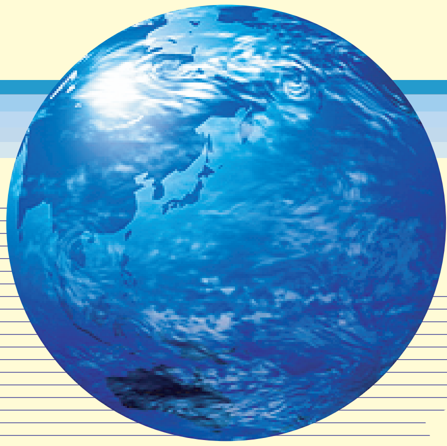

ANNUAL REPORT 2021

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 Fiscal Year ended March 31, 2021

In the fiscal year ended on March 31, 2021, the severe situation of Japan's economy due to the impact of COVID-19 continued resulting in drastic reductions in corporate earnings and weak employment and income performance. While it is expected that measures for preventing the spread of infection will lead to the revitalization of socio-economic activities and recovery of the economy, we consider that we will still need to carefully monitor how infection trends affect both the global and domestic economy.

In regard to the domestic construction market, although public-sector investments are expected to be consistent owing to various government policies, private-sector investments remain cautious. On the other hand, new lifestyles and work style reforms utilizing ICT such as remote work practices require the development of infrastructure that meets the needs of society.

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

The consolidated results of the SMCC Group for this fiscal year are as follows: net sales for the year were 421.6 billion yen, a 50.8 billion yen decrease over the previous fiscal year. Operating profit was 15.6 billion yen, a 9.2 billion yen decrease from the previous fiscal year and ordinary profit was 13.1 billion yen, which is a 10.8 billion yen decrease from the previous fiscal year. Net profit attributable to the shareholders of the parent company was 8.7 billion yen, a 6.8 billion yen decrease from the previous fiscal year.

[Consolidated results] (Unit: billion yen)

	FY2019	FY2020	Increase/(decrease)	Ratio (%)
Net sales	472.4	421.6	(50.8)	(10.7)
Operating profit	24.8	15.6	(9.2)	(37.1)
Ordinary profit	23.9	13.1	(10.8)	(45.3)
Net profit attributable to the shareholders of the parent company	15.6	8.7	(6.8)	(43.8)

II. Management Strategy, Business Environment and Company Issues

<Basic management policy and business environment>

As the impact of COVID-19 continues, although vaccinations have commenced, it will take time for the economy to fully recover due to restrictions on economic activities in various countries which have been taken as measures to prevent infection. The impact of this situation, including in areas such as employment and income, is unpredictable in Japan as well, and we need to carefully monitor the trends in construction investments.

Under such circumstances, the SMCC Group established as its “Vision 2030” target the policy of being a “A construction company that globally supports and connects ‘People’ and ‘Communities’ with new value”. We see COVID-19 as providing the moment of immense change in the lifestyles of “People” and the way “Communities” exist, with the expansion of healthcare facilities also being an urgent need. Development of urban infrastructure is essential for these changes to “Communities”. The strengthening of existing infrastructure to protect human lives and property from natural disasters, which have occurred frequently in recent years, is also one of the most important issues facing Japan. We believe that vigorously responding to these varied needs of society with our technologies is an important process that will lead to the realization of the future vision of our Group.

As for the “Mid-term Management Plan 2019-2021”, we will strive to strengthen our corporate competitiveness and create corporate value in FY2021, the final year of the Plan. We have designated important matters that are to be prioritized (which we identify as “Materiality”) based on current social issues and requests from stakeholders. In particular, we have expressed our support for the proposals of the Task Force on Climate-related Financial Disclosure (TCFD) for the realization of a de-carbonized society. We will continue to identify risks and opportunities related to climate change based on scenario analysis, and strengthen our efforts to improve resilience to climate change. Furthermore, in order to create an attractive working environment and to secure and develop human resources, we will secure and develop young skilled construction workers, promote diversity including female advancement, and promote work-life balance.

<Mid- to long-term management strategy>

As the first step of “Vision 2030”, we established “Accelerate Changes” as the theme of the “Mid-term Management Plan 2019-2021”. Our objectives are to progress the changes of the previous mid-term management plan to achieve new results with a sense of urgency, to take actions addressing social issues through businesses that are compatible with sustainable development goals (SDGs), and to accelerate the enhancement of our corporate competitiveness and value creation. We established three basic policies as follows:

“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.

1 Change the construction process	10% improvement of the productivity from FY2018
2 Strengthen overseas business	Awarded contract amount from overseas business: 100 billion yen
3 Expand businesses domain	Investment (total volume for the term): 50 billion yen

Consolidated management targets:

	Result of FY2019	Result of FY2020	Target for FY2021
Net sales	¥472.4 billion	¥421.6 billion	¥432.0 billion
Operating income margin	5.2%	3.7%	4.3%
ROE	16.7%	8.8%	Approx. 9.5%
Capital-to-asset ratio	27.1%	27.2%	Approx. 27%
Total return ratio	34.0%	43.8%	31.2%

<Issues for the Company>

The outbreak of COVID-19 has caused a worldwide downturn in manufacturing and other industries, and there is concern that demand for construction is shrinking.

In Japan, a state of emergency was repeatedly declared in metropolitan areas and there is concern that the impact to the economy will become more severe both in Japan and overseas.

The Company continues to prioritize the safety and health, including mental health, of all of its stakeholders and employees. We will carefully assess changes in social conditions, make timely and accurate decisions, and promptly implement countermeasures to ensure proper execution of our business plans.

Finally, regarding the case involving the construction of an apartment building located in Yokohama City, we will take appropriate actions determined through appropriate discussions with members of the rebuilding union, the vendor and other related parties. On November 28, 2017 Mitsui Fudosan Residential Co., Ltd. (hereinafter "MFR"), which is one of the developers of the apartment building, initiated a lawsuit against the Company and two piling companies claiming approximately 45.9 billion yen (subsequently increased to approximately 51.0 billion yen on July 11, 2018) as the alleged rebuilding cost for the entire apartment building. We consider that MFR's claim lacks a legal foundation and factual reasons, and will continue to make appropriate arguments in that court proceeding.

近藤 重敏

Shigetoshi Kondo
Representative Director,
President & COO

Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.
and Consolidated Subsidiaries

Year ended March 31, 2021
with Independent Auditor's Report

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 7-(b), 11 and 12)*	¥ 75,532	¥ 53,495	$ 682,250
Trade notes receivable, accounts receivable on completed construction contracts and other *(Notes 12)*	190,177	200,794	1,717,794
Inventories *(Notes 7-(a) and 7-(e))*	30,496	30,180	275,458
Other current assets *(Note 7-(b))*	19,522	15,942	176,334
Allowance for doubtful receivables	(1)	-	(9)
Total current assets	315,727	300,413	2,851,838
Non-current assets:			
Property and equipment, at cost:			
Land *(Notes 7-(b) and 7-(c))*	16,156	14,333	145,930
Buildings and structures *(Note 7-(b))*	15,969	16,067	144,241
Machinery, equipment and vehicles *(Note 7-(b))*	26,556	20,468	239,869
Construction in progress	1,009	168	9,113
Accumulated depreciation	(30,920)	(27,783)	(279,288)
Property and equipment, net	28,772	23,254	259,886
Intangible fixed assets	3,140	2,504	28,362
Investments and other assets:			
Investments in securities *(Notes 7-(b), 12 and 13)*	18,891	15,048	170,634
Deferred tax assets *(Note 16)*	3,968	5,293	35,841
Investments in unconsolidated subsidiaries and affiliates	1,053	1,125	9,511
Asset for retirement benefits	160	-	1,445
Other *(Note 7-(b))*	6,028	6,690	54,448
Allowance for doubtful receivables	(916)	(919)	(8,273)
Total investments and other assets	29,185	27,238	263,616
Total non-current assets	61,099	52,997	551,883
Total assets	¥376,826	¥353,410	$3,403,721

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable, accounts payable on construction contracts and other (*Notes 12)*	¥88,732	¥103,870	$801,481
Electronically recorded payable (*Note 12)*	29,782	32,568	269,009
Short-term bank loans and current portion of long-term debt *(Notes 7-(b), 7-(f), 12 and 22)*	8,662	11,511	78,240
Lease obligations	605	408	5,464
Accrued expenses	8,083	7,962	73,010
Income tax payable	1,463	3,565	13,214
Advances received on construction contracts in progress	25,601	21,181	231,243
Reserve for defects on completed construction projects	749	920	6,765
Allowance for losses on construction contracts *(Note 7-(e))*	995	330	8,987
Allowance for contingency loss	2,159	2,159	19,501
Other current liabilities	21,831	15,497	197,190
Total current liabilities	188,665	199,977	1,704,136
Long-term liabilities:			
Corporate Bond payable	5,000	—	45,163
Long-term debt *(Notes 7-(b), 7-(f), 12 and 22)*	49,518	28,330	447,276
Lease obligations	1,249	634	11,281
Deferred tax liability on land revaluation *(Note 7-(c))*	575	285	5,193
Allowance for share-based payment	36	16	325
Liability for retirement benefits *(Note 15)*	18,562	17,540	167,663
Other long-term liabilities	2,910	4,181	26,284
Total long-term liabilities	77,852	50,989	703,206
Contingent liabilities *(Notes 7-(d) and 19)*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	108,418
Common stock:			
Authorized:			
533,892,994 shares in 2021 and 2020			
Issued and outstanding:			
162,673,321 shares in 2021 and 2020			
Retained earnings	96,001	91,084	867,139
Treasury stock, at cost:			
5,511,604 shares in 2021 and 4,648,600 shares in 2020	(3,504)	(3,118)	(31,650)
Total shareholders' equity	104,499	99,969	943,898
Accumulated other comprehensive income:			
Unrealized holding gain on securities	407	(2,274)	3,676
Deferred (loss) on hedging instruments, net of taxes *(Note 14)*	(147)	(156)	(1,327)
Land revaluation *(Note 7-(c))*	71	73	641
Translation adjustments	(1,622)	(1,130)	(14,650)
Retirement benefits liability adjustment *(Note 15)*	(803)	(775)	(7,253)
Total accumulated other comprehensive income	(2,094)	(4,264)	(18,914)
Non-controlling interests	7,902	6,738	71,375
Total net assets	110,308	102,443	996,368
Total liabilities and net assets	¥376,826	¥353,410	$3,403,721

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Net sales *(Note 8-(a))*	¥421,619	¥472,402	$3,808,319
Cost of sales *(Notes 8-(b) and 8-(d))*	382,684	424,733	3,456,634
Gross profit	38,935	47,669	351,684
Selling, general and administrative expenses *(Notes 8-(c), 8-(d) and 15)*	23,351	22,903	210,920
Operating income	15,584	24,765	140,764
Other income (expenses):			
Interest and dividend income	791	1,057	7,144
Payments received from insurance claims	117	99	1,056
Interest expense	(1,082)	(754)	(9,773)
Exchange loss, net	(894)	(535)	(8,075)
Financing related expenses	(608)	(245)	(5,491)
Commission for loan commitment agreement	(628)	(49)	(5,672)
Gain on sales of property and equipment *(Note 8-(e))*	15	4	135
Gain on sales of investment in securities *(Note 13-(c))*	8	0	72
Gain on bargain purchase	547	—	4,940
Gain on sales of shares of subsidiaries and affiliates	330	—	2,980
Loss on sales and disposal of property and equipment *(Note 8-(f))*	(145)	(66)	(1,309)
Loss on termination of golf club membership	(276)	—	(2,492)
Other, net	(259)	(537)	(2,339)
	(2,083)	(1,026)	(18,814)
Profit before income taxes	13,500	23,738	121,940
Income taxes *(Note 16)*:			
Current	3,757	7,255	33,935
Deferred	219	269	1,978
	3,977	7,524	35,922
Profit	9,522	16,213	86,008
Profit attributable to:			
Non-controlling interests	779	662	7,036
Owners of parent	¥8,743	¥15,550	$78,972
	(Yen)		*(U.S. dollars) (Note 3)*
Profit per share *(Note 20)*	¥ 55.33	¥ 97.89	$ 0.499

The accompanying notes are an integral part of these statements.

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Profit	¥9,522	¥16,213	$86,008
Other comprehensive income:			
Unrealized holding gain on securities	2,681	(4,201)	24,216
Deferred gain (loss) on hedging instruments, net of taxes	8	14	72
Translation adjustments	(528)	(22)	(4,769)
Retirement benefits liability adjustments	12	(141)	108
Total other comprehensive income *(Note 9)*	2,174	(4,351)	19,636
Comprehensive income	¥11,697	¥11,862	$105,654
Comprehensive income attributable to:			
Owners of the parent	¥10,915	¥11,204	$98,590
Non-controlling interests	781	657	7,054

The accompanying notes are an integral part of these statements.

	Year ended March 31, 2021				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Millions of yen)				
Balance at the beginning of the period	¥12,003	—	¥91,084	¥(3,118)	¥99,969
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		35	(36)		(0)
Dividends from surplus			(3,792)		(3,792)
Profit attributable to owners of the parent			8,743		8,743
Change of scope of consolidation					
Purchases of treasury stock				(503)	(503)
Disposition of treasury stock		(35)		117	81
Reversal of Land Revaluation			1		1
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	4,916	(386)	4,530
Balance at the end of the period	¥12,003	—	¥96,001	¥(3,504)	¥104,499

	Year ended March 31, 2021							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Millions of yen)							
Balance at the beginning of the period	¥(2,274)	¥(156)	¥73	¥(1,130)	¥(775)	¥(4,264)	¥6,738	¥102,443
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(0)
Dividends from surplus								(3,792)
Profit attributable to owners of the parent								8,743
Change of scope of consolidation								
Purchases of treasury stock								(503)
Disposition of treasury stock								81
Reversal of Land Revaluation								1
Net changes in items other than shareholders' equity	2,682	8	(1)	(491)	(27)	2,170	1,164	3,334
Total changes in items during the period	2,682	8	(1)	(491)	(27)	2,170	1,164	7,865
Balance at the end of the period	¥407	¥(147)	¥71	¥(1,622)	¥(803)	¥(2,094)	¥7,902	¥110,308

	Year ended March 31, 2021				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 3)				
Balance at the beginning of the period	$108,418		$822,726	$(28,163)	$902,980
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		316	(325)		(0)
Dividends from surplus			(34,251)		(34,251)
Profit attributable to owners of the parent			78,972		78,972
Change of scope of consolidation					
Purchases of treasury stock				(4,543)	(4,543)
Disposition of treasury stock		(316)		1,056	731
Reversal of Land Revaluation			9		9
Net changes in items other than shareholders' equity					
Total changes in items during the period	—		44,404	(3,486)	40,917
Balance at the end of the period	$108,418	—	$867,139	$(31,650)	$943,898

	Year ended March 31, 2021							
	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 3)							
Balance at the beginning of the period	$(20,540)	$(1,409)	$659	$(10,206)	$(7,000)	$(38,515)	$60,861	$925,327
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(0)
Dividends from surplus								(34,251)
Profit attributable to owners of the parent								78,972
Change of scope of consolidation								
Purchases of treasury stock								(4,543)
Disposition of treasury stock								731
Reversal of Land Revaluation								9
Net changes in items other than shareholders' equity	24,225	72	(9)	(4,435)	(243)	19,600	10,513	30,114
Total changes in items during the period	24,225	72	(9)	(4,435)	(243)	19,600	10,513	71,041
Balance at the end of the period	$3,676	$(1,327)	$641	$(14,650)	$(7,253)	$18,914	$71,375	$996,368

Year ended March 31, 2020

	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	¥528	¥79,694	¥(1,716)	¥90,509
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		(513)	(247)		(760)
Dividends from surplus			(3,853)		(3,853)
Profit attributable to owners of the parent			15,550		15,550
Change of scope of consolidation			(59)		(59)
Purchases of treasury stock				(1,501)	(1,501)
Disposition of treasury stock		(15)		98	83
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(528)	11,390	(1,402)	9,459
Balance at the end of the period	¥12,003	—	¥91,084	¥(3,118)	¥99,969

Year ended March 31, 2020

	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	¥1,926	¥(170)	¥73	¥(1,086)	¥(655)	¥(0,086	¥7,357	¥097,953
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(760)
Dividends from surplus								(3,853)
Profit attributable to owners of the parent								15,550
Change of scope of consolidation								(59)
Purchases of treasury stock								(1,501)
Disposition of treasury stock								83
Net changes in items other than shareholders' equity	(4,201)	14	—	(44)	(119)	(4,351)	(618)	(4,970)
Total changes in items during the period	(4,201)	14	—	(44)	(119)	(4,351)	(618)	4,489
Balance at the end of the period	¥(2,274)	¥(156)	¥73	¥(1,130)	¥(775)	¥(4,264)	¥6,738	¥102,443

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

March 31, 2021

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Operating activities			
Profit before income taxes	¥13,500	¥23,738	$121,940
Depreciation and amortization	2,701	2,143	24,397
Decrease in allowance for doubtful receivables	(57)	(20)	(514)
Decrease in reserve for defects on completed construction projects	(209)	(86)	(1,887)
Increase in allowance for losses on construction contracts	380	73	3,432
Increase in allowance for share-based payment	21	16	189
(Decrease) increase in liability for retirement benefits	(156)	65	(1,409)
Loss on sales and disposal of property and equipment	130	61	1,174
Interest and dividend income	(791)	(1,057)	(7,144)
Interest expense	1,082	754	9,773
Exchange (gain) loss, net	(109)	203	(984)
Reversal of allowance for PCB disposal expenses	—	(4)	—
Gain on bargain purchase	(547)	—	(4,940)
Gain on sales of shares of subsidiaries and affiliates	(330)	—	(2,980)
Decrease (increase) in trade notes receivable, accounts receivable on completed construction contracts and other	24,546	(33,947)	221,714
Decrease (increase) in inventories	288	(4,361)	2,601
(Increase) decrease in other assets	(2,447)	2,004	(22,102)
Increase (decrease) increase in retirement benefits liability adjustments included in accumulated other comprehensive income	58	(172)	523
(Decrease) increase in trade notes payable, accounts payable on construction contracts and other	(24,772)	5,809	(223,755)
Increase (decrease) in advances received on construction contracts in progress	3,756	(3,787)	33,926
Increase (decrease) in other liabilities	5,304	(1,839)	47,908
Other	416	146	3,757
Subtotal	(22,764)	(10,259)	205,618
Interest and dividends received	831	1,104	7,506
Interest paid	(1,059)	(756)	(9,565)
Income taxes paid	(5,813)	(8,093)	(52,506)
Net cash provided by (used in) operating activities	16,723	(18,005)	151,052
Investing activities			
Decrease in fixed deposits	1,117	10	10,089
Purchases of property and equipment	(2,703)	(2,228)	(24,415)
Proceeds from sales of property and equipment	58	51	523
Purchases of intangible fixed assets	(957)	(555)	(8,644)
Purchases of investments in securities	(1)	(501)	(9)
Proceeds from sales of investments in securities	37	27	334
Disbursements for loans receivable	(16)	(341)	(144)
Proceeds from collection of loans receivable	179	158	1,616
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(195)	—	(1,761)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(299)	—	(2,700)
Other	98	(36)	885
Net cash (used in) investing activities	(2,681)	(3,416)	(24,216)

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Financing activities			
Decrease in short-term bank loans	¥ (7,520)	¥ (265)	$ (67,925)
Proceeds from long-term debt	29,000	10,000	261,945
Payments of long-term debt	(12,111)	(1,511)	(109,393)
Increase in long-term loans of employees	408	433	3,685
Proceeds from issuance of corporate bonds	5,000	—	45,163
Increase in treasury stock	(503)	(1,500)	(4,543)
Cash dividends paid	(3,785)	(3,844)	(34,188)
Cash dividends paid for non-controlling shareholders	(122)	(215)	(1,101)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(1,809)	(0)
Other	(651)	(447)	(5,880)
Net cash provided by (used in) financing activities	9,713	837	87,733
Effect of exchange rate changes on cash and cash equivalents	(6)	(102)	(54)
Net increase (decrease) in cash and cash equivalents	23,748	(20,686)	214,506
Cash and cash equivalents at beginning of the year	45,842	66,430	414,072
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	98	—
Cash and cash equivalents at end of the year *(Note 11)*	¥69,591	¥45,842	$628,588

The accompanying notes are an integral part of these statements.

1. Basis of Preparation

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

The Company had 18 consolidated subsidiaries and 1 affiliates accounted for by the equity method as of March 31, 2021.

(b) Fiscal Year of Consolidated Subsidiaries

All foreign consolidated subsidiaries (7 companies) have a fiscal year that ends on December 31. The accompanying consolidated financial statements were prepared based on the financial statements as of the same date. Necessary adjustments for consolidation were made on significant transactions that took place during the period between the fiscal year-end of the subsidiaries and the fiscal year-end of the Company.

(c) Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities for which market prices are determinable are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

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

(e) Depreciation and Amortization

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

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

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

(2) Intangible fixed assets (except leased assets)

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

(e) Depreciation and Amortization (continued)

(3) Leased assets

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

(f) Advances Received on Construction Contracts in Progress

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

(g) Allowance for Doubtful Receivables

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

(h) Reserve for Defects on Completed Construction Projects

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

(i) Allowance for Losses on Construction Contracts

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

(j) Allowance for Contingency Loss

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

(k) Allowance for Share-based Payment

An allowance has been provided based on the estimated amount for share-based payment liability as of 31 March, 2021 in order to cover payments of share to directors based on a share-based payment regulation.

(l) Accounting for Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2021.

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

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

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

(m) Recognition of Revenues and Costs 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.

(n) Derivatives and Hedge Accounting

(1) Method of hedge accounting

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

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(n) Derivatives and Hedge Accounting (continued)

(4) Assessment of hedge effectiveness

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

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

(o) 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.

(r) Accounting Method of Joint Ventures for Construction Project

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

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥110.71 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2021. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

4. Significant Accounting Estimates

(a) Provision for Contingent Loss

(1) Amounts recognized on Financial Statement of this fiscal year

	As of March 31, 2021	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Allowance for contingency loss	2,159	19,501

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

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.
Mitsui Fudosan Residential Co., Ltd. (hereinafter as “MFR”), which is one of the developers of the apartment, initiated a lawsuit against the Company and two piling companies on November 28, 2017, claiming about 45.9 billion yen (which amount increased to approximately 51.0 billion yen on July 11, 2018) as alleged rebuilding cost for the whole structure of the apartment. The Company considers that MFR’s claim lacks legal foundation and reason, and will continue to make appropriate arguments in that court proceeding.

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

(1) Amounts recognized on Financial Statement of this fiscal year

	As of March 31, 2021	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net Sales recognized based on Percentage-of-Completion Method	339,470	3,066,299

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

Net sales of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. It is necessary to estimate total revenue and cost of a project reasonably upon the recognition.
The Company’s result might be fluctuated due to change of revenues and costs of completed construction contracts affected by design changes or additional contracts generated from negotiations with clients, unpredictable changes of global politics, economics and social conditions, natural disasters, unforeseeable facts found after commencement of construction works, and/or modification of construction works caused by changes of project site situation.

5. Unapplied Accounting Standard and Implementation Guidance

(a) "Accounting Standard for Revenue Recognition"
(ASBJ Statement No. 29 issued on March 31, 2020)
"Implementation Guidance on Accounting Standard for Revenue Recognition"
(ASBJ Guidance No. 30 issued on March 26, 2021)

(1) Outline

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized 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) Recognize 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 fiscal year ending 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.

(b) "Accounting Standard for Fair Value Measurement"
(ASBJ Statement No. 30 issued on July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement"
(ASBJ Guidance No. 31 issued on July 4, 2019)
"Accounting Standard for Measurement of Inventories"
(ASBJ Statement No. 9 issued on July 4, 2019)
"Accounting Standard for Financial Instruments"
(ASBJ Statement No. 10 issued on July 4, 2019)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments"
(ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Outline

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

(1) Outline (continued)

(i) Financial instruments defined in “Accounting Standard for Financial Instruments”

(ii) Inventories held for trading purposes defined in “Accounting Standard for Measurement of Inventories”

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised requiring disclosure of financial instruments broken down by level in the fair value hierarchy.

(2) Scheduled Date of Application

The Company will apply the accounting standards and the implementation guidance from the beginning of the year ending 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. Additional Information

The estimation of accounting consequences of COVID-19

The timing of the end and the impacts upon domestic and global economy of COVID-19 pandemic are unpredictable and the outlook of market conditions of the future global economy and the Group is laborious to foresee.
Whereas consequences such as suspension of a project are moderate in domestic projects, limitation of activities continues in overseas projects. The Group predicts effects on progress of the projects and calculates accounting estimates such as profit and loss and recovery possibility of deferred tax assets.

Disclosure of Accounting Method of Joint Ventures for Construction Project

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on March 31, 2020) is applied to the Financial Statements as of the end of the current fiscal year, and “principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear” are disclosed.

7. Notes to Consolidated Balance Sheets

(a) Inventories

The components of inventories as of March 31, 2021 and 2020 were as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished goods	¥ 1,547	¥ 1,991	$ 13,973
Materials and supplies	4,694	3,111	42,399
Costs on uncompleted construction contracts	24,252	25,074	219,058
Real estate for sale	2	2	18
	¥30,496	¥30,180	$275,458

(b) Pledged Assets

The following assets were pledged at March 31, 2021 and 2020 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,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥ 0	¥ 0	$ 0
Land	6,070	6,070	54,827
Buildings and structures, net of accumulated depreciation	596	540	5,383
Machinery, equipment and vehicles, net of accumulated depreciation	164	152	1,481
Investments in securities	4	4	36
Others (Investments and other assets)	10	10	90
	¥6,846	¥6,778	$61,837

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2021 and 2020 were summarized as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,258	¥1,258	$11,363
Buildings and structures, net of accumulated depreciation	291	235	2,628
Machinery, equipment and vehicles, net of accumulated depreciation	164	152	1,481
	¥1,715	¥1,646	$15,490

(b) Pledged Assets (continued)

The secured liabilities as of March 31, 2021 and 2020 were summarized as follows:

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans	¥ 12	¥ 11	$ 108
[Including current portion of long-term debt]	[12]	[11]	[108]
Long-term debt	68	80	614

(c) Land Revaluation

Land for operations was revalued by two consolidated subsidiaries 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 ¥1,058 million ($9,556 thousand) and ¥658 million at March 31, 2021 and 2020, respectively.

(d) Contingent Liabilities

At March 31, 2021 and 2020, the Company and consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantors of bank loans to employees (house building fund)	¥ 3	¥ 3	$ 27
As guarantors of bank loans to Amenity Life Co., Ltd.	787	–	7,108
Advance deposits	–	1,226	–

(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 ¥103 million ($930 thousand) and ¥24 million as of March 31, 2021 and 2020, respectively.

(f) Financial covenants

For the year ended March 31, 2021

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

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

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

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

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$180,652
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$180,652

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥5,500 million ($49,679 thousand) in long-term debt (including the current portion) as of March 31, 2021.

(f) 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 banks from above (2)) with Sumitomo Mitsui Banking Corporation as arranger. The following financial covenant is included in the contract:

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥2,750 million ($24,839 thousand) in long-term debt (including the current portion) as of March 31, 2021.

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($90,326 thousand) in long-term debt as of March 31, 2021.

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$90,326
Loan balance outstanding	10,000	10,000	90,326
Difference (unused portion)	¥ –	¥ –	$ –

(f) Financial covenants (continued)

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($90,326 thousand) in long-term debt as of March 31, 2021.

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$90,326
Loan balance outstanding	10,000	10,000	90,326
Difference (unused portion)	¥ –	¥ –	$ –

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

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

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

(f) Financial covenants (continued)

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

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

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥30,000	¥ –	$270,978
Loan balance outstanding	–	–	–
Difference (unused portion)	¥30,000	¥ –	$270,978

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

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

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

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

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

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥50,000	¥ –	$451,630
Loan balance outstanding	–	–	–
Difference (unused portion)	¥50,000	¥ –	$451,630

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

(f) Financial covenants (continued)

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million ($135,489 thousand) in long-term debt as of March 31, 2021.

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥15,000	¥ –	$135,489
Loan balance outstanding	15,000	–	135,489
Difference (unused portion)	¥ –	¥ –	$ –

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥3,400 million ($30,710 thousand) in long-term debt (including the current portion) as of March 31, 2021.

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

(f) Financial covenants (continued)

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($90,326 thousand) in long-term debt as of March 31, 2021.

For the year ended March 31, 2020

(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 (including the current portion) as of March 31, 2020.

Unused amount on loan commitment agreement as of March 31, 2020 and 2019 were as follows.

	As of March 31,	
	2020	**2019**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

(f) Financial covenants (continued)

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥6,500 million in long-term debt (including the current portion) as of March 31, 2020.

(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 ¥3,250 million in long-term debt (including the current portion) as of March 31, 2020.

(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.

(f) Financial covenants (continued)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2020.

Unused amount on the committed syndicated loan contract as of March 31, 2020 and 2019 were as follows.

	As of March 31,	
	2020	**2019**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ –	¥ –

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2020.

Unused amount on the committed syndicated loan contract as of March 31, 2020 and 2019 were as follows.

	As of March 31,	
	2020	**2019**
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥ –
Loan balance outstanding	10,000	–
Difference (unused portion)	¥ –	¥ –

8. 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 ¥339,470 million ($3,066,299 thousand) and ¥381,887 million for the years ended March 31, 2021 and 2020, 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 ¥725 million ($6,548 thousand) and ¥184 million for the years ended March 31, 2021 and 2020, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses at March 31, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥11,369	¥10,526	$102,691
Retirement benefit expenses	659	595	5,952
Depreciation expenses	819	713	7,397
Provision of allowance for doubtful receivables	7	–	63
Other	10,495	11,067	94,799
Total	¥23,351	¥22,903	$210,920

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥2,748 million ($24,821 thousand) and ¥2,750 million for the years ended March 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥ 0	¥ –	$ 0
Machinery, equipment and vehicles	5	4	45
Land	9	–	81
Total	¥15	¥ 4	$135

(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, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥139	¥59	$1,255
Loss on sales	6	6	54
Total	¥145	¥66	$1,309

9. 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, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain on securities:			
Changes in items during the period	¥3,859	¥(6,056)	$34,856
Amount of recycling	–	2	–
Before income tax effect adjustment	3,859	(6,053)	34,856
Income tax effect adjustment	(1,177)	1,852	(10,631)
Unrealized holding gain on securities	2,681	(4,201)	24,216
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	12	21	108
Amount of recycling	–	–	–
Before income tax effect adjustment	12	21	108
Income tax effect adjustment	(3)	(6)	(27)
Deferred gain on hedging instruments, net of taxes	8	14	72
Translation adjustments:			
Changes in items during the period	(528)	(22)	(4,769)
Amount of recycling	–	–	–
Before income tax effect adjustment	(528)	(22)	(4,769)
Income tax effect adjustment	–	–	–
Translation adjustments	(528)	(22)	(4,769)
Retirement benefits liability adjustments:			
Changes in items during the period	(17)	(210)	(153)
Amount of recycling	75	38	677
Before income tax effect adjustment	58	(172)	523
Income tax effect adjustment	(46)	30	(415)
Retirement benefits liability adjustments	12	(141)	108
Total other comprehensive income	¥2,174	¥(4,351)	$19,636

10. 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, 2021

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

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

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

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

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

For the year ended March 31, 2020

	Balance at April 1, 2019	Increase	Decrease	Balance at March 31, 2020
		(Number of shares)		
Shares issued:				
Common stock	162,673,321	–	–	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, 2019	Increase	Decrease	Balance at March 31, 2020
		(Number of shares)		
Treasury shares:				
Common stock	2,094,304	2,695,089	140,793	4,648,600

Note 1: Increase of common stock is due to the purchase of fractional 6,689 shares and the acquisition of treasury stock of 800,000 shares and 1,888,400 shares based on the resolution of the board of directors held on May 10, 2019 and on August 7, 2019, respectively.

Note 2: Decrease of common stock is due to the sale of fractional 562 shares in response to shareholder requests and the disposition of treasury stock of 140,231 shares as the compensation of restricted stocks based on the resolution of the board of directors held on August 8, 2019.

(b) Dividends:

(1) Dividends paid

For the year ended March 31, 2021

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

For the year ended March 31, 2020

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

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

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

Dividends with the cut-off date in the year ended March 31, 2020 and the effective date in the year ending March 31, 2021 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 26, 2020	Common stock	Retained earnings	¥3,792	¥24.00	March 31, 2020	June 29, 2020

11. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2021 and 2020 were as follows:

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥75,532	¥53,495	$682,250
Time deposits with maturities of over three months	(5,940)	(7,652)	(53,653)
Cash and cash equivalents	¥69,591	¥45,842	$628,588

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

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

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current assets	¥16,727	¥ –	$151,088
Non-current assets	5,606	–	50,636
Current liabilities	(18,033)	–	(162,885)
Non-current liabilities	(2,089)	–	(18,869)
Non-controlling interests	(663)	–	(5,988)
Gain on bargain purchase	(547)	–	(4,940)
Acquisition price of stocks	1,000	–	9,032
Cash and cash equivalents	(804)	–	(7,262)
Balance: payments for acquisition	¥ 195	¥ –	$ 1,761

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

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

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current assets	¥305	¥ –	$2,754
Non-current assets	780	–	7,045
Current liabilities	(114)	–	(1,029)
Non-current liabilities	(1,301)	–	(11,751)
Gain on sales of stocks	330	–	2,980
Selling price of stocks	0	–	0
Cash and cash equivalents	(259)	–	(2,339)
Balance: payments for sales	¥(259)	¥ –	$(2,339)

12. Financial Instruments

(a) Overview

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

(a) Overview (continued)

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 14 "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, 2021 and 2020, 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, 2021					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and deposits	¥ 75,532	¥ 75,532	¥ –	$ 682,250	$ 682,250	$ –
Trade notes receivable, accounts receivable on completed construction contracts and other	190,177	190,155	(22)	1,717,794	1,717,595	(198)
Securities and investments in securities	15,404	15,405	1	139,138	139,147	9
Held-to-maturity securities	117	118	1	1,056	1,065	9
Other securities	15,287	15,287	–	138,081	138,081	–
Total assets	¥281,114	¥281,093	¥ (20)	$2,539,192	$2,539,022	$(180)
Trade notes payable, accounts payable on construction contracts and other	¥ 88,732	¥ 88,732	¥ –	$ 801,481	$ 801,481	$ –
Electronically recorded payable	29,782	29,782	–	269,009	269,009	–
Short-term bank loans and current portion of long-term debt	8,662	8,572	(89)	78,240	77,427	(803)
Corporate bond	5,000	4,979	(20)	45,163	44,973	(180)
Long-term debt	49,518	48,832	(685)	447,276	441,080	(6,187)
Total liabilities	¥181,695	¥180,899	¥(796)	$1,641,179	$1,633,989	$(7,189)
Derivative transactions (*)	¥ 211	¥ 211	¥ –	$ (1,905)	$ (1,905)	$ –

(*): 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, 2020		
	Carrying value	Fair value	Difference
	(Millions of yen)		
Cash and deposits	¥ 53,495	¥ 53,495	¥ –
Trade notes receivable, accounts receivable on completed construction contracts and other	200,794	200,764	(29)
Securities and investments in securities	11,581	11,584	2
Held-to-maturity securities	162	164	2
Other securities	11,419	11,419	–
Total assets	¥265,872	¥265,844	¥ (27)
Trade notes payable, accounts payable on construction contracts and other	¥103,870	¥103,870	¥ –
Electronically recorded payable	32,568	32,568	–
Short-term bank loans and current portion of long-term debt	11,511	11,378	(133)
Long-term debt	28,330	28,185	(145)
Total liabilities	¥176,281	¥176,002	¥(278)
Derivative transactions (*)	¥ (224)	¥ (224)	¥ –

(*): 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.

(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."

(b) Fair value of financial instruments (continued)

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) Corporate Bond

Fair value of corporate bonds issued by the Company is based on the present value of the total principal and interest discounted by the interest rate reflects the remaining term and the credit risk.

(4) Long-term debt

Fair value of long-term debt is based on the price provided by financial institutions or the present value of future cash flows discounted using the current borrowing rate for similar debt with a comparable maturity. The fair value of loans subject to special hedge accounting treatment of interest rate swaps is based on the present value of the total principal and interest of the borrowings hedged by interest rate swaps, discounted by the interest rate to be applied if similar new loans were entered into.

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

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks (*)	¥4,278	¥4,288	$38,641

(*): 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, 2021 and 2020

	As of March 31, 2021							
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years	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	¥ 75,528	¥ –	¥ –	¥ –	$ 682,214	$ –	$ –	$ –
Trade notes receivable, accounts receivable on completed construction contracts and other	180,705	9,472	–	–	1,632,237	85,556	–	–
Securities and investments in securities								
Held-to-maturity securities (Bonds)	47	69	–	–	424	623	–	–
	¥256,280	¥9,541	¥ –	¥ –	$2,314,876	$86,180	$ –	$ –

	As of March 31, 2020			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
	(Millions of yen)			
Deposits	¥ 53,490	¥ –	¥ –	¥ –
Trade notes receivable, accounts receivable on completed construction contracts and other	192,156	8,637	–	–
Securities and Investments in securities				
Held-to-maturity securities (Bonds)	45	116	–	–
	¥245,693	¥8,753	¥ –	¥ –

Note 4: The redemption schedule for corporate bonds, long-term debt and other interest bearing debt with maturity dates subsequent to March 31, 2021 and 2020. See Note 22.

13. Securities

Securities at March 31, 2021 and 2020 were summarized as follows:

(a) Held-to-maturity securities

	As of March 31, 2021					
	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	¥117	¥118	¥1	$1,056	$1,065	$9

	As of March 31, 2020		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Securities whose fair value exceeds their carrying value:			
Bonds	¥162	¥164	¥2

(b) Other securities

	As of March 31, 2021					
	Balance sheet amount	Cost	Unrealized gain (loss)	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Unrealized gain:						
Stock	¥ 4,550	¥ 2,620	¥1,929	$ 41,098	$ 23,665	$17,423
Unrealized loss:						
Stock	10,736	12,063	(1,326)	96,974	108,960	(11,977)
Total	¥15,287	¥14,684	¥ 602	$138,081	$132,634	$ 5,437

	As of March 31, 2020		
	Balance sheet amount	Cost	Unrealized gain (loss)
	(Millions of yen)		
Unrealized gain:			
Stock	¥3,021	¥1,674	¥1,346
Unrealized loss:			
Stock	8,397	13,007	(4,609)
Total	¥11,419	¥14,682	¥3,262

(c) Sales of other securities

	Year ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Sales proceeds	¥37	¥27	$334
Total gain on sales of security	8	0	72
Total loss on sales of security	–	3	–

14. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2021 and 2020 were summarized as follows:

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

(1) Currency-related transactions

As of March 31, 2021

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			(Millions of yen)			*(Thousands of U.S. dollars)*		
Allocation accounting method for forward foreign exchange contracts	Forward foreign exchange contracts							
	Long U.S.dollars	Accounts payable	¥ -	¥ -	(Note 2)	$ -	$ -	(Note 2)
	Long U.S.dollars	Future foreign currency	198	-	¥3	1,788	-	$27
Total			¥198	¥ -	¥3	$1,788	$ -	$27

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

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

There were no currency-related transactions to which the hedge accounting is applied for the year ended March 31, 2020.

(2) Interest-related transactions

As of March 31, 2021

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	¥(106)	$67,744	$67,744	$ (957)
	Pay fixed/ Receive floating	Long-term debt	2,500	2,500	(108)	22,581	22,581	(975)
Total			¥10,000	¥10,000	¥(215)	$90,326	$90,326	$(1,942)

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

(2) Interest-related transactions (continued)

As of March 31, 2021

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			(Millions of yen)			*(Thousands of U.S. dollars)*		
Short-cut method	Interest-rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 6,000	¥ 6,000	(Note 1)	$54,195	$54,195	(Note 1)
	Pay fixed/ Receive floating	Long-term debt	4,000	4,000	(Note 1)	36,130	36,130	(Note 1)
Total			¥10,000	¥10,000		$90,326	$90,326	

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

As of March 31, 2020

Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
			(Millions of yen)		
Fair value	Interest-rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 7,500	¥ 7,500	¥(109)
	Pay fixed/ Receive floating	Long-term debt	2,500	2,500	(114)
Total			¥10,000	¥10,000	¥(224)

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

As of March 31, 2020

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

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

15. Retirement Benefit Plans

For the year ended March 31, 2021, 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, 2021 and 2020 were as follows (excluding plans for which the simplified method is applied):

	Year ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥16,120	¥16,116	$145,605
Service cost	889	866	8,029
Interest cost	79	67	713
Actuarial loss	26	214	234
Retirement benefit paid	(1,240)	(1,145)	(11,200)
Prior service cost	(1)	–	(9)
Increase due to a new consolidation	1,165	–	10,522
Foreign currency translation	(16)	0	(144)
Balance at the end of year	¥17,022	¥16,120	$153,753

The changes in plan assets during the year ended March 31, 2021 and 2020 were as follows (excluding plans for which the simplified method is applied):

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥45	¥44	$406
Expected return on plan assets	7	4	63
Actuarial gain	11	3	99
Contribution of the employer	9	–	81
Increase due to a new consolidation	446	–	4,028
Retirement benefit paid	(3)	(8)	(27)
Foreign currency translation	0	0	0
Balance at the end of year	¥517	¥45	$4,669

The changes in liability for retirement benefits based on the simplified method during the year ended March 31, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of year	¥1,466	¥1,404	$13,241
Retirement benefit expense	175	122	1,580
Retirement benefit paid	(160)	(45)	(1,445)
Contribution to defined contribution plan	(17)	(15)	(153)
Increase due to a new consolidation	451	–	4,073
Others	(18)	–	(162)
Balance at the end of year	¥1,896	¥1,466	$17,125

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, 2021 and 2020 is as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 1,590	¥ 415	$ 14,361
Plan assets at fair value	(1,523)	(194)	(13,756)
	67	221	605
Unfunded retirement benefit obligation	18,333	17,319	165,594
Net liability for retirement benefits in the consolidated balance sheet	18,401	17,540	166,209
Liability for retirement benefits	18,562	17,540	167,663
Assets for retirement benefits	(160)	–	(1,445)
Net liability for retirement benefits in the consolidated balance sheet	¥18,401	¥17,540	$166,209

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

The components of retirement benefit expense during the year ended March 31, 2021 and 2020 were as follows:

	Year ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 889	¥ 866	$08,029
Interest cost	79	67	713
Expected return on plan assets	(7)	(4)	(63)
Amortization of actuarial loss	430	398	3,884
Amortization of prior service cost	(359)	(360)	(3,242)
Retirement benefit expense calculated by the simplified method	175	122	1,580
Total retirement benefit expense	¥1,207	¥1,090	$10,902

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) during the year ended March 31, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Actuarial loss	¥ 415	¥ 187	$ 3,748
Prior service cost	(357)	(360)	(3,224)
Total	¥ 58	¥(172)	$ 523

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 were follows:

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized actuarial loss	¥1,413	¥1,752	$12,763
Unrecognized prior service cost	(505)	(864)	(4,561)
Total	¥ 907	¥ 888	$ 8,192

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 were follows:

	As of March 31,	
	2021	**2020**
Bonds	74%	98%
Stocks	18%	–
Other	8%	2%
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,	
	2021	**2020**
Discount rate	Principally 0.3%	Principally 0.3%
Expected rate of return on plan assets	Principally 2.0%	7.6%
Expected rate of increase in salaries	Principally 4.7%	Principally 4.7%

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

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Contribution to defined contribution plans	¥778	¥779	$7,027

16. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Liability for retirement benefits	¥ 5,699	¥ 5,379	$ 51,476
Accounts payable and accrued expenses	3,465	3,445	31,297
Impairment loss	66	1,016	596
Loss on valuation of investment securities	8	998	72
Provision for contingent loss	661	661	5,970
Other	1,746	1,564	15,770
Gross deferred tax assets	11,648	13,066	105,211
Valuation allowance	(6,302)	(7,314)	(56,923)
Total deferred tax assets	5,345	5,751	48,279
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(1,008)	(428)	(9,104)
Unrealized holding gain on securities	(185)	(0)	(1,671)
Other	(183)	(34)	(1,652)
Total deferred tax liabilities	(1,377)	(463)	(12,437)
Net deferred tax assets	¥ 3,968	¥ 5,288	$ 35,841

The significant differences between the statutory tax rate and the effective tax rates for the years ended March 31, 2020 has been omitted as its difference was less than 5% of the statutory tax rate.

17. Business Combination and Divestiture

(a) Business Combination by Acquisition

The Company entered into a stock purchase agreement for purchasing stock of Mitsui E&S Steel Structures Engineering Co., Ltd. (hereinafter as "MSE") with Mitsui E&S Holdings Co.,Ltd. (hereinafter as "MES") as announced on August 6, 2020 and acquired stock on October 1, 2020.
As a result of the acquisition, DPS Bridge Works Co., Ltd. (hereinafter as "DPS") which is a subsidiary of MSE became a second-tier subsidiary of the Company.

(1) Summary of business combination

i. Name of the acquired company and the company's business

Name of the acquired company	Mitsui E&S Steel Structures Engineering Co., Ltd.
The company's business	Construction of bridge, maintenance of bridge, construction in coastal area

(a) Business Combination by Acquisition (continued)

ii. Purpose of business combination

The SMCC Group has established "Mid-term Management Plan 2019-2021" and its theme as "Accelerate Changes", which aims to accelerate changes to enhance our business competitiveness and create corporate value based on policies: (1) Change the construction process (2) Strengthen overseas business (3) Expand businesses domain.
The Group considers this acquisition of stock will leads to expand to steel structure business, and will enables to make comprehensive design/build approach for prestressed concrete and steel structure bridges.
Massive renewal of infrastructure and expanding business in overseas are expected in this business area, and it is also expected that utilization of technology from MSE and DPS and improvement of efficiency of business/production bases and construction management system will lead to improve productivity of the Group. Therefore, the Group determine the business combination is sufficiently cost-effective and matches the basic policies of the Group's mid-term management plan, and also the Group's business resources are beneficial for increasing MSE's corporate value.
The Group expects great contribution to the Group's civil construction business strategy and entered into the basic agreement for the acquisition.

iii. Date of business combination

October 1, 2020

iv. Legal form of business combination

Acquisition of stock

v. Name of the company after business combination

Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.

vi. Acquiring ratio of voting rights

70%

vii. Measure of acquisition

The Company obtains the stock in exchange for cash

(2) Term of business result of the acquired company which included in the consolidated Statements of Income for the current consolidated fiscal year

From October 1, 2020 to March 31, 2021

(a) Business Combination by Acquisition (continued)

(3) Acquisition cost of the acquired company and the breakdown of the cost

Compensation of acquisition	Cash	¥1,000 million	($9,032 thousand)
Cost of acquisition		¥1,000 million	($9,032 thousand)

(4) Composition and amount of major acquiring expenses

Advisory fee etc.	¥122 million	($1,101 thousand)

(5) Amount of emerged negative goodwill and source of the negative goodwill

i. Amount of emerged negative goodwill

¥547 million ($4,940 thousand)

ii. Source of the negative goodwill

As the net asset at fair market value at the time of the acquisition exceeded the acquisition cost, the difference is recognized as negative goodwill.

(6) Price and major components of assets and liabilities transferred on the combination date

Current assets	¥16,727 million	($151,088 thousand)
Non-current assets	¥ 5,606 million	($ 50,636 thousand)
Total assets	¥22,334 million	($201,734 thousand)
Current liabilities	¥18,033 million	($162,885 thousand)
Long-term liabilities	¥ 2,089 million	($ 18,869 thousand)
Total liabilities	¥20,122 million	($181,754 thousand)

(b) Business Divestiture

The Company entered into a stock purchase agreement for selling stocks of Amenity Life Co., Ltd. (hereinafter as "AL") with Unimat Retirement Community Co., Ltd. (hereinafter as "URC") on November 11, 2020 and sold the stocks on February 1, 2021. As a result of the transfer, AL was excluded from the scope of the consolidation.

(1) Summary of business divestiture

i. Name of the purchasing company

Unimat Retirement Community Co., Ltd.

ii. Divested business

Nursing home operation business

(b) Business Divestiture (continued)

iii. Purpose of business Divestiture

AL was incorporated as a subsidiary of the Company in November 1989. It has operated a nursing home "Amenity Life Hachioji" with capacity of 200 residents (150 rooms) located in Hachioji city, Tokyo since its incorporation, and has provided nursing services for residents cooperating with nearby medical institutions.
Since an increase of number of competitive service providers resulting in an intensification of business environment, it become more efficient to outsource the operation of Amenity Life Hachioji to a company which has strong experience in nursing care business compared with operating one facility by itself, and the Company was seeking an opportunity to transfer the business.
URC, which operates nursing care business nationwide and has over 190 caring service offices in Kanto region, establishes a business structure enabling cooperation with neighborhood. URC has a complex of day-care services, group home and nursing home in Hachioji city as well and is expected to be the best transferee to cooperate efficiently with Amenity Life Hachioji, therefore the Company decided the transfer of the business.

iv. Date of business divestiture

February 1, 2021

v. Legal form of business divestiture

Acquisition of stock, which compensation is limited to cash or cash equivalent

(2) Accounting treatment

i. Profit and loss emerged from business divestiture

Gain on sale of shares of subsidiaries and affiliates: ¥330 million ($2,980 thousand)

ii. Carrying amount of assets and liabilities related to the transferred company

Current assets	¥ 305 million	($ 2,754 thousand)
Non-current assets	¥ 780 million	($ 7,045 thousand)
Total assets	¥1,085 million	($ 9,800 thousand)
Current liabilities	¥ 114 million	($ 1,029 thousand)
Long-term liabilities	¥1,301 million	($11,751 thousand)
Total liabilities	¥1,415 million	($12,781 thousand)

iii. Accounting treatment

The difference between sales value of the transferred stock and its consolidated carrying amount was recorded "Gain on sales of shares of subsidiaries and affiliates".

(b) Business Divestiture (continued)

(3) Name of segment to which the divested business belonged

Others

(4) Profit and loss related to divested business in the consolidated Statements of Income for the current consolidated fiscal year

Net sales	¥423 million	($3,820 thousand)
Operating expenses	¥ 3 million	($ 27 thousand)

18. Segment Information, etc.

Segment Information

(a) Outline of Segments

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

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

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

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

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

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

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

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

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

Segment Information (continued)

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

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

	Year ended March 31, 2021						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Sales							
External Customers	$1,680,778	$2,120,386	$3,801,165	$7,144	$3,808,319	$ –	$3,808,319
Intersegment transactions or transfers	6,801	–	6,801	1,029	7,831	(7,831)	–
Net sales	$1,687,580	$2,120,386	$3,807,975	$8,183	$3,816,159	$(7,831)	$3,808,319
Segment income	$ 195,890	$ 153,301	$ 349,200	$3,224	$ 352,425	$ (731)	$ 351,684

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.

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

	Year ended March 31, 2020						
	Reportable operating segments						
	Civil	Building	Total	Others	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales							
External Customers	¥176,594	¥294,776	¥471,371	¥1,031	¥472,402	¥ –	¥472,402
Intersegment transactions or transfers	617	–	617	82	700	(700)	–
Net sales	¥177,212	¥294,776	¥471,988	¥1,114	¥473,102	¥(700)	¥472,402
Segment income	¥ 22,265	¥ 25,074	¥ 47,340	¥ 386	¥ 47,726	¥ (57)	¥ 47,669

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, 2021

(a) Product and service information

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

(b) Geographical segment information

(1) Sales

Year ended March 31, 2021							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
(Millions of yen)				*(Thousands of U.S. dollars)*			
¥358,467	¥60,189	¥2,962	¥421,619	$3,237,891	$543,663	$26,754	$3,808,319

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, 2021.

(c) Major customer information

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

For the year ended March 31, 2020

(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, 2020			
Japan	Asia	Others	Total
(Millions of yen)			
¥401,065	¥67,075	¥4,260	¥472,402

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

Related Information (continued)

(2) Tangible fixed assets

Geographical segment information on tangible fixed assets has been omitted as the amount of tangible fixed assets in Japan constituted over 90% of total as of March 31, 2020.

(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, 2020.

Losses on impairment by reportable segment

For the years ended March 31, 2021 and 2020, there were no losses on impairment by reportable segment.

Amortization of goodwill and unamortized balance by reportable segment

For the years ended March 31, 2021 and 2020, there were no amortization and unamortized balance of goodwill by reportable segment.

Gain on negative goodwill by reportable segment

For the year ended March 31, 2021, ¥547 million ($4,940 thousand) gain on negative goodwill was recorded due to the business combination of Sumitomo Mitsui Construction Steel Structure Engineering Co., Ltd.

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

For the year ended March 31, 2020, there were no gain on negative goodwill by reportable segment.

19. Related Party Transactions

Related party transaction

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

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

	Year ended March 31, 2021					
	Capital investment	Number of voting shares held as a percentage of voting shares issued	Nature of transaction	Total amount of transaction	Balance sheet account	Balance at March 31, 2021
			(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	$26,357
			Long-term accounts payable	$ –	Long-term accounts payable	$21,127

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 ($26,095 thousand).

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2021.

Related party transaction (continued)

Transactions with affiliates for the year ended March 31, 2020 were summarized as follows:

	Year ended March 31, 2020					
	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

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.

Note 3: Consumption tax was excluded from the total amount of the transaction, however it was included in the balance at March 31, 2020.

20. Per Share Information

Net assets and basic profit per share as of and for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020	2021
	(Yen)		*(U.S. dollars)*
Net assets per share	¥651.59	¥605.63	$5.886
Profit per share	55.33	97.89	0.499

Note: Profit per share – diluted was omitted as there were no diluted share for the year ended March 31, 2021 and 2020.

The basis of calculation for net assets per share at March 31, 2021 and 2020 were as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥110,308	¥102,443	$996,368
Amounts deducted from total net assets	7,902	6,738	71,375
[Including non-controlling interests]	[7,902]	[6,738]	[71,375]
Total net assets attributable to common stock	¥102,405	¥95,704	$924,984
	(Thousands of shares)		
Number of shares of common stock used to determine net assets per share	157,161	158,024	

The basis for calculating basic profit per share – based and profit per share – diluted for the years ended March 31, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Profit per share – basic:			
Profit attributable to owners of parent	¥8,743	¥15,550	$78,972
Amount not available to common shareholders	–	–	–
Profit attributable to owners of parent per share – basic	¥8,743	¥15,550	$78,972
	(Thousands of shares)		
Average number of shares of common stock outstanding	158,045	158,867	

21. Subsequent Event

Stock Repurchase

At the meeting of the Board of Directors held on February 10, 2021, 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.

Stock Repurchase (continued)

(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 3,000,000 shares (1.90% of the total number of shares of common stock outstanding excluding treasury stock)
(3) Total amount	Up to 1,000,000,000 yen
(4) Period	From February 12, 2021 to June 30, 2021
(5) Repurchase method	Auction market on Tokyo Stock Exchange

(c) Result of repurchase

(1) Class of share	Common stock of the Company
(2) Total number of shares of common stock to be repurchased	2,058,800 shares
(3) Total amount	999,917,100 yen
(4) Period	From February 15, 2021 to May 7, 2021
(5) Repurchase method	Auction market on Tokyo Stock Exchange

22. Corporate Bond

Corporate Bond at March 31, 2021 was summarized as follows:

	Year ended March 31, 2021						
Company	Bond	Issued Date	Balance at April 1, 2020	Balance at March 31, 2021	Interest Rate	Collateral	Redemption Deadline
			(Millions of yen)				
The Company	1st Unsecured Bond (with inter-bond pari passu clause)	October 22, 2020	0	5,000	0.30%	Nil	October 22, 2025
Total	―	―	0	5,000	―	―	―

	Year ended March 31, 2021						
Company	Bond	Issued Date	Balance at April 1, 2020	Balance at March 31, 2021	Interest Rate	Collateral	Redemption Deadline
			(Thousands of U.S. dollars)				
The Company	1st Unsecured Bond (with inter-bond pari passu clause)	October 22, 2020	0	45,163	0.30%	Nil	October 22, 2025
Total	―	―	0	45,163	―	―	―

Note: Profit per share – diluted was omitted as there were no diluted share for the year ended March 31, 2021 and 2020.

Scheduled redemption of corporate bonds are summarized as follows:

Year ending March 31, 2021	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Within 1 year	¥ –	$ –
Over 1 year and within 2 years	–	–
Over 2 years and within 3 years	–	–
Over 3 years and within 4 years	–	–
Over 4 years and within 5 years	5,000	45,163

23. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2021 and 2020 were summarized as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term bank loans (at weighted-average interest rates of 2.0% at 2021)	¥1,450	¥ –	$13,097
Deposits from employees (at interest rates of 1.0% at 2021 and 2020)	¥3,824	¥3,415	$34,540

Long-term debt at March 31, 2021 and 2020 were summarized as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt with collateral (at weighted-average interest rates of 2.5% at 2021 and 2020)	¥ 80	¥ 92	$ 722
Debt without collateral (at weighted-average interest rates of 1.2% at 2021 and 1.3% at 2020)	56,650	39,750	511,697
Lease obligations	1,854	1,043	16,746
Current portion (excluding lease obligations)	(7,212)	(11,511)	(65,143)
Current portion of lease obligations	(605)	(408)	(5,464)

The aggregate annual maturities of long-term debt subsequent to March 31, 2021 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2022	¥ 7,212	$ 65,143
2023	1,712	15,463
2024	9,962	89,982
2025	15,212	137,404
2026	6,113	55,216
2027 and thereafter	16,517	149,191
	¥56,730	$512,419

The aggregate annual maturities of lease obligations subsequent to March 31, 2021 were summarized as follows:

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2022	¥ 605	$ 5,464
2023	500	4,516
2024	345	3,116
2025	249	2,249
2026	68	614
2027 and thereafter	86	776
	¥1,854	$16,746

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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Estimates of total construction costs under the percentage-of-completion method	
Key audit matters	Auditor's Response
The Company and its consolidated subsidiaries are engaged in the civil construction business and building construction business, as well as other businesses related to thereto. As described in "(m) Recognition of Revenues and Costs on Construction Contracts" in "2. Summary of Significant Accounting Policies" in "Significant matters that serve as the basis for preparation of consolidated financial statements" under Notes to Consolidated Financial Statements, in recording net sales (net sales on construction contracts) and cost of sales (cost of sales of completed construction contracts), the Company and its consolidated subsidiaries apply the percentage-of-completion method for the portion of work for which completion by the end of the fiscal year ended March 31, 2021 is deemed to be certain (the cost-to-cost method is used in estimating progress toward completion of construction). Additionally, as described in "(b) Recognition of Net Sales based on Percentage-of-Completion Method" in "4. Significant Accounting Estimates" and "(a) Net Sales Based on Percentage-of-completion Method" in "8. Notes to Consolidated Statements of Income" under Notes to Consolidated Financial Statements, net sales under the percentage of completion method of 339,470 million yen were recorded in the consolidated financial statements, accounting for approximately 80% of net sales of 421,619 million yen.	We mainly performed the following procedures to evaluate the reasonableness of estimates of total construction costs under the percentage-of-completion method. (1) Assessment of internal controls In considering the system for estimating total construction costs, we obtained an understanding of the Company's company-level internal controls and evaluated the design and performance of internal controls related to approval of operating budgets, which serve as the basis for estimates of total construction costs, and verification of final expected profit (loss) on construction. (2) Evaluation of the reasonableness of estimates of total construction costs We mainly performed the following procedures for material construction works, construction works with other characteristics, and construction works extracted by sampling method. • We mainly performed the following procedures to evaluate the reasonableness of total construction costs estimated in initial operating budgets. - We considered whether construction difficulty, specialized construction methods, and instructions from ordering parties were reflected in estimates of costs for each type of work in initial operating budgets by inspecting overviews of construction projects, floor plans, and architectural renderings and making inquiries of managers in construction management departments.

The significant assumptions underlying estimates of total construction costs, which are one of the elements used in calculating net sales under the percentage of completion method, are expenses arising in the future; i.e., material expenses, outsourcing expenses, personnel expenses, and overhead expected to be incurred in the future. Considering that estimates of such amounts are very individual in nature and made in accordance with fundamental specifications and work details instructed by customers, it is difficult to apply a uniform rule for making determinations in estimating such amounts. Accordingly, estimates of total construction costs are based on certain assumptions and determinations and subject to uncertainty. Further, given that construction work generally spans long periods of time, unanticipated costs may arise in line with changes in work details due to unforeseen changes in social, economic, and political conditions overseas, natural disasters, certain facts coming to light after the start of construction, and changes in conditions at construction sites, thus making timely and appropriate revisions of total construction costs complex. Based on the above, we have determined that estimates of total construction costs made in calculating construction revenue and progress toward completion of construction are of particular significance in the current period and, accordingly, that estimates of total construction costs under the percentage-of-completion method is a key audit matter.	- We considered whether total construction costs are estimated based on realistic construction plans by inspecting work schedules and making inquiries of managers in construction management departments. - We considered estimates of total construction costs by each individual cost type by comparing such costs to budgets prepared upon order receipt, making inquiries of managers in construction management departments, and reconciling, as necessary, costs to quotations from subcontractors. • We mainly performed the following procedures to evaluate the reasonableness of total construction costs estimated at fiscal year-end. - We considered whether there are any future concerns and whether such concerns are reflected in total construction costs by inspecting materials used to calculate total construction costs and making inquiries of managers in construction management departments. - We considered whether current construction details deviate from the status of costs incurred and whether such deviations are reflected in total construction costs by inspecting construction management materials, comparing these materials to work schedules, making inquiries of managers in construction management departments, and reconciling, as necessary, these materials to quotations from subcontractors. • We evaluated the effectiveness of the process for estimating total construction costs by comparing estimates of total construction costs from prior fiscal years to costs that were actually incurred.

<table>
<tr><th colspan="2">Amount recorded for allowance for contingency loss</th></tr>
<tr><th>Key audit matters</th><th>Auditor's Response</th></tr>
<tr><td>In response to defective piling work performed by the Company at a condominium in Yokohama, Mitsui Fudosan Residential Co., Ltd. filed a lawsuit on November 28, 2017 seeking damages of approximately 45.9 billion yen and subsequently changed the amount of its compensation claim to approximately 51.0 billion yen on July 11, 2018.

As described in "(j) Allowance for Contingency Loss" in "2. Summary of Significant Accounting Policies " in "Significant matters that serve as the basis for preparation of consolidated financial statements" under Notes to Consolidated Financial Statements, the Company recorded a allowance for contingency loss of 2,159 million yen that was deemed necessary as a result of determining the amount to be borne as the contractor in accordance with the defect liability applicable to construction contracts to which the Company was a party.

The significant assumption forming the basis for the amount of the loss contingency arising as a result of the aforementioned lawsuit is the scope of the defect liability, and given that this assumption is subject to uncertainty and the judgment of management since the outcome of the lawsuit has yet to be determined, we have determined that the amount recorded for allowance for contingency loss is a key audit matter.</td><td>We mainly performed the following procedures to consider the assessment of the amount recorded for allowance for contingency loss and evaluate the completeness of the scope of the defect liability as well as the reasonableness of disclosures.

・ We mainly performed the following procedures to evaluate the impact of the lawsuit on the scope of the defect liability.
- We inspected hearing reports and internal reporting materials and held discussions with management.
- We evaluated the ability and independence of the attorney retained by the Company.
- We considered the attorney's professional opinion received from the Company and obtained a confirmation letter directly with the attorney.

・ We inspected minutes of board meetings, made inquiries of management, and obtained a management representation letter to confirm that the Company does not accept liabilities for any amount beyond the scope of the defect liability that it had anticipated.

・ We held discussions with management to verify the reasonableness of financial statement disclosures.</td></tr>
</table>

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Amount recorded for gain on bargain purchase	
Key audit matters	Auditor's Response
As described in " Business Combination and Divestiture" under Notes to Consolidated Financial Statements, the Company acquired 70% of shares in Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. (previously Mitsui E&S Steel Structures Engineering Co., Ltd.; hereinafter, "MSE"), making MSE a consolidated subsidiary as of October 1, 2020. Additionally, as a result of the acquisition, DPS Bridge Works Co., Ltd. (Hereinafter, "DPS"), a subsidiary of MSE, also became a consolidated subsidiary as of the same date. Consideration for the acquisition was 1,000 million yen, and the Company engaged an outside expert to recognize and measure the amounts of identifiable assets acquired and liabilities assumed (i.e., purchase price allocation; hereinafter, "PPA"). Further, the Company assessed the fair value of property, plant and equipment owned by DPS through a real estate appraisal by an outside expert. As a result, gain on bargain purchase of 547 million yen was recorded. Given that the gain on bargain purchase recognized as a result of this business combination transaction is material to the consolidated financial statements and that PPA and assessments of fair value of property, plant and equipment involve the judgment of and estimates made by management, we have determined that the amount recorded for gain on bargain purchase is a key audit matter.	We mainly performed the following procedures to evaluate the reasonableness of the amount recorded for gain on bargain purchase. • We inspected relevant materials such as minutes of board meetings, authorizations, and key contracts to obtain an overall understanding of the transaction. • We made inquiries of management involved in the business combination to obtain an understanding of the substance and the economic rationality of the transaction. • We mainly performed the following procedures by involving valuation professionals at EY network firms in order to evaluate the reasonableness of the PPA and assessment of the fair value of property, plant and equipment. - Obtained an understanding of the scope of the assessment - Obtained an understanding of the scope of the work performed by the outside expert engaged by the Company - Evaluated the competency and independence of the outside expert engaged by the Company - Considered the assessment approach, assessment conditions, assessment method, and assessment results • We held discussions with management to verify the reasonableness of financial statement disclosures.

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 29, 2021

Kazuo Fukumoto
Designated Engagement Partner
Certified Public Accountant

Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

Year ended March 31, 2021
with Independent Auditor's Report

Non-Consolidated Balance Sheets

March 31, 2021

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits	¥ 42,638	¥ 20,387	$ 385,132
Trade notes receivable	1,308	288	11,814
Accounts receivable on completed construction contracts	153,182	176,827	1,383,632
Securities	47	45	424
Inventories	21,665	22,913	195,691
Other current assets	24,032	16,776	217,071
Allowance for doubtful receivables	—	(20)	—
Total current assets	242,875	237,218	2,193,794
Non-current assets:			
Property and equipment, at cost:			
Land *(Note 5-(b))*	5,328	5,328	48,125
Buildings *(Note 5-(b))*	4,857	4,823	48,871
Structures *(Note 5-(b))*	799	797	7,217
Machinery and equipment	4,488	3,751	40,538
Vehicles	275	278	2,483
Tools, furniture and fixtures	4,403	4,236	39,770
Construction in progress	544	110	4,913
Accumulated depreciation	(10,477)	(10,202)	(94,634)
Property and equipment, net	10,219	9,125	92,304
Intangible fixed assets	2,205	1,902	19,916
Investments and other assets:			
Investments in securities	18,645	14,841	168,412
Investments in subsidiaries and affiliates *(Notes 5-(b) and 7)*	20,994	16,219	189,630
Long-term loans receivable	72	73	650
Long-term loans to employees	379	416	3,423
Long-term prepaid expenses	54	57	487
Deferred tax assets *(Note 8)*	2,825	3,984	25,517
Other	4,104	5,028	37,069
Allowance for doubtful receivables	(3,286)	(4,667)	(29,681)
Total investments and other assets	43,790	35,953	395,537
Total non-current assets	56,215	46,982	507,768
Total assets	¥299,090	¥284,200	$2,701,562

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets			
Current liabilities:			
Trade notes payable *(Note 5-(a))*	¥ 6,559	¥ 9,516	$ 59,244
Electronically recorded payable *(Note 5-(a))*	19,432	23,818	175,521
Accounts payable on construction contracts *(Note 5-(a))*	64,680	76,789	584,229
Short-term bank loans and current portion of long-term debt *(Notes 5-(d))*	7,200	11,500	65,034
Lease obligations	236	180	2,131
Income taxes payable	94	2,813	849
Deposit received	15,122	8,502	136,591
Advances received on construction contracts in progress	15,964	13,847	144,196
Reserve for defects on completed construction projects	611	761	5,518
Allowance for losses on construction contracts	670	278	6,051
Allowance for losses on business of subsidiaries and affiliates	—	670	—
Allowance for contingency loss	2,159	2,159	19,501
Other current liabilities	12,014	19,591	108,517
Total current liabilities	144,746	161,926	1,307,433
Long-term liabilities:			
Bond payable	5,000	—	45,163
Long-term debt *(Notes 5-(d))*	49,450	28,250	446,662
Lease obligations	355	297	3,206
Accrued retirement benefits	13,101	13,409	118,336
Other long-term liabilities	2,667	2,660	24,089
Total long-term liabilities	70,574	44,617	637,467
Contingent liabilities *(Note 5-(c))*			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	108,418
Common stock:			
Authorized:			
533,892,994 shares in 2021 and 2020			
Issued and outstanding:			
162,673,321 shares in 2021 and 2020			
Capital surplus:			
Other capital surplus	347	382	3,134
Total capital surpluses	347	382	3,134
Retained earnings:			
Legal retained earnings	1,648	1,268	14,885
Earned surplus carried forward	73,004	69,535	659,416
Total retained earnings	74,652	70,804	674,301
Treasury stock, at cost:			
5,511,604 shares in 2021 and 4,648,600 shares in 2020	(3,504)	(3,118)	(31,650)
Total shareholders' equity	83,498	80,072	754,204
Valuation, translation adjustments and other:			
Unrealized holding gain on securities	418	(2,258)	3,775
Deferred (loss) on hedging instruments, net of taxes	(147)	(156)	(1,327)
Total valuation, translation adjustments and other	271	(2,414)	2,448
Total net assets	83,770	77,657	756,661
Total liabilities and net assets	¥299,090	¥284,200	$2,701,562

See accompanying notes to non-consolidated financial statements.

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Net sales:			
Completed construction *(Note 6-(a))*	¥322,002	¥369,254	$2,908,517
Others	214	158	1,932
	322,217	369,412	2,910,459
Cost of sales:			
Completed construction	295,478	333,845	2,668,936
Others	117	107	1,056
	295,596	333,953	2,670,002
Gross profit			
Completed construction	26,523	35,408	239,571
Others	97	50	876
	26,620	35,459	240,448
Selling, general and administrative expenses *(Note 6-(e))*	16,387	16,854	148,017
Operating income	10,233	18,605	92,430
Other income (expenses):			
Interest and dividend income *(Note 6-(b))*	2,090	1,497	18,878
Payments received from insurance claims	109	84	984
Reversal of provision for loss on business of subsidiaries and affiliates	335	80	3,025
Interest expense	(1,126)	(821)	(10,170)
Exchange loss, net	(838)	(523)	(7,569)
Financing related expenses	(608)	(245)	(5,491)
Commission for loan commitment agreement	(628)	(49)	(5,672)
Gain on sales of property and equipment *(Note 6-(c))*	—	0	—
Gain on sales of investments in securities	—	0	—
Loss on sales and disposal of property and equipment *(Note 6-(d))*	(39)	(10)	(352)
Loss on valuation of shares of subsidiaries and affiliates	(31)	(81)	(280)
Loss on termination of golf club membership	(276)	—	(2,492)
Other, net *(Note 6-(b))*	(139)	(41)	(1,255)
	(1,153)	(112)	(10,414)
Profit before income taxes	9,079	18,492	82,007
Income taxes *(Note 8)*:			
Current	1,464	5,182	13,223
Deferred	(26)	155	(234)
	1,438	5,337	12,988
Profit	¥ 7,640	¥ 13,155	$ 69,009
	(Yen)		*(U.S. dollars) (Note 2)*
Profit per share – basic	¥48.34	¥82.81	$0.436

See accompanying notes to non-consolidated financial statements.

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

	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, 2021			
	Valuation, translation adjustments and other			
	(Millions of yen)			
Balance at the beginning of the period	¥(2,258)	¥(156)	¥(2,414)	¥77,657
Changes in items during the period				
Dividends from surplus				(3,792)
Provision of legal retained earnings				–
Profit				7,640
Purchases of treasury stock				(503)
Disposition of treasury stock				81
Net changes in items other than shareholders' equity	2,677	8	2,686	2,686
Total changes in items during the period	2,677	8	2,686	6,112
Balance at the end of the period	¥418	¥(147)	¥271	¥83,770

	Year ended March 31, 2021						
	Shareholders' equity						
		Additional paid-in capital	Retained earnings				
	Capital stock	Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 2)						
Balance at the beginning of the period	$108,418	$3,450	$11,453	$628,082	$639,544	$(28,163)	$723,258
Changes in items during the period							
Dividends from surplus				(34,251)	(34,251)		(34,251)
Provision of legal retained earnings			3,423	(3,423)	–		–
Profit				69,009	69,009		69,009
Purchases of treasury stock						(4,543)	(4,543)
Disposition of treasury stock		(316)				1,056	731
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(316)	3,423	31,325	34,748	(3,486)	29,319
Balance at the end of the period	$108,418	$3,134	$14,885	$659,416	$674,302	$(31,650)	$754,204

	Year ended March 31, 2021			
	Valuation, translation adjustments and other			
	Unrealized holding gain on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
	(Thousands of U.S. dollars) (Note 2)			
Balance at the beginning of the period	$(20,395)	$(1,409)	$(21,804)	$701,445
Changes in items during the period				
Dividends from surplus				(34,251)
Provision of legal retained earnings				–
Profit				69,009
Purchases of treasury stock				(4,543)
Disposition of treasury stock				731
Net changes in items other than shareholders' equity	24,180	72	24,261	24,261
Total changes in items during the period	24,180	72	24,261	55,207
Balance at the end of the period	$3,775	$(1,327)	$2,447	$756,661

Year ended March 31, 2020

	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	¥397	¥883	¥60,619	¥61,503	¥(1,716)	¥72,188
Changes in items during the period							
Dividends from surplus				(3,853)	(3,853)		(3,853)
Provision of legal retained earnings			385	(385)	–		–
Profit				13,155	13,155		13,155
Purchases of treasury stock						(1,501)	(1,501)
Disposition of treasury stock		(15)				98	83
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(15)	385	8,915	9,301	(1,402)	7,884
Balance at the end of the period	¥12,003	¥382	¥1,268	¥69,535	¥70,804	¥(3,118)	¥80,072

Year ended March 31, 2020

	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	¥1,937	¥(170)	¥1,766	¥73,954
Changes in items during the period				
Dividends from surplus				(3,853)
Provision of legal retained earnings				–
Profit				13,155
Purchases of treasury stock				(1,501)
Disposition of treasury stock				83
Net changes in items other than shareholders' equity	(4,196)	14	(4,181)	(4,181)
Total changes in items during the period	(4,196)	14	(4,181)	3,702
Balance at the end of the period	¥(2,258)	¥(156)	¥(2,414)	¥77,657

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. There is no recognition of such allowance in this fiscal year.

(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, 2021.

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

(m) Derivatives and Hedge Accounting (continued)

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Assessment of hedge effectiveness

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

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

(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.

(q) Accounting Method of Joint Ventures for Construction Project

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

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥110.71 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2021. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

3. Significant Accounting Estimates

(a) Provision for Contingent Loss

(1) Amounts recognized on Financial Statement of this fiscal year

	As of March 31, 2021	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Allowance for contingency loss	2,159	19,501

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

An allowance for contingency loss related to the defective piling work at a condominium in Yokohama has been provided based on the reasonably estimated amount necessary for payments to be borne as the contractor in accordance with defect liability applicable to the construction contract.
Mitsui Fudosan Residential Co., Ltd. (hereinafter as "MFR"), which is one of the developers of the apartment, initiated a lawsuit against the Company and two piling companies on November 28, 2017, claiming about 45.9 billion yen (which amount increased to approximately 51.0 billion yen on July 11, 2018) as alleged rebuilding cost for the whole structure of the apartment. The Company considers that MFR's claim lacks legal foundation and reason, and will continue to make appropriate arguments in that court proceeding.

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

(1) Amounts recognized on Financial Statement of this fiscal year

	As of March 31, 2021	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net Sales recognized based on Percentage-of-Completion Method	287,806	2,599,638

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

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

Net sales of construction contracts of which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. It is necessary to estimate total revenue and cost of a project reasonably upon the recognition.
The Company's result might be fluctuated due to change of revenues and costs of completed construction contracts affected by design changes or additional contracts generated from negotiations with clients, unpredictable changes of global politics, economics and social conditions, natural disasters, unforeseeable facts found after commencement of construction works, and/or modification of construction works caused by changes of project site situation.

4. Additional Information

The estimation of accounting consequences of COVID-19

The timing of the end and the impacts upon domestic and global economy of COVID-19 pandemic are unpredictable and the outlook of market conditions of the future global economy and the Group is laborious to foresee.
Whereas consequences such as suspension of a project are moderate in domestic projects, limitation of activities continues in overseas projects. The Group predicts effects on progress of the projects and calculates accounting estimates such as profit and loss and recovery possibility of deferred tax assets.

Disclosure of Accounting Method of Joint Ventures for Construction Project

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on March 31, 2020) is applied to the Financial Statements as of the end of the current fiscal year, and "principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear" are disclosed.

5. Notes to Non-Consolidated Balance Sheets

(a) Outstanding Balances with Subsidiaries and Affiliates

Significant outstanding balances for subsidiaries and affiliates other than individually presented on the accompanying non-consolidated balance sheets at March 31, 2021 and 2020 were as follows:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Trade notes payable	¥ 387	¥ 464	$ 3,495
Electronically recorded payable	3,391	4,985	30,629
Accounts payable on construction contracts	8,321	9,449	75,160

(b) Pledged Assets

The following assets were pledged at March 31, 2021 and 2020 principally as collateral for guarantees (such as guarantees for the completion of construction contracts):

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥1,735	¥1,735	$15,671
Buildings, net of accumulated depreciation	100	109	903
Structures, net of accumulated depreciation	30	32	270
Investments in subsidiaries and affiliates	363	363	3,278
Total	¥2,228	¥2,240	$20,124

There were no secured liabilities as of March 31, 2021 and 2020.

(c) Contingent Liabilities

At March 31, 2021 and 2020, the Company was contingently liable for the following:

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of bank loans to subsidiaries and other	¥2,605	¥2,558	$23,529
Advance deposits	–	1,226	–

(d) Financial covenants

For the year ended March 31, 2021

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

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

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

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥20,000	¥20,000	$180,652
Loan balance outstanding	–	–	–
Difference (unused portion)	¥20,000	¥20,000	$180,652

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥5,500 million ($49,679 thousand) in long-term debt (including the current portion) as of March 31, 2021.

(d) 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 ¥2,750 million ($24,839 thousand) in long-term debt (including the current portion) as of March 31, 2021.

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($90,326 thousand) in long-term debt as of March 31, 2021.

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$90,326
Loan balance outstanding	10,000	10,000	90,326
Difference (unused portion)	¥ –	¥ –	$ –

(d) Financial covenants (continued)

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million ($90,326 thousand) in long-term debt as of March 31, 2021.

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the contract	¥10,000	¥10,000	$90,326
Loan balance outstanding	10,000	10,000	90,326
Difference (unused portion)	¥ –	¥ –	$ –

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

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

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

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

(d) Financial covenants (continued)

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

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥30,000	¥ –	$270,978
Loan balance outstanding	–	–	–
Difference (unused portion)	¥30,000	¥ –	$270,978

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

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

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

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

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

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥50,000	¥ –	$451,630
Loan balance outstanding	–	–	–
Difference (unused portion)	¥50,000	¥ –	$451,630

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

(d) Financial covenants (continued)

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million ($135,489 thousand) in long-term debt as of March 31, 2021.

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

	As of March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Maximum limit under the agreement	¥15,000	¥ –	$135,489
Loan balance outstanding	15,000	–	135,489
Difference (unused portion)	¥ –	¥ –	$ –

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥3,400 million ($30,710 thousand) in long-term debt (including the current portion) as of March 31, 2021.

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

(d) Financial covenants (continued)

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million ($90,326 thousand) in long-term debt as of March 31, 2021.

For the year ended March 31, 2020

(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 (including the current portion) as of March 31, 2020.

Unused amount on loan commitment agreement as of March 31, 2020 and 2019 were as follows.

	As of March 31,	
	2020	**2019**
	(Millions of yen)	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	–	–
Difference (unused portion)	¥20,000	¥20,000

(d) Financial covenants (continued)

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

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

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

In addition, the balance of bank borrowings under this syndicated loan contract is ¥6,500 million in long-term debt (including the current portion) as of March 31, 2020.

(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 ¥3,250 million in long-term debt (including the current portion) as of March 31, 2020.

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

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

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

(d) Financial covenants (continued)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million as of March 31, 2020.

Unused amount on the committed syndicated loan contract as of March 31, 2020 and 2019 were as follows.

	As of March 31,	
	2020	2019
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ –	¥ –

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

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

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

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2020.

Unused amount on the committed syndicated loan contract as of March 31, 2020 and 2019 were as follows.

	As of March 31,	
	2020	2019
	(Millions of yen)	
Maximum limit under the contract	¥10,000	¥ –
Loan balance outstanding	10,000	–
Difference (unused portion)	¥ –	¥ –

6. 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 ¥287,806 million ($2,599,638 thousand) and ¥329,234 million for the years ended March 31, 2021 and 2020, 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, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Dividend income	¥1,598	¥1,060	$14,434
Royalty income	247	387	2,231
Allowance for doubtful accounts	–	80	–

(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, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Machinery and equipment	¥ –	¥0	$ –
Vehicles	–	0	–

(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, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loss on disposal	¥39	¥10	$352

(e) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 8,269	¥ 7,933	$ 74,690
Depreciation expenses	568	565	5,130
Other	7,550	8,356	68,196
Total	¥16,387	¥16,854	$148,017

7. Securities

Stocks of subsidiaries and affiliates at March 31, 2021 and 2020 were as follows:

	As of March 31, 2021					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Stocks of a subsidiary	¥717	¥5,230	¥4,513	$6,476	$47,240	$40,764

	As of March 31, 2020		
	Carrying value	Fair value	Unrealized gain
	(Millions of yen)		
Stocks of a subsidiary	¥717	¥3,785	¥3,068

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,		
	2021	2020	2021
	Carrying value		
	(Millions of yen)		*(Thousands of U.S. dollars)*
Stocks of subsidiaries	¥7,534	¥5,721	$68,051
Stocks of affiliates	29	30	261

8. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	As of March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued retirement benefits	¥ 4,011	¥ 4,105	$ 36,229
Allowance for bad debts	1,983	1,435	17,911
Account payable and accrued expenses	1,006	1,970	9,086
Loss on valuation of investment securities	–	997	–
Loss on devaluation of investments in subsidiaries and affiliates	825	957	7,451
Reserve for defects on completed construction projects	187	233	1,689
Allowance for losses on construction contracts	205	85	1,851
Other	999	1,355	9,023
Gross deferred tax assets	9,218	11,140	83,262
Valuation allowance	(6,192)	(7,143)	(55,929)
Total deferred tax assets	3,025	3,996	27,323
Deferred tax liabilities:			
Unrealized holding gain on securities	(184)	–	(1,661)
Asset retirement obligations	(15)	(11)	(135)
Deferred (loss) on hedging instruments	(0)	–	(0)
Total deferred tax liabilities	(200)	(11)	(1,806)
Net deferred tax assets	¥ 2,825	¥ 3,984	$ 25,517

The following table summarizes the significant differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2021 and 2020

	Years ended March 31,	
	2021	2020
Statutory tax rates	30.6%	30.6%
Non-deductible expenses	1.6	0.6
Non-taxable income	(5.2)	(1.7)
Per capita inhabitants' taxes	1.6	0.7
Tax credit	(3.5)	(2.4)
Valuation allowance	(10.5)	1.0
Foreign corporation tax	1.3	–
Other	(0.1)	0.1
Effective tax rates	15.8%	28.9%

9. Business Combination and Divestiture

Business Divestiture

(1) Accounting treatment

i. Profit and loss emerged from business divestiture

Reversal of provision for loss on business of subsidiaries and affiliates: ¥335 million ($3,205 thousand)

The note is omitted since the Consolidated Financial Statement provides the same information except for the above mentioned.

10. Subsequent Event

The note is omitted since the Consolidated Financial Statement provides the same information.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying non-consolidated financial statements of Sumitomo Mitsui Construction Co., Ltd. (the Company), which comprise the non-consolidated balance sheet as at March 31, 2021, and the non-consolidated statements of income, and changes in net assets, for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2021, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Estimates of Total Construction Costs under the Percentage-of-Completion Method

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

Amount Recorded for Provision for Contingent Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

Kazuo Fukumoto
Designated Engagement Partner
Certified Public Accountant

Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

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, Transport and Tourism

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

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

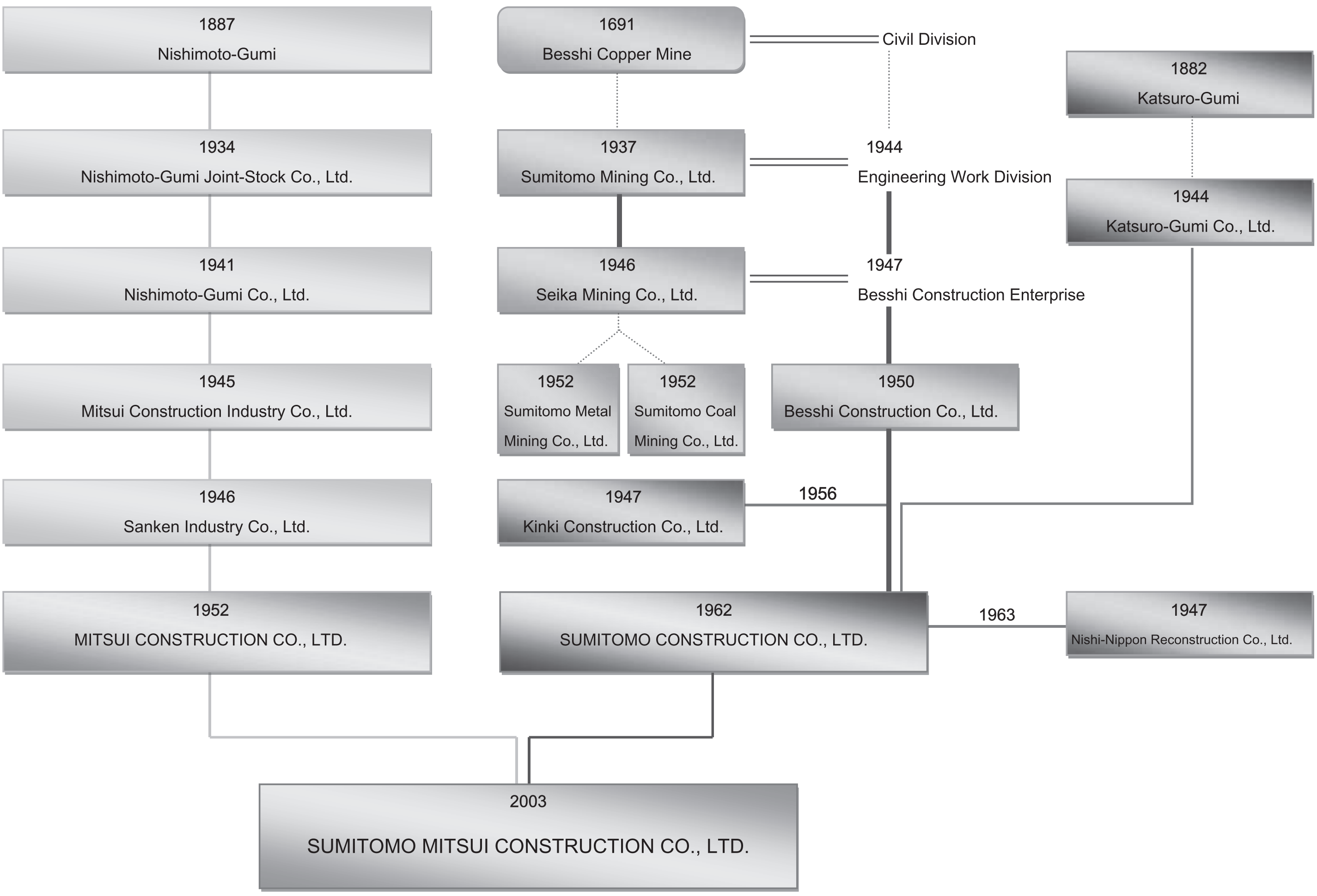
2) To plan, design and supervise marine development, regional development, urban development, natural resource development and environment maintenance

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

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

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

Corporate History



CORPORATE DATA

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SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.