2018, respectively.

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes receivable	¥5	¥95	$45
Other current assets [Non-operating notes receivable]	—	8	—

(e) Financial covenants

For the year ended March 31, 2019

(1) The Company has entered into a syndicated loan contract dated on March 29, 2016 and loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($90,098 thousand) in long-term debt as of March 31, 2019.

Unused amount on loan commitment agreement as of March 31, 2019 and 2018 were as follows.

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$180,196
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$180,196

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

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

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

(e) Financial covenants (continued)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥7,500 million ($67,573 thousand) in long-term debt (including the current portion) as of March 31, 2019.

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥3,750 million ($33,786 thousand) in long-term debt (including the current portion) as of March 31, 2019.

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($90,098 thousand) in long-term debt as of March 31, 2019.

Unused amount on the committed syndicated loan contract as of March 31, 2019 and 2018 were as follows.

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$90,098
Loan balance outstanding	10,000	–	90,098
Difference (unused portion)	¥ —	¥10,000	$ —

(e) Financial covenants (continued)

For the year ended March 31, 2018

(1) The Company has entered into a syndicated loan contract dated on March 29, 2016 and loan commitment agreement dated on March 31, 2016 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2018.

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

	As of March 31,	
	2018	**2017**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

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

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

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

(e) Financial covenants (continued)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥8,500 million in long-term debt (including the current portion) as of March 31, 2018.

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥4,250 million in long-term debt (including the current portion) as of March 31, 2018.

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

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

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

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

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

	As of March 31,	
	2018	**2017**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	¥10,000	¥–

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 ¥294,525 million ($2,653,617 thousand) and ¥270,863 million for the years ended March 31, 2019 and 2018, respectively.

(b) Transactions with Subsidiaries and Affiliates

Significant transactions with subsidiaries and affiliates other than individually presented on the accompanying non-consolidated statements of income for the years ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Dividend income	¥770	¥737	$6,937
Royalty income	821	580	7,397
Provision of allowance for doubtful receivables (expense)	(155)	(516)	(1,396)
Provision for loss on business of subsidiaries and affiliates	(717)	(32)	(6,460)

(c) Gain on Sales of Property and Equipment

The significant components of gain on sales of property and equipment for the years ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Machinery and equipment	¥1	¥–	$9

(d) 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, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥10	¥45	$90

(e) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Years ended March 31,		
	2019	2018	2019
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 7,429	¥ 7,045	$ 66,933
Provision of allowance for doubtful receivables	0	–	0
Depreciation expenses	605	491	5,450
Other	8,294	7,312	74,727
Total	¥16,329	¥14,848	$147,121

6. Securities

Stocks of subsidiaries and affiliates at March 31, 2019 and 2018 were as follows:

	As of March 31, 2019					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Stocks of a subsidiary	¥717	¥3,736	¥3,018	$6,460	$33,660	$27,191

	As of March 31, 2018		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Stocks of a subsidiary	¥717	¥3,606	¥2,889

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,		
	2019	2018	2019
	Carrying value		
	(Millions of yen)		*(Thousands of U.S. dollars)*
Stocks of subsidiaries	¥3,992	¥3,797	$35,967
Stocks of affiliates	10	10	90

7. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	As of March 31,		
	2019	**2018**	**2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ 4,145	¥ 4,384	$ 37,345
Allowance for bad debts	1,418	1,460	12,775
Account payable and accrued expenses	2,034	2,094	18,325
Loss on devaluation of investments in subsidiaries and affiliates	932	1,404	8,397
Reserve for defects on completed construction projects	265	260	2,387
Allowance for losses on construction contracts	76	35	684
Other	1,238	1,215	11,154
Gross deferred tax assets	10,111	10,854	91,098
Valuation allowance	(6,955)	(6,754)	(62,663)
Total deferred tax assets	3,155	4,100	28,425
Deferred tax liabilities:			
Unrealized holding gain on securities	(854)	(445)	(7,694)
Asset retirement obligations	(6)	(6)	(54)
Total deferred tax liabilities	(860)	(452)	(7,748)
Net deferred tax assets	¥ 2,294	¥ 3,648	$ 20,668

The following table summarizes the significant differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2019 and 2018:

	Years ended March 31,	
	2019	**2018**
Statutory tax rates	—%	30.9%
Non-deductible expenses	—	0.5
Non-taxable income	—	(1.0)
Per capita inhabitants' taxes	—	0.2
Tax credit	—	(2.7)
Valuation allowance	—	(8.2)
Other	—	(0.9)
Effective tax rates	—%	18.8%

The significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2019 has been omitted as its difference was less than 5% of the statutory tax rate.

8. Subsequent Event

Stock Repurchase

At the meeting of the Board of Directors held on May 10, 2019, the Company resolved to repurchase its stock in accordance with Article 156 of the Company Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan.

(a) Reason for repurchase of treasury stock

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

(b) Details of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	Up to 800,000 shares (0.50% of the total number of shares of common stock outstanding excluding treasury stock)
(3) Total amount	Up to 500,000,000 yen
(4) Period	From May 13, 2019 to September 30, 2019
(5) Repurchase method	Auction market on Tokyo Stock Exchange

(Reference)

Result of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	800,000 shares
(3) Total amount	497,082,300 yen
(4) Period	From May 13, 2019 to June 10, 2019 (contract basis)
(5) Repurchase method	Auction market on Tokyo Stock Exchange

EY
Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1720
Fax: +81 3 3503 1828
ey.com

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, 2019, 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, 2019, 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 3.

Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

CORPORATE OUTLINE

Corporate Name:
Sumitomo Mitsui Construction Co.,Ltd.

Established:
October 14, 1941

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

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

Main Scope of Business:

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

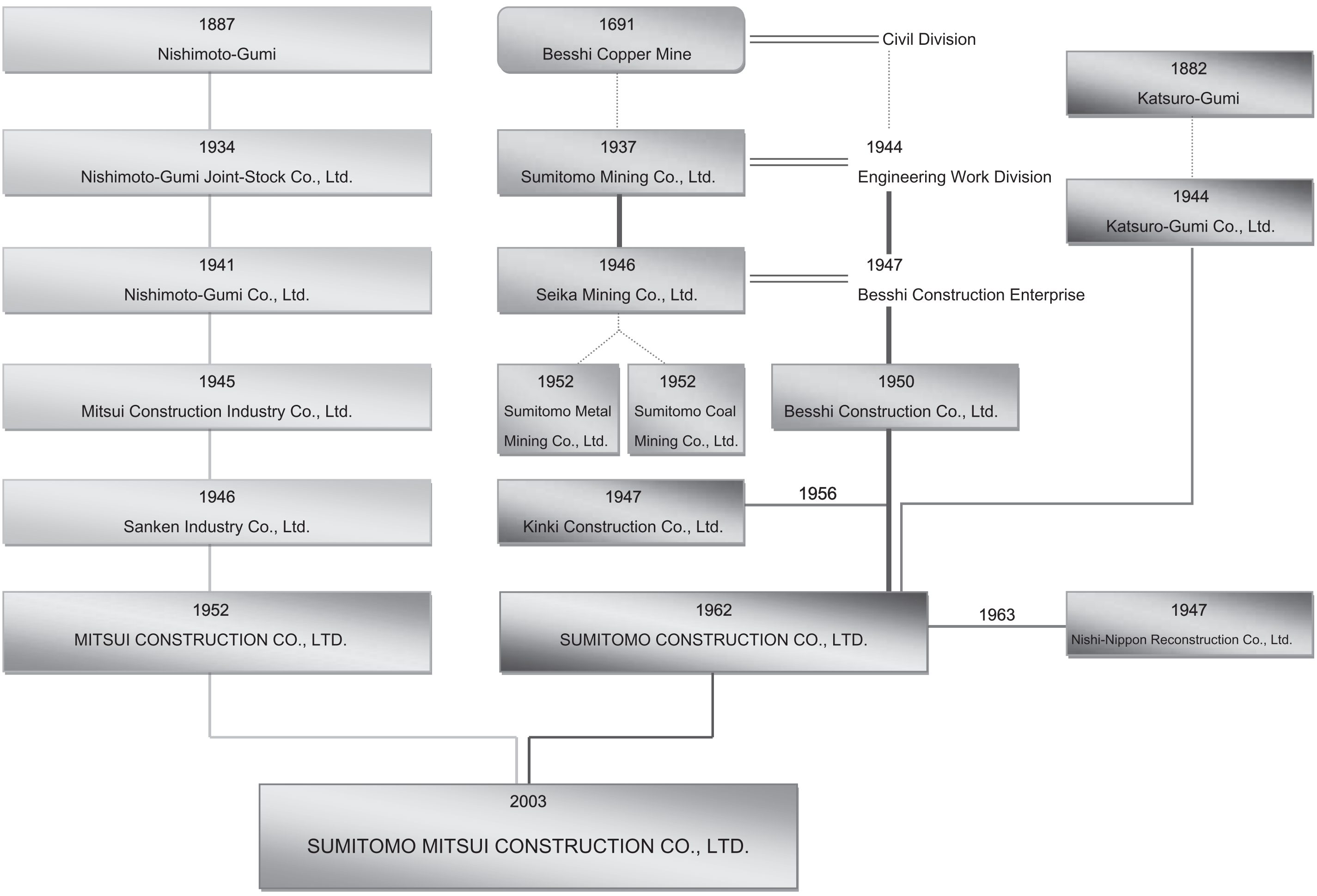
2) To plan, design and supervise marine development, regional development, urban development, natural resource development and environment maintenance

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

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

Main Shareholders
Japan Trustee Services Bank, Ltd.
The Master Trust Bank of Japan, Ltd.
Mitsui Fudosan Co., Ltd.
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM
Sumitomo Realty & Devlopment Co.,Ltd.

Corporate History



CORPORATE DATA

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

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

OVERSEAS OFFICES

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

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

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

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

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

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

Yangon:(Myanmar)
Room No. 20-04, 20th Floor, Crystal Office Tower, Junction Square Compound, Kyun Taw Street, Kamaryut Township, Yangon, Myanmar
TEL:95-1-933-9256 / 95-9-25156-5442

Phnom Penh:(Cambodia)
(Phnom Penh Center) South Building, 8 floor, Room No. 871, Street Sothearos (3), Phom 1, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, 12301, Cambodia
TEL:855-78-777-072

SUBSIDIARY COMPANIES IN OVERSEAS

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

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

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

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

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

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

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

SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.