

***ANNUAL REPORT
2024***



**SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.**

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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, 2024

In the fiscal year ended on March 31, 2024, Japan's economy showed a moderate recovery with the improvement of corporate profits and rallying of personal consumption, despite downward pressure from the slowing pace of economic recovery overseas. On the other hand, the situation remained highly uncertain due to increased geopolitical risks, skyrocketing prices of resources and raw materials, exchange rate fluctuations, and other factors.

In regard to the domestic construction market, public-sector investments were consistent, and there were some signs of recovery in private-sector investments as well. On the other hand, the business climate continues to be severe, partly due to the impact of consistently high prices of building materials and tightness of labor demand and supply.

Against this background, based on its "Mid-term Management Plan 2022-2024," the SMCC Group worked on the basic policies of that plan, namely "Improve Earning Power," "Foray into Growth Areas," and "Enhance Human Resource Base" with the theme of "Toward new growth – Realizing a sustainable society." By business segment, the domestic civil engineering business worked to further improve quality, relying on superior technologies and areas, the domestic building construction business focused on the improvement of performance through structural reforms, and the overseas building construction business worked on the expansion of business, aided by the tailwind of recovery from the COVID-19 pandemic.

The consolidated results of the SMCC Group for this fiscal year are as follows:

Net sales for the year were 479.5 billion yen, a 20.9 billion yen increase over the previous fiscal year. This was mainly the result of the progress made in large-scale construction projects in Japan and overseas. In profit/loss figures, operating profit was 8.5 billion yen (operating loss of 18.8 billion yen in the previous fiscal year), and ordinary profit was 6.3 billion yen (ordinary loss of 18.5 billion yen in the previous fiscal year). Net profit attributable to the shareholders of the parent company was 4.0 billion yen (net loss attributable to the shareholders of the parent company of 25.7 billion yen in the previous fiscal year). This was the result of the gross profit margin staying at a low level because of rising construction costs and declining profitability of construction projects, mainly due to skyrocketing prices of building materials and tightness of labor demand and supply.

[Consolidated results]	(Unit: billion yen)			
	FY2022	FY2023	Increase/(decrease)	Ratio (%)
Net sales	458.6	479.5	20.9	4.5
Operating profit (loss)	(18.8)	8.5	27.3	-
Ordinary profit (loss)	(18.5)	6.3	24.8	-
Net profit (loss) attributable to the shareholders of the parent company	(25.7)	4.0	29.7	-

II. Management Strategy, Business Environment and Company Issues

<Basic management policy and business environment>

The Company is striving to realize a safe and comfortable society based on its Corporate Principles of “Pursuit of Client Satisfaction,” “Enhancement of Shareholder Value,” “Respect for Employees’ Vitality,” “Social Emphasis,” and “Contribution to Global Environment.”

Structure of Corporate Principles and Management Plan



Regarding the future outlook for the Japanese economy, a moderate recovery is expected to continue amid improvements in the employment and income environments. However, there is a risk that the downswing in overseas business conditions, including the impact of global money tightening, will place downward pressure on the Japanese economy. Due caution will also need to be paid to the rising cost of living and fluctuations in the financial and capital markets.

In the construction industry, firm public-sector investment is anticipated, thanks to planned investment in disaster prevention and reduction and in building national resilience. Capital investment in the private sector is also expected to be strong against the backdrop of recovery in corporate profits. On the other hand, we will need to monitor the impact of consistently high prices of resources and building materials and tightness of labor demand and supply, as well as the impact of the regulations limiting overtime hours, already in place in other industries, that came into effect in the construction industry in April 2024.

<Mid-term management strategy and management targets>

In terms of the medium- to long-term business environment surrounding the SMCC Group, although there are concerns about demand for building construction in Japan shrinking, overseas, particularly in emerging markets (Southeast Asia, South Asia, Africa, etc.), infrastructure demand resulting from rapid economic growth is anticipated. In addition, while the shortage of workers, a problem that is affecting the entire construction industry, is expected to worsen, on the other hand, with the rapid advances in technological innovations, including leading-edge information and communication technologies such as IoT and AI, we can expect to see the progression of the digitalization of construction and production processes.

In response to such changes in the business environment, we have established Vision 2030

to achieve a sustainable society and the sustained growth of the Group. Under this Vision, we will take advantage of the strengths of the Group, and every individual employee will look toward the future in their actions.

In the “Mid-term Management Plan 2022-2024,” which is positioned as the second stage of its path toward Vision 2030, the Group has set the theme of “Toward new growth – Realizing a sustainable society” and is working to “Improve Earning Power,” “Foray into Growth Areas,” and “Enhance Human Resource Base.” However, as the impact of rises in the prices of building materials and the tightening of labor supply and demand have been greater than initially envisaged, our forecast results for FY2024, the final year of the Plan, are not expected to reach the Plan’s numerical targets.

In FY2024, we will analyze the causes of the failure to achieve the Medium-term Management Plan targets and proceed with the formulation of our new Medium-term Management Plan to start in FY2025.

“Mid-term Management Plan 2022-2024”	
Theme: “Toward new growth – Realizing a sustainable society”	
By precisely understanding social trends such as the growing worldwide awareness over sustainability and acting accordingly, we will connect them to new growth and the realization of a sustainable society.	
Basic Policy-1	Improve Earning Power (i) Strengthen Ability to Win Orders (ii) Strengthen On-Site Management (iii) Improve Performance of Construction Business in Japan
Basic Policy-2	Foray into Growth Areas (i) Enhance Efforts toward a Sustainable Society (ii) Expansion of Overseas Business -Make Bases Self-subsistent & Enhance Networking (iii) Sophistication of Construction System
Basic Policy-3	Enhance Human Resource Base (i) Realize Diversity & Inclusion (ii) Improve Employee Engagement (iii) Development of Human Resources

Management plan

- Performance targets and financial targets

	FY2023 Results	FY2024 Forecasts	Medium-term Management Plan 2022-2024 FY2024 Targets
Consolidated net sales	¥479.5 billion	¥455.0 billion	¥467.0 billion
Consolidated operating profit	¥8.5 billion	¥12.5 billion	¥16.0 billion
ROE	6.0%	—	9% or more
Total return ratio	54.7%	—	Approx. 50%

(Note) FY2024 performance targets (announced on May 10, 2024) are based on judgments made

from information available as of the announcement date.

Non-financial targets

		Medium-term Management Plan 2022-2024 FY2024 Targets
Safety		Deaths/serious accidents: “None” Frequency rate: 0.6 or less (construction divisions), 0.5 or less (company-wide)
Quality		Defective results: “None”
Carbon Neutrality	CDP assessment	A
	Scope 1+2	-20% (Base year 2020)
	Scope 3	-10% (Base year 2020)
Human Rights	Human rights due diligence (DD)	Human rights DD in place (response to human rights risk)
	Build human rights protection mechanism	Operational since FY2023
Productivity		Amount of work completed per employees’ total work time: 5% improvement
Employee Engagement		4.0 or more (average based on a total score of 5)*

* Indicators on work engagement in organizational diagnosis survey

Business results forecasts for FY2024 are as follows.

	(Consolidated financial results forecast)	(Non-consolidated financial results forecast)
Awarded contract amount	—	¥180.0 billion
Net sales	¥455.0 billion	¥310.3 billion
Operating profit	¥12.5 billion	¥7.0 billion
Ordinary profit	¥8.0 billion	¥5.0 billion
Net profit	¥5.0 billion	¥4.0 billion
Net profit attributable to the shareholders of the parent company	¥4.5 billion	—

<Issues for the Company>

- (1) Regarding the case involving the construction of an apartment building located in Yokohama City, 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, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) as the alleged rebuilding cost for the entire apartment building. However, we consider that MFR’s claim lacks a legal foundation and factual reasons, and will continue to make appropriate arguments in that court proceeding.
- (2) Regarding the repeated hefty losses incurred for major building construction projects currently underway in Japan, through the reinforcement of project and quality control frameworks,

assistance and technical guidance for the projects overall by head office and branches, and the thorough implementation of measures to prevent recurrence that have been formulated on the basis of recommendations of the investigation committee, which external experts participated in, the Company will work to prevent further additional losses being incurred. We will also strive to ensure that no similar losses are incurred by applying those recurrence prevention measures to other projects in the building construction business that are judged to be high risk. Moreover, in terms of improving the performance of the building construction business overall, in addition to steadily implementing three measures, namely the improvement of project structure constraints and rebuilding of work site support systems, the strengthening of governance in the contract acceptance process and building of optimal contract portfolio, and the thorough management of targets with emphasis on profit, we will proceed with our shift toward projects for which risk countermeasures have been taken and work to improve the performance of the building construction business.

Specific recurrence prevention measures

- Enhancement of screening during contract acceptance process
- Thorough, ongoing monitoring in large-scale projects
- Examination of defects by external experts and proposal/implementation of recurrence prevention measures
- Measures concerning drawings management (equalization of check capabilities, development of drawings management system)
- Reinforcement of organization (formation of special response team, etc.)
- Early sharing of risk information
- Thorough implementation of rules-based controls and operations
- Education about importance of quality control
- Building of system for follow-up of staff in charge of the work
- Thorough implementation of risk responses in contract acceptance process
- Thorough prior deliberation of organizations and processes
- Handling of projects designed by other companies (fast-track construction methods) (do not allow in principle)
- Thorough sharing of defect information among factories



Toshio Shibata
Representative Director,
President

Consolidated Financial Statements
Sumitomo Mitsui Construction Co., Ltd.
and Consolidated Subsidiaries

Year ended March 31, 2024
with Independent Auditor's Report

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Balance Sheets
 March 31, 2024

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Assets			
Current assets:			
Cash and deposits <i>(Notes 10 and 11)</i>	¥ 96,677	¥ 65,142	\$ 638,511
Trade notes receivable, accounts receivable on completed construction contracts and other <i>(Notes 6-(a), 6-(j), 11 and 16)</i>	192,691	215,220	1,272,643
Inventories <i>(Notes 6-(b) and 6-(g))</i>	37,098	30,425	245,016
Other current assets <i>(Note 6-(c))</i>	29,529	27,917	195,026
Allowance for doubtful receivables	(2,619)	(2,299)	(17,297)
Total current assets	<u>353,377</u>	<u>336,405</u>	<u>2,333,907</u>
Non-current assets:			
Property and equipment, at cost:			
Land <i>(Notes 6-(c) and 6-(d))</i>	16,095	16,117	106,300
Buildings and structures <i>(Notes 6-(c) and 6-(i))</i>	19,410	18,971	128,194
Machinery, equipment and vehicles <i>(Note 6-(c) and 6-(i))</i>	43,136	40,847	284,895
Construction in progress	1,806	1,704	11,927
Accumulated depreciation	(43,633)	(41,163)	(288,177)
Property and equipment, net	<u>36,815</u>	<u>36,476</u>	<u>243,147</u>
Intangible fixed assets	5,945	6,523	39,264
Investments and other assets:			
Investments in securities <i>(Notes 6-(c), 11 and 12)</i>	4,922	19,300	32,507
Deferred tax assets <i>(Note 15)</i>	5,032	5,882	33,234
Investments in unconsolidated subsidiaries and affiliates	724	758	4,781
Asset for retirement benefits <i>(Note 14)</i>	34	88	224
Other <i>(Note 6-(c))</i>	5,579	5,581	36,846
Allowance for doubtful receivables	(830)	(863)	(5,481)
Total investments and other assets	<u>15,463</u>	<u>30,747</u>	<u>102,126</u>
Total non-current assets	<u>58,224</u>	<u>73,747</u>	<u>384,545</u>
Total assets	<u>¥411,601</u>	<u>¥410,153</u>	<u>\$2,718,453</u>

Consolidated Balance Sheets

March 31, 2024

	As of March 31,		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities and net assets			
Current liabilities:			
Trade notes payable, accounts payable on construction contracts and other (Note 6-(j) and 11)	¥ 89,203	¥ 84,771	\$ 589,148
Electronically recorded payable (Note 6-(j) and 11)	39,119	36,150	258,364
Short-term bank loans and current portion of long-term debt (Notes 6-(c), 6-(k), 11 and 22)	21,221	10,812	140,155
Lease obligations (Note 22)	685	749	4,524
Accrued expenses	6,863	8,042	45,327
Income tax payable	929	1,349	6,135
Advances received on construction contracts in progress (Notes 6-(h) and 16)	35,847	35,262	236,754
Provision for warranties for completed construction	463	514	3,057
Provision for loss on construction contracts (Note 6-(g))	30,040	38,530	198,401
Provision for contingent loss	2,159	2,159	14,259
Other current liabilities	27,830	25,683	183,805
Total current liabilities	254,365	244,027	1,679,974
Long-term liabilities:			
Corporate bond payable (Notes 11 and 21)	10,000	10,000	66,045
Long-term debt (Notes 6-(c), 6-(k), 11 and 22)	48,995	63,443	323,591
Lease obligations (Note 22)	1,635	1,814	10,798
Deferred tax liability on land revaluation (Note 6-(d))	574	574	3,791
Provision for share-based payments	55	73	363
Liability for retirement benefits (Note 14)	17,678	17,971	116,755
Other long-term liabilities (Note 15)	1,131	1,110	7,469
Total long-term liabilities	80,070	94,988	528,829
Contingent liabilities (Note 6-(e))			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	79,274
Common stock:			
Authorized:			
533,892,994 shares in 2024 and 2023			
Issued and outstanding:			
162,673,321 shares in 2024 and 2023			
Additional paid-in capital	568	641	3,751
Retained earnings	58,701	56,886	387,695
Treasury stock, at cost:			
5,961,510 shares in 2024 and 6,180,515 shares in 2023	(3,647)	(3,782)	(24,086)
Total shareholders' equity	67,626	65,748	446,641
Accumulated other comprehensive income:			
Unrealized holding gain (loss) on securities	618	(2,180)	4,081
Deferred loss on hedging instruments, net of taxes (Note 13)	(1)	(40)	(6)
Land revaluation (Note 6-(d))	70	70	462
Translation adjustments	2,085	799	13,770
Retirement benefits liability adjustment (Note 14)	(611)	(778)	(4,035)
Total accumulated other comprehensive income	2,161	(2,130)	14,272
Non-controlling interests	7,377	7,519	48,722
Total net assets	77,165	71,137	509,642
Total liabilities and net assets	¥411,601	¥410,153	\$2,718,453

The accompanying notes are an integral part of these statements.

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Income
 March 31, 2024

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net sales <i>(Notes 7-(a), 16 and 17)</i>	¥479,488	¥458,622	\$3,166,818
Cost of sales <i>(Notes 7-(b) and 7-(d))</i>	444,392	449,552	2,935,024
Gross profit	35,095	9,069	231,787
Selling, general and administrative expenses <i>(Notes 7-(c), 7-(d) and 14)</i>	26,595	27,828	175,648
Operating profit (loss)	8,500	(18,759)	56,138
Other income (expenses):			
Interest and dividend income	1,453	1,094	9,596
Payments received from insurance claims	95	91	627
Interest expense	(1,662)	(1,357)	(10,976)
Exchange gain, net	993	1,759	6,558
Financing related expenses	(1,352)	(338)	(8,929)
Commission for loan commitment agreement	(1,172)	(381)	(7,740)
Gain on sales of property and equipment <i>(Note 7-(e))</i>	178	98	1,175
Gain on sales of investments in securities <i>(Note 12-(c))</i>	2,244	187	14,820
Impairment loss <i>(Note 7-(g))</i>	(47)	(62)	(310)
Loss on sales and disposal of property and equipment <i>(Note 7-(f))</i>	(196)	(43)	(1,294)
Loss on sales of investments in securities <i>(Note 12-(c))</i>	(933)	(6)	(6,162)
Other, net	(644)	(593)	(4,253)
Profit (loss) before income taxes	7,457	(18,311)	49,250
Income taxes <i>(Note 15)</i> :			
Current	2,966	2,512	19,589
Deferred	538	4,480	3,553
	3,505	6,992	23,149
Profit (loss)	3,951	(25,304)	26,094
Profit (loss) attributable to:			
Non-controlling interests	(54)	397	(356)
Owners of parent	¥ 4,006	¥(25,702)	\$ 26,457
	<i>(Yen)</i>		<i>(U.S. dollars)</i> <i>(Note 3)</i>
Profit (loss) per share <i>(Note 19)</i>	¥ 25.58	¥(164.32)	\$ 0.169

The accompanying notes are an integral part of these statements.

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Comprehensive Income
 March 31, 2024

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Profit (loss)	¥3,951	¥(25,304)	\$26,094
Other comprehensive income:			
Unrealized holding gain (loss) on securities	2,799	(1,625)	18,486
Deferred gain on hedging instruments, net of taxes	38	52	250
Translation adjustments	1,342	1,861	8,863
Retirement benefits liability adjustments	166	72	1,096
Total other comprehensive income <i>(Note 8)</i>	4,346	360	28,703
Comprehensive income	¥8,298	¥(24,943)	\$54,804
Comprehensive income attributable to:			
Owners of the parent	¥8,297	¥(25,409)	\$54,798
Non-controlling interests	1	466	6

The accompanying notes are an integral part of these statements.

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Changes In Net Assets
 March 31, 2024

	Year ended March 31, 2024				
	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	¥641	¥56,886	¥(3,782)	¥65,748
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		(18)			(18)
Dividends from surplus			(2,190)		(2,190)
Profit attributable to owners of the parent			4,006		4,006
Purchases of treasury stock				(1)	(1)
Disposition of treasury stock		(54)		136	81
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(72)	1,815	134	1,877
Balance at the end of the period	¥12,003	¥568	¥58,701	¥(3,647)	¥ 67,626

	Year ended March 31, 2024							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) 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	¥(2,180)	¥(40)	¥70	¥799	¥(778)	¥(2,130)	¥7,519	¥71,137
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(18)
Dividends from surplus								(2,190)
Profit attributable to owners of the parent								4,006
Purchases of treasury stock								(1)
Disposition of treasury stock								81
Net changes in items other than shareholders' equity	2,799	38	0	1,286	167	4,291	(141)	4,150
Total changes in items during the period	2,799	38	0	1,286	167	4,291	(141)	6,027
Balance at the end of the period	¥618	¥ (1)	¥70	¥2,085	¥(611)	¥2,161	¥7,377	¥ 77,165

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Changes In Net Assets
 March 31, 2024

	Year ended March 31, 2024				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 3)</i>				
Balance at the beginning of the period	\$79,274	\$4,233	\$375,708	\$(24,978)	\$434,238
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		(118)			(118)
Dividends from surplus			(14,464)		(14,464)
Profit attributable to owners of the parent			26,457		26,457
Purchases of treasury stock				(6)	(6)
Disposition of treasury stock		(356)		898	534
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(475)	11,987	885	12,396
Balance at the end of the period	\$79,274	\$3,751	\$387,695	\$(24,086)	\$446,641

	Year ended March 31, 2024							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) 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
	<i>(Thousands of U.S. dollars) (Note 3)</i>							
Balance at the beginning of the period	\$ (14,397)	\$ (264)	\$ 462	\$ 5,277	\$ (5,138)	\$ (14,067)	\$ 49,659	\$ 469,830
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(118)
Dividends from surplus								(14,464)
Profit attributable to owners of the parent								26,457
Purchases of treasury stock								(6)
Disposition of treasury stock								534
Net changes in items other than shareholders' equity	18,486	250	0	8,493	1,102	28,340	(931)	27,409
Total changes in items during the period	18,486	250	0	8,493	1,102	28,340	(931)	39,805
Balance at the end of the period	\$ 4,081	\$ (6)	\$ 462	\$ 13,770	\$ (4,035)	\$ 14,272	\$ 48,722	\$ 509,642

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Changes In Net Assets
 March 31, 2024

	Year ended March 31, 2023				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at the beginning of the period	¥12,003	¥—	¥85,714	¥(3,907)	¥93,811
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		674			674
Dividends from surplus			(3,125)		(3,125)
Loss attributable to owners of the parent			(25,702)		(25,702)
Purchases of treasury stock				(2)	(2)
Disposition of treasury stock		(33)		126	93
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	641	(28,828)	124	(28,062)
Balance at the end of the period	¥12,003	¥641	¥56,886	¥(3,782)	¥ 65,748

	Year ended March 31, 2023							
	Accumulated other comprehensive income							
	Unrealized holding loss 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
	<i>(Millions of yen)</i>							
Balance at the beginning of the period	¥(555)	¥(92)	¥70	¥(1,001)	¥(843)	¥(2,422)	¥8,313	¥99,701
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								674
Dividends from surplus								(3,125)
Loss attributable to owners of the parent								(25,702)
Purchases of treasury stock								(2)
Disposition of treasury stock								93
Net changes in items other than shareholders' equity	(1,625)	52	0	1,800	65	292	(793)	(501)
Total changes in items during the period	(1,625)	52	0	1,800	65	292	(793)	(28,563)
Balance at the end of the period	¥(2,180)	¥(40)	¥70	¥799	¥(778)	¥(2,130)	¥7,519	¥ 71,137

The accompanying notes are an integral part of these statements.

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Cash Flows
 March 31, 2024

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Operating activities			
Profit (loss) before income taxes	¥7,457	¥(18,311)	\$49,250
Depreciation and amortization	4,514	4,362	29,813
Impairment loss	47	62	310
Amortization on goodwill	441	405	2,912
Increase in allowance for doubtful receivables	288	2,271	1,902
(Decrease) increase in provision for warranties for completed construction	(54)	22	(356)
(Decrease) increase in provision for loss on construction contracts	(8,490)	18,916	(56,072)
Increase in provision for share-based payments	17	23	112
Decrease in liability for retirement benefits	(325)	(437)	(2,146)
Loss (gain) on sales and disposal of property and equipment	17	(55)	112
Gain on sales of investments in securities	(1,310)	(181)	(8,652)
Interest and dividend income	(1,453)	(1,094)	(9,596)
Interest expense	1,662	1,357	10,976
Exchange gain, net	(786)	(706)	(5,191)
Decrease (increase) in trade notes receivable, accounts receivable on completed construction contracts and other	23,419	(17,156)	154,672
Increase in inventories	(6,520)	(2,460)	(43,061)
Increase in other assets	(1,951)	(7,110)	(12,885)
Increase in retirement benefits liability adjustments included in accumulated other comprehensive income	150	83	990
Increase in trade notes payable, accounts payable on construction contracts and other	6,719	1,481	44,376
Increase in advances received on construction contracts in progress	138	6,228	911
Increase in other liabilities	1,114	355	7,357
Other	(103)	(57)	(680)
Subtotal	24,991	(12,000)	165,055
Interest and dividends received	1,586	1,120	10,474
Interest paid	(1,651)	(1,349)	(10,904)
Income taxes paid	(3,473)	(3,894)	(22,937)
Net cash provided by (used in) operating activities	21,452	(16,123)	141,681
Investing activities			
(Increase) decrease in fixed deposits	(2,427)	1,830	(16,029)
Purchases of property and equipment	(3,011)	(4,367)	(19,886)
Proceeds from sales of property and equipment	343	323	2,265
Purchases of intangible fixed assets	(858)	(729)	(5,666)
Purchases of investments in securities	(1)	(136)	(6)
Proceeds from sales of investments in securities	19,343	67	127,752
Disbursements for loans receivable	(73)	(27)	(482)
Proceeds from collection of loans receivable	137	123	904
Purchases of shares of subsidiaries resulting in change in scope of consolidation	—	(515)	—
Other	12	(80)	79
Net cash provided by (used in) investing activities	13,465	(3,512)	88,930

Sumitomo Mitsui Construction Co., Ltd.
Consolidated Statements of Cash Flows
 March 31, 2024

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Financing activities			
Increase (decrease) in short-term bank loans	¥ 154	¥ (150)	\$ 1,017
Proceeds from long-term debt	—	17,250	—
Payments of long-term debt	(4,197)	(2,662)	(27,719)
(Decrease) increase in deposits from employees	(134)	148	(885)
Proceeds from issuance of corporate bonds	—	5,000	—
Increase in treasury stock	(1)	(1)	(6)
Cash dividends paid	(2,187)	(3,117)	(14,444)
Cash dividends paid for non-controlling shareholders	(178)	(747)	(1,175)
Repayments of lease obligations	(965)	(1,084)	(6,373)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(434)	—
Net cash (used in) provided by financing activities	<u>(7,510)</u>	<u>14,200</u>	<u>(49,600)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,388</u>	<u>1,155</u>	<u>9,167</u>
Net increase (decrease) in cash and cash equivalents	<u>28,796</u>	<u>(4,279)</u>	<u>190,185</u>
Cash and cash equivalents at beginning of the year	<u>60,828</u>	<u>65,108</u>	<u>401,743</u>
Cash and cash equivalents at end of the year (Note 10)	<u>¥89,625</u>	<u>¥60,828</u>	<u>\$591,935</u>

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 22 consolidated subsidiaries and no affiliate accounted for by the equity method as of March 31, 2024.

Name of major consolidated subsidiaries

Sumiken Mitsui Road Co., Ltd., Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd., DPS Bridge Works Co., Ltd. SMCR Co., Ltd., SMCC Construction India Ltd., Antara Koh Private Limited, SMCC Philippines, Inc., SMCC Overseas Singapore Pte. Ltd. and SMCC (Thailand) Co., Ltd.

Name of major non-consolidated subsidiary

SMC Cosmo Solutions Co., Ltd.

Non-consolidated subsidiaries have been excluded from the scope of consolidation because they are small companies and their total assets, net sales, net profit (loss) (amounts commensurate with equity) and retained earnings (amounts commensurate with equity) do not have a material impact on the consolidated financial statements.

Application of equity method

Not applicable.

Yoshiikikaku Co., Ltd. has been excluded from the company accounted for by the equity method because it is recognized that the Company has no significant influence on the determination of its finance and business or business policies after the decision to commence bankruptcy proceedings was made on October 23, 2023.

Name of major non-consolidated subsidiaries that are not accounted for by the equity method

SMC Cosmo Solutions Co., Ltd.

Name of major affiliates that are not accounted for by the equity method

Fibex Co., Ltd.

One non-consolidated subsidiary and seven affiliated companies that are not accounted for by the equity method have been excluded from the scope of application of equity method because their impact on net profit (loss) and retained earnings, etc., are minor and not significant as a whole.

(b) Fiscal Year of Consolidated Subsidiaries

The consolidated subsidiaries whose balance sheet dates are different from the consolidated balance sheet date are as follows:

All foreign consolidated subsidiaries (11 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. For other securities, securities other than stock, etc. with no market value 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. Stocks, etc. with no market value 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 mainly valued at cost determined by the weighted average method. Balance sheet amounts of real estate for sale and materials and supplies are calculated by writing down their carrying amounts based on declines in profitability.

(e) Depreciation and Amortization

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

Depreciation of property and equipment (except leased assets) and investments in real estate is calculated primarily by the declining-balance method based on the 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 calculated 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.

(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) 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) Provision for Warranties for Completed Construction

A provision has been provided based on the estimated future compensation for sales for the current fiscal year in order to cover the liability for future costs of defects of the completed construction projects.

(h) Provision for Loss on Construction Contracts

A provision 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) Provision for Contingent Loss

The provision for contingent loss related to the defective piling work at a condominium in Yokohama, which was constructed by the Company, 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.

(j) Provision for Share-based Payments

A provision has been provided based on the estimated amount for share-based payment liability as of March 31, 2024 in order to cover payments of share to directors based on a share-based payment rule for the Company's consolidated subsidiaries.

(k) Accounting for Retirement Benefits

(1) Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is applied to attribute the expected retirement benefits to the periods up to year ended March 31, 2024.

(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 when the actuarial gain or loss is recognized in each fiscal year.

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

(l) Recognition of Revenues and Costs

The Group is primarily engaged in civil construction and building construction, providing construction design and construction work services as well as other related services to its domestic and overseas customers.

In civil and building construction, the Group primarily enters into long-term construction contracts. For such contracts, the completion and delivery of construction work is identified as a performance obligation. Performance obligations are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably measured, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

(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).

(2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Interest on debt

(m) Derivatives and Hedge Accounting (continued)

(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.

(n) Method and Period of Amortization of Goodwill

In principle, goodwill is amortized on a straight-line basis over the period for which goodwill is expected to have an effect, which shall not exceed 20 years.

(o) Scope of Funds in the Consolidated Statements of Cash Flows

It consists of cash on hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible into cash and are due within three months from the date of acquisition with little risk of fluctuations in value.

(p) Accounting Method of Joint Ventures for Construction Project

Assets, liabilities, revenues and costs 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 ¥151.41 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2024. 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

For the year ended March 31, 2024

(a) Provision for Contingent Loss

- (1) Amounts recognized on the consolidated financial statements for this fiscal year

	As of March 31, 2024	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Provision for contingent loss	¥2,159	\$14,259

- (2) Information on significant accounting estimates for the item above

The provision for contingent loss related to the defective piling work at a condominium in Yokohama, which was constructed by the Company, 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, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) 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. However, the Company’s results may fluctuate due to the review of the estimated incurred costs depending on the outcome of this trial.

(b) Recognition of Revenues from Construction Contracts

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	Year ended March 31, 2024	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net sales of construction contracts, etc. related to performance obligations to be satisfied over time	¥423,455	\$2,796,743

(2) Information on significant accounting estimates for the item above

For construction contracts, etc. whose performance obligations are satisfied over time, the progress toward complete satisfaction of a performance obligation is measured and net sales of completed construction contracts are recognized over time based on such progress toward satisfaction of the performance obligation.

It is necessary to estimate total revenues and costs of a project reasonably upon recognition. The Group's results may fluctuate due to changes in total revenues and total costs of completed construction contracts as a result of negotiations with clients, unanticipated incurrence of costs, or other reasons.

For the year ended March 31, 2023

(a) Provision for Contingent Loss

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	As of March 31, 2023
	<i>(Millions of yen)</i>
Provision for contingent loss	¥2,159

(2) Information on significant accounting estimates for the item above

The provision for contingent loss related to the defective piling work at a condominium in Yokohama, which was constructed by the Company, 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, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) 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. However, the Company's results may fluctuate due to the review of the estimated incurred costs depending on the outcome of this trial.

4. Significant Accounting Estimates (continued)

For the year ended March 31, 2023

(b) Recognition of Revenues from Construction Contracts

(1) Amounts recognized on the consolidated financial statements for this fiscal year

	Year ended March 31, 2023
	<hr/> <i>(Millions of yen)</i>
Net sales of construction contracts, etc. related to performance obligations to be satisfied over time	¥403,453

(2) Information on significant accounting estimates for the item above

For construction contracts, etc. whose performance obligations are satisfied over time, the progress toward complete satisfaction of a performance obligation is measured and net sales of completed construction contracts are recognized over time based on such progress toward satisfaction of the performance obligation.

It is necessary to estimate total revenues and costs of a project reasonably upon recognition. The Group's results may fluctuate due to changes in net sales and costs of completed construction contracts as a result of negotiations with clients, unanticipated incurrence of costs, or other reasons.

5. Unapplied Accounting Standard and Implementation Guidance

“Accounting Standard for Current Income Taxes, etc.” (ASBJ Statement No. 27 issued on October 28, 2022)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 issued on October 28, 2022)

“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 issued on October 28, 2022)

(1) Outline

Provisions on the classification of recording of income taxes, etc. when taxing other comprehensive income and the treatment of tax effects related to the sales of subsidiary shares, etc. when the group corporate tax system is applied.

(2) Scheduled Date of Application

The Company will apply the accounting standard and the implementation guidance from the beginning of the year ending March 31, 2025.

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

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

6. Notes to Consolidated Balance Sheets

(a) Receivables and Contract Assets from Contracts with Customers

Receivables and contract assets from contracts with customers included in trade notes receivable, accounts receivable on completed construction contracts and other as of March 31, 2024 and 2023 were as follows:

Sumitomo Mitsui Construction Co., Ltd.
Notes to Consolidated Financial Statements
 March 31, 2024

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Trade notes receivable	¥ 3,493	¥ 3,296	\$ 23,069
Accounts receivable on completed construction contracts and other	53,599	87,480	353,999
Contract assets	135,598	124,443	895,568
	<u>¥192,691</u>	<u>¥215,220</u>	<u>\$1,272,643</u>

(b) Inventories

The components of inventories as of March 31, 2024 and 2023 were as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Merchandise and finished goods	¥ 28	¥ 94	\$ 184
Materials and supplies	12,814	9,973	84,631
Costs on uncompleted construction contracts	24,255	20,357	160,194
	<u>¥37,098</u>	<u>¥30,425</u>	<u>\$245,016</u>

(c) Pledged Assets

The following assets were pledged at March 31, 2024 and 2023 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,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	¥5,853	¥5,872	\$38,656
Buildings and structures, net of accumulated depreciation	1,601	1,692	10,573
Machinery, equipment and vehicles, net of accumulated depreciation	87	128	574
Investments in securities	10	4	66
Securities	—	285	—
Others (Investments and other assets)	10	10	66
	<u>¥7,563</u>	<u>¥7,994</u>	<u>\$49,950</u>

In addition to the assets pledged as collateral above, ¥358 million (\$2,364 thousand) of shares of affiliated companies (subsidiary shares) that have been offset and eliminated from the consolidated financial statements are pledged as collateral.

Of the above property and equipment, mortgaged assets for factory foundations at March 31, 2024 and 2023 were summarized as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	¥1,258	¥1,258	\$8,308
Buildings and structures, net of accumulated depreciation	264	282	1,743
Machinery, equipment and vehicles, net of accumulated depreciation	87	128	574
	<u>¥1,610</u>	<u>¥1,669</u>	<u>\$10,633</u>

The secured liabilities as of March 31, 2024 and 2023 were summarized as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term bank loans	¥ 12	¥ 12	\$ 79
[Including current portion of long-term debt]	[12]	[12]	[79]
Long-term debt	30	43	198

There are no liabilities corresponding to the factory foundation mortgage in the above secured liabilities.

(d) Land Revaluation

Land for operations was revalued by two consolidated subsidiaries under the Law for Land Revaluation during the year ended March 31, 2001. Land for operations was revalued by consolidated subsidiaries under the Law for Land Revaluation during the year ended March 31, 2002. The revaluation amounts are shown as a separate component of net assets.

The market value of the land was less than the revalued book amount by ¥683 million (\$4,510 thousand) and ¥681 million at March 31, 2024 and 2023, respectively.

(e) Contingent Liabilities

At March 31, 2024 and 2023, the Company and its consolidated subsidiaries were contingently liable for the following:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
As guarantors for performance guarantee insurance policy for Sakai School Lunch Partners Co., Ltd.	¥819	¥819	\$5,409
As guarantors for compensation for lump-sum move-in payment for Amenity Life Co., Ltd.	–	487	–
As guarantors for compensation for lump-sum move-in payment for SOYOKAZE Co., Ltd.	379	–	2,503
As guarantors for performance guarantee insurance policy for Horonobe Geo Frontier 3rd PFI Co., Ltd.	96	–	634
As guarantors for advance deposits for MEIWA ESTATE Co., Ltd.	–	609	–

The Company's affiliated companies, Sakai School Lunch Partners Co., Ltd., a special purpose company, and Horonobe Geo Frontier 3rd PFI Co., Ltd., a special purpose company, have concluded performance guarantee insurance contracts with guarantor organizations, and the Company provides joint guarantee for the compensation debt to be borne in the event of a claim based on the contracts.

Amenity Life Co., Ltd. ceased to exist as a result of an absorption-type merger with SOYOKAZE Co., Ltd. which is the surviving company on October 1, 2023, and the Company is providing a guarantee against SOYOKAZE Co., Ltd.'s obligation to return the lump-sum move-in payment.

(f) Discounts and Endorsements on Trade Notes Receivable

Discounts on trade notes receivable has been recorded in the amounts of ¥79 million (\$521 thousand) as of March 31, 2024. There were no discounts or endorsements on trade notes receivable as of March 31, 2023.

(g) 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 a provision for loss on construction contracts in the amounts of ¥1 million (\$6 thousand) and ¥332 million as of March 31, 2024 and 2023, respectively.

(h) Contract Liabilities

Advances received on construction contracts in progress included contract liabilities in the amounts of ¥35,847 million (\$236,754 thousand) and ¥35,262 million as of March 31, 2024 and 2023, respectively.

(i) Amount of Reduction Entries

The amount of reduction entries deducted from the acquisition cost of property and equipment through government subsidies, etc., and the breakdown thereof as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
The amount of reduction entries	¥450	¥–	\$2,972
(Of which, buildings and structures)	5	–	33
(Of which, machinery, vehicles, tools, furniture and fixtures)	445	–	2,939

(j) Trade Notes Receivable Maturing at the End of the Fiscal Year

Accounting for trade notes receivable maturing at the end of the fiscal year is treated as if the settlement was made on the maturity date. Since the end of the fiscal year was a holiday for financial institutions, next trade notes receivable maturing on the following fiscal year are treated as if they were settled on the maturity date.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Trade notes receivable	¥63	¥–	\$416
Electronic records receivables	54	–	356
Trade notes payable	1	–	6
Electronic records payables	90	–	594

(k) Financial Covenants

As of March 31, 2024

- (1) The Company has entered into a loan commitment agreement dated on March 31, 2016 with its seven banks (subsequently changed to Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Ltd. dated

on May 25, 2023) 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2024.

Unused amount on loan commitment agreement as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥15,000	¥20,000	\$99,068
Loan balance outstanding	—	—	—
Difference (unused portion)	<u>¥15,000</u>	<u>¥20,000</u>	<u>\$99,068</u>

- (2) The Company has entered into a committed syndicated loan contract dated on March 30, 2018 with its seven banks (subsequently changed to six banks dated on March 26, 2024) with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower’s consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

(k) Financial Covenants (continued)

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)
 At the end of March, 2025: ¥66,226 million (\$437,395 thousand)
 At the end of March, 2026: ¥68,961 million (\$455,458 thousand)
 At the end of March, 2027: ¥75,819 million (\$500,752 thousand)
 At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥9,000 million (\$59,441 thousand) in long-term debt as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the contract	¥9,000	¥10,000	\$59,441
Loan balance outstanding	9,000	10,000	59,441
Difference (unused portion)	¥ —	¥ —	\$ —

(k) Financial Covenants (continued)

- (3) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the contract	¥10,000	¥10,000	\$66,045
Loan balance outstanding	10,000	10,000	66,045
Difference (unused portion)	¥ —	¥ —	\$ —

- (4) 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 Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of March 31, 2024 shall be equal to or exceed ¥66,226 million (\$437,395 thousand).

(k) Financial Covenants (continued)

In calculating total of the consolidated net assets at the end of March, 2024, in the borrower's consolidated statements of income as of the end of March, 2024, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million (\$99,068 thousand) in long-term debt of the current portion as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the contract	¥15,000	¥15,000	\$99,068
Loan balance outstanding	15,000	15,000	99,068
Difference (unused portion)	¥ —	¥ —	\$ —

- (5) The Company has entered into a syndicated loan contract dated on September 29, 2020 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of March, 2024 and 2025 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥265 million (\$1,750 thousand) in long-term debt (including the current portion) as of March 31, 2024.

(k) Financial Covenants (continued)

- (6) The Company has entered into a syndicated loan contract dated on March 29, 2021 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt as of March 31, 2024.

(k) Financial Covenants (continued)

- (7) The Company has entered into a syndicated loan contract dated on March 28, 2022 with its eight banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt (including the current portion) as of March 31, 2024.

- (8) The Company has entered into a committed syndicated loan contract dated on March 28, 2022 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

(k) Financial Covenants (continued)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥5,600 million (\$36,985 thousand) in long-term debt (including the current portion) as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥7,000	¥7,000	\$46,232
Loan balance outstanding	7,000	7,000	46,232
Difference (unused portion)	¥ –	¥ –	\$ –

- (9) The Company has entered into a loan commitment agreement dated on May 24, 2022 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on September 26, 2023 and the following financial covenant is included in the contract:

- Total consolidated net assets at the end of the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

- Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower’s consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after September 26, 2023, all profits or losses related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)
 At the end of March, 2025: ¥66,226 million (\$437,395 thousand)
 At the end of March, 2026: ¥68,961 million (\$455,458 thousand)
 At the end of March, 2027: ¥75,819 million (\$500,752 thousand)
 At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2024.

(k) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥27,200	¥30,000	\$179,644
Loan balance outstanding	—	—	—
Difference (unused portion)	<u>¥27,200</u>	<u>¥30,000</u>	<u>\$179,644</u>

(10) The Company has entered into a loan commitment agreement dated on June 27, 2022 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on September 26, 2023 and the following financial covenant is included in the contract:

1. Total consolidated net assets at the end of the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

2. Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower’s consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after September 26, 2023, all profits or losses related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2024.

(k) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥20,000	¥20,000	\$132,091
Loan balance outstanding	—	—	—
Difference (unused portion)	<u>¥20,000</u>	<u>¥20,000</u>	<u>\$132,091</u>

- (11) The Company has entered into a general syndicated loan contract dated on September 27, 2022 with its twenty-one banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt as of March 31, 2024.

(k) Financial Covenants (continued)

As of March 31, 2023

- (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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2023.

Unused amount on loan commitment agreement as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥20,000	¥20,000
Loan balance outstanding	—	—
Difference (unused portion)	<u>¥20,000</u>	<u>¥20,000</u>

(k) Financial Covenants (continued)

- (2) The Company has entered into a syndicated loan contract dated on September 28, 2016 with its seven banks (including five different banks from (1) above) 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 ¥1,750 million in long-term debt (including the current portion) as of March 31, 2023.

- (3) 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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt (including the current portion) as of March 31, 2023.

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ —	¥ —

(k) Financial Covenants (continued)

- (4) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks (including six different banks from (3) above) 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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

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, 2023.

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	<u>10,000</u>	<u>10,000</u>
Difference (unused portion)	<u>¥ —</u>	<u>¥ —</u>

- (5) 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:

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 addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million in long-term debt as of March 31, 2023.

(k) Financial Covenants (continued)

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the contract	¥15,000	¥15,000
Loan balance outstanding	15,000	15,000
Difference (unused portion)	¥ —	¥ —

- (6) The Company has entered into a syndicated loan contract dated on September 29, 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 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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥1,000 million in long-term debt (including the current portion) as of March 31, 2023.

- (7) 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:

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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2023.

(k) Financial Covenants (continued)

- (8) The Company has entered into a syndicated loan contract dated on March 28, 2022 with its eight 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, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2023.

- (9) The Company has entered into a committed syndicated loan contract dated on March 28, 2022 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 each fiscal year beginning March 31, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 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 which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥6,300 million in long-term debt (including the current portion) as of March 31, 2023.

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥7,000	¥7,000
Loan balance outstanding	7,000	—
Difference (unused portion)	¥ —	¥7,000

(k) Financial Covenants (continued)

- (10) The Company has entered into a loan commitment agreement dated on May 24, 2022 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 the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2023.

Unused amount on loan commitment agreement as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥30,000	¥–
Loan balance outstanding	–	–
Difference (unused portion)	<u>¥30,000</u>	<u>¥–</u>

- (11) The Company has entered into a loan commitment agreement dated on June 27, 2022 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 the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2023.

(k) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥20,000	¥-
Loan balance outstanding	-	-
Difference (unused portion)	<u>¥20,000</u>	<u>¥-</u>

- (12) The Company has entered into a general syndicated loan contract dated on September 27, 2022 with its twenty-one 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, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022 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 ¥10,000 million in long-term debt as of March 31, 2023.

Contracts other than (10) and (11) above are in conflict with financial covenants at the end of the current fiscal year, however, as of May 19, 2023, the Company obtained approval from our financial institutions to not exercise their rights to lose profits for the time limit due to such conflicts.

7. Notes to Consolidated Statements of Income

(a) Revenue from Contracts with Customers

Net sales are not presented separately for revenues from contracts with customers and other revenues. The amounts of revenues from contracts with customers are presented in “Notes to the Consolidated Financial Statements (Segment Information, etc.)”

(b) Provision for Loss on Construction Contracts Included in Cost of Sales

The provision for loss on construction contracts was included in cost of sales in the amounts of ¥1,326 million (\$8,757 thousand) and ¥22,132 million for the years ended March 31, 2024 and 2023, respectively.

(c) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Salaries and wages	¥12,102	¥12,397	\$ 79,928
Retirement benefit expenses	728	672	4,808
Provision of allowance for doubtful receivables	0	(0)	0
Other	13,763	14,759	90,898
Total	<u>¥26,595</u>	<u>¥27,828</u>	<u>\$175,648</u>

(d) Research and Development Expenses

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥1,620 million (\$10,699 thousand) and ¥2,133 million for the years ended March 31, 2024 and 2023, 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, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Buildings and structures	¥139	¥10	\$918
Machinery, equipment and vehicles	7	19	46
Land	31	69	204
Total	<u>¥178</u>	<u>¥98</u>	<u>\$1,175</u>

(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, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loss on disposal	¥196	¥42	\$1,294
Loss on sales	0	1	0
Total	¥196	¥43	\$1,294

(g) Impairment loss

For the year ended March 31, 2024

The Group recorded impairment losses on the following asset groups.

Location	Usage	Classification	Years ended March 31, 2024	
			<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Nishiyodogawa-ku, Osaka-shi, Osaka	Business assets (asphalt composite materials plant)	Buildings and structures	¥27	\$178
The Company, etc.	Idle assets (telephone subscription rights)	Intangible fixed assets, etc.	19	125

As a general rule, the Group groups business assets based on business units under management accounting, which continuously keep track of income and expenditure. In addition, idle assets are grouped for each individual property.

With regard to business assets, the Company have determined to close the factory in this fiscal year and the carrying value of the assets group was reduced to recoverable value, and the decrease was recorded as impairment loss that amounted to ¥27 million (\$178 thousand) under other expenses for the year ended March 31, 2024.

The recoverable value of such assets group is measured by value in use and is calculated as zero as future cash flows will no longer be expected.

With regard to idle assets, in light of the current usage of telephone subscription rights, the total amount of lines that are not expected to be used in the future is recorded as an impairment loss.

(g) Impairment loss (continued)

For the year ended March 31, 2023

The Group recorded impairment losses on the following asset groups.

Location	Usage	Classification	Years ended March 31, 2023 <i>(Millions of yen)</i>
Nishiyodogawa-ku, Osaka-shi, Osaka	Asphalt composite materials plant	Buildings and structures, machinery and equipment, and others (tools and equipment)	¥62

As a general rule, the Group groups business assets based on business units under management accounting, which continuously keep track of income and expenditure. In addition, idle assets are grouped for each individual property.

In this fiscal year, regarding assets or groups of assets that have significantly reduced profitability, the carrying value of the following assets was reduced to recoverable value, and the decrease was recorded as impairment loss that amounted to ¥62 million under other expenses for the year ended March 31, 2023. The breakdown is ¥20 million for buildings and structures, ¥40 million for machinery and equipment, and ¥1 million for others.

The recoverable value of such assets is measured by value in use and is calculated by discounting future cash flow by 5.7%.

8. Notes to Consolidated Statements of Comprehensive Income

Amount of recycling and amount of income tax effects associated with other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrealized holding gain (loss) on securities:			
Changes in items during the period	¥4,291	¥(1,221)	\$28,340
Amount of recycling	(1,215)	(163)	(8,024)
Before income tax effect adjustment	3,076	(1,385)	20,315
Income tax effect adjustment	(276)	(240)	(1,822)
Unrealized holding gain (loss) on securities	<u>2,799</u>	<u>(1,625)</u>	<u>18,486</u>
Deferred gain on hedging instruments, net of taxes:			
Changes in items during the period	38	93	250
Amount of recycling	–	–	–
Before income tax effect adjustment	38	93	250
Income tax effect adjustment	–	(40)	–
Deferred gain on hedging instruments, net of taxes	<u>38</u>	<u>52</u>	<u>250</u>
Translation adjustments:			
Changes in items during the period	1,342	1,861	8,863
Amount of recycling	–	–	–
Before income tax effect adjustment	1,342	1,861	8,863
Income tax effect adjustment	–	–	–
Translation adjustments	<u>1,342</u>	<u>1,861</u>	<u>8,863</u>
Retirement benefits liability adjustments:			
Changes in items during the period	(21)	(55)	(138)
Amount of recycling	171	139	1,129
Before income tax effect adjustment	150	83	990
Income tax effect adjustment	16	(10)	105
Retirement benefits liability adjustments	<u>166</u>	<u>72</u>	<u>1,096</u>
Total other comprehensive income	<u>¥ 4,346</u>	<u>¥360</u>	<u>\$ 28,703</u>

9. Notes to Consolidated Statements of Changes in Net Assets

(a) Type and Number of Shares Issued and Treasury Stock

For the year ended March 31, 2024

	Balance at April 1, 2023	Increase	Decrease	Balance at March 31, 2024
	<i>(Number of shares)</i>			
Shares issued:				
Common stock	162,673,321	–	–	162,673,321
	Balance at April 1, 2023	Increase	Decrease	Balance at March 31, 2024
	<i>(Number of shares)</i>			
Treasury stock:				
Common stock	6,180,515	3,778	222,783	5,961,510

Note 1: Increase of common stock is due to the purchase of fractional 3,778 shares.

Note 2: Decrease of common stock is due to the sale of fractional 316 shares in response to shareholder requests and the disposition of treasury stock of 222,467 shares as the compensation of restricted stocks based on the resolution of the board of directors held on July 14, 2023.

For the year ended March 31, 2023

	Balance at April 1, 2022	Increase	Decrease	Balance at March 31, 2023
	<i>(Number of shares)</i>			
Shares issued:				
Common stock	162,673,321	–	–	162,673,321
	Balance at April 1, 2022	Increase	Decrease	Balance at March 31, 2023
	<i>(Number of shares)</i>			
Treasury stock:				
Common stock	6,382,798	5,031	207,314	6,180,515

Note 1: Increase of common stock is due to the purchase of fractional 5,031 shares.

Note 2: Decrease of common stock is due to the sale of fractional 626 shares in response to shareholder requests and the disposition of treasury stock of 206,688 shares as the compensation of restricted stocks based on the resolution of the board of directors held on July 15, 2022.

(b) Dividends

(1) Dividends paid

For the year ended March 31, 2024

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2023	Common stock	¥2,190	¥14.00	\$14,464	\$0.092	March 31, 2023	June 30, 2023

For the year ended March 31, 2023

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	Common stock	¥3,125	¥20.00	March 31, 2022	June 30, 2022

(2) Dividends with the cut-off date in the year ended March 31, 2024 and the effective date in the year ending March 31, 2025 were as follows:

Resolution	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2024	Common stock	Retained earnings	¥2,193	¥14.00	\$14,483	\$0.092	March 31, 2024	June 28, 2024

Dividends with the cut-off date in the year ended March 31, 2023 and the effective date in the year ending March 31, 2024 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, 2023	Common stock	Retained earnings	¥2,190	¥14.00	March 31, 2023	June 30, 2023

10. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2024 and 2023 were as follows:

	As of March 31,		
	<u>2024</u>	<u>2023</u>	<u>2024</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	¥96,677	¥65,142	\$638,511
Time deposits with maturities of over three months	(7,052)	(4,314)	(46,575)
Cash and cash equivalents	<u>¥89,625</u>	<u>¥60,828</u>	<u>\$591,935</u>

11. Financial Instruments

(a) Overview

(1) Policy for financial instruments

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

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 is also constantly held, and the Company utilizes foreign exchange forward contracts to hedge the risk of changes in the foreign currency exchange rate.

Loan payables and corporate bonds are mainly 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

Since variable factors are incorporated in the calculation of the fair value of financial instruments, applying different assumptions may result in different fair values.

In addition, the amounts of derivatives in Note 13 "Derivatives and Hedge Accounting" are not necessarily indicative of the actual market risk involved in the derivative transactions.

Sumitomo Mitsui Construction Co., Ltd.
Notes to Consolidated Financial Statements
 March 31, 2024

(b) Fair Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, fair value, and the difference at March 31, 2024 and 2023, were as shown below.

	As of March 31, 2024					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Trade notes receivable, accounts receivable on completed construction contracts and other	¥57,093	¥57,078	¥(14)	\$377,075	\$376,976	\$ (92)
Securities and investments in securities (*2)						
Other securities	1,546	1,546	–	10,210	10,210	–
Total assets	¥58,639	¥58,624	¥(14)	\$387,286	\$387,187	\$ (92)
Trade notes payable, accounts payable on construction contracts and other	¥ 89,203	¥ 89,203	¥ –	\$ 589,148	\$589,148	\$ –
Electronically recorded payable	39,119	39,119	–	258,364	258,364	–
Short-term bank loans and current portion of long-term debt	21,221	21,170	(51)	140,155	139,819	(336)
Corporate bonds	10,000	9,877	(122)	66,045	65,233	(805)
Long-term debt	48,995	45,204	(3,790)	323,591	298,553	(25,031)
Total liabilities	¥208,540	¥204,576	¥(3,964)	\$1,377,319	\$1,351,139	\$(26,180)
Derivative transactions (*3)	¥ (1)	¥ (1)	¥ –	\$ (6)	\$ (6)	\$ –

(*1): Since “cash and deposits” are cash and deposits are settled in a short period of time, their fair value approximates their book value. Therefore, information on “cash and deposits” is omitted.

(*2): Shares, etc. with no market value are not included in “Securities and investments in securities.” The consolidated balance sheet amount of such financial instruments (unlisted stocks) was ¥3,940 million (\$26,022 thousand).

(*3): 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, 2023		
	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
Trade notes receivable, accounts receivable on completed construction contracts and other	¥215,220	¥215,106	¥(113)
Securities and investments in securities (*2)	16,115	16,121	6
Held-to-maturity securities	348	354	6
Other securities	15,767	15,767	-
Total assets	<u>¥231,335</u>	<u>¥231,228</u>	<u>¥(107)</u>
Trade notes payable, accounts payable on construction contracts and other	¥ 84,771	¥ 84,771	¥ -
Electronically recorded payable	36,150	36,150	-
Short-term bank loans and current portion of long-term debt	10,812	10,837	24
Corporate bonds	10,000	9,918	(81)
Long-term debt	63,443	61,246	(2,196)
Total liabilities	<u>¥205,177</u>	<u>¥202,924</u>	<u>¥(2,252)</u>
Derivative transactions (*3)	¥ (40)	¥ (40)	¥ -

(*1): Since "cash and deposits" are cash and deposits are settled in a short period of time, their fair value approximates their book value. Therefore, information on "cash and deposits" is omitted.

(*2): Shares, etc. with no market value are not included in "Securities and investments in securities." The consolidated balance sheet amount of such financial instruments (unlisted stocks) was ¥4,090 million.

(*3): 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)

Note 1: The redemption schedule for monetary claims and held-to-maturity debt securities with maturity dates subsequent to March 31, 2024 and 2023

	As of March 31, 2024							
	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
	<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>			
Deposits	¥ 96,651	¥ –	¥–	¥–	\$ 638,339	\$ –	\$–	\$–
Trade notes receivable, accounts receivable on completed construction contracts and other	55,729	1,363	–	–	368,066	9,002	–	–
Securities and investments in securities	–	–	–	–	–	–	–	–
Held-to-maturity securities (bonds)	–	–	–	–	–	–	–	–
	<u>¥152,380</u>	<u>¥1,363</u>	<u>¥–</u>	<u>¥–</u>	<u>\$1,006,406</u>	<u>\$9,002</u>	<u>\$–</u>	<u>\$–</u>
	As of March 31, 2023							
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years				
	<i>(Millions of yen)</i>							
Deposits	¥ 65,106	¥ –	¥–	¥–				
Trade notes receivable, accounts receivable on completed construction contracts and other	195,730	19,489	–	–				
Securities and Investments in securities	–	–	–	–				
Held-to-maturity securities (bonds)	348	–	–	–				
	<u>¥261,185</u>	<u>¥19,489</u>	<u>¥–</u>	<u>¥–</u>				

Note 2: The redemption schedule for corporate bonds, long-term debt and other interest bearing debt with maturity dates subsequent to March 31, 2024 and 2023. See Notes 21 and 22.

(c) Fair Value Information by Level within the Fair Value Hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value:	Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.
Level 2 fair value:	Fair value measured using observable inputs other than Level 1 inputs.
Level 3 fair value:	Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(c) Fair Value Information by Level within the Fair Value Hierarchy (continued)

(1) Financial assets and liabilities measured at fair value

	As of March 31, 2024							
	Fair Value				Fair Value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>				
Securities and investments in securities								
Other securities								
Stock	¥1,546	¥ –	¥–	¥1,546	\$10,210	\$ –	\$–	\$10,210
Total assets	¥1,546	¥ –	¥–	¥1,546	\$10,210	\$ –	\$–	\$10,210
Derivative transactions								
Hedge accounting is applied	¥ –	¥1	¥–	¥ 1	\$ –	\$6	\$–	\$ 6
Total liabilities	¥ –	¥1	¥–	¥ 1	\$ –	\$6	\$–	\$ 6

	As of March 31, 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<i>(Millions of yen)</i>				
Securities and investments in securities				
Other securities				
Stock	¥15,767	¥ –	¥–	¥15,767
Total assets	¥15,767	¥ –	¥–	¥15,767
Derivative transactions				
Hedge accounting is applied	¥ –	¥40	¥–	¥ 40
Total liabilities	¥ –	¥40	¥–	¥ 40

(2) Financial assets and liabilities other than those measured at fair value

	As of March 31, 2024							
	Fair Value				Fair Value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>				
Trade notes receivable, accounts receivable on completed construction contracts and other	¥ –	¥57,078	¥–	¥57,078	\$–	\$376,976	\$–	\$376,976
Total assets	¥ –	¥57,078	¥–	¥57,078	\$–	\$376,976	\$–	\$376,976
Trade notes payable, accounts payable on construction contracts and other	¥ –	¥ 89,203	¥–	¥ 89,203	\$–	\$ 589,148	\$–	\$ 589,148
Electronically recorded payable	–	39,119	–	39,119	–	258,364	–	258,364
Short-term bank loans and current portion of long-term debt	–	21,170	–	21,170	–	139,819	–	139,819
Corporate bonds	–	9,877	–	9,877	–	65,233	–	65,233
Long-term debt	–	45,204	–	45,204	–	298,553	–	298,553
Total liabilities	¥ –	¥204,576	¥–	¥204,576	\$–	\$1,351,139	\$–	\$1,351,139

(c) Fair Value Information by Level within the Fair Value Hierarchy (continued)

	As of March 31, 2023			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	<i>(Millions of yen)</i>			
Trade notes receivable, accounts receivable on completed construction contracts and other	¥ -	¥215,106	¥-	¥215,106
Securities and investments in securities				
Held-to-maturity securities				
Bonds	354	-	-	354
Total assets	<u>¥354</u>	<u>¥215,106</u>	<u>¥-</u>	<u>¥215,460</u>
Trade notes payable, accounts payable on construction contracts and other	¥ -	¥ 84,771	¥-	¥ 84,771
Electronically recorded payable	-	36,150	-	36,150
Short-term bank loans and current portion of long-term debt	-	10,837	-	10,837
Corporate bonds	-	9,918	-	9,918
Long-term debt	-	61,246	-	61,246
Total liabilities	<u>¥ -</u>	<u>¥202,924</u>	<u>¥-</u>	<u>¥202,924</u>

Note 1: Description of the valuation techniques and inputs used in the fair value measurements

Securities and investments in securities

Listed stocks and bonds are valued using quoted market prices. Since listed stocks and bonds are traded in active markets, their fair value is classified as Level 1 fair value.

Trade notes receivable, accounts receivable on completed construction contracts and other

The fair value of these receivables is calculated for each receivable classified by a certain period using the discounted present value method based on the amount of the receivables, the period to maturity, and an interest rate that takes into account credit risk, and is classified as Level 2 fair value.

Trade notes payable, accounts payable on construction contracts and other, and electronically recorded payable

The fair value of these payables is based on their book value as most of them are settled within one year, and is classified as Level 2 fair value.

Short-term bank loans and current portion of long-term debt

For the current portion of long-term debt, the fair value is calculated in the same manner as for long-term debt. Since other short-term bank loans are settled in a short period of time, their fair value is almost equal to their book value, and is therefore recorded at the book value and classified as Level 2 fair value.

(c) Fair Value Information by Level within the Fair Value Hierarchy (continued)

Corporate bonds

The fair value of bonds issued by the Company is calculated by discounting the total amount of principal and interest at an interest rate that takes into account the remaining term of the bonds and credit risk. The fair value of bonds is classified as Level 2 fair value because they have a quoted market price but are not traded in an active market.

Long-term debt

The fair value of long-term debt is calculated based on the present value of the total principal and interest discounted at the interest rate that would be applicable to a new similar borrowing, and is classified as Level 2 fair value. The fair value of long-term debt with floating interest rates that is subject to the short-cut method is calculated by discounting the total amount of principal and interest treated together with the interest rate swaps by the reasonably estimated interest rate that would be applicable to a new similar borrowing.

Derivative transactions

The fair value of interest rate swaps is based on the price quoted by the counterparty financial institutions and is classified as Level 2 fair value. The fair value of interest rate swaps accounted for using the short-cut method is included in the fair value of the relevant long-term debt because they are accounted for as an integral part of the long-term debt that is hedged.

12. Securities

Securities at March 31, 2024 and 2023 were summarized as follows:

(a) Held-to-maturity Securities

For the year ended March 31, 2024

Not applicable.

For the year ended March 31, 2023

	As of March 31, 2023		
	Carrying value	Fair value	Unrealized gain
	<i>(Millions of yen)</i>		
Securities whose fair value exceeds their carrying value:			
Bonds	¥348	¥354	¥6

(b) Other Securities

	As of March 31, 2024					
	Balance sheet amount	Cost	Unrealized gain (loss)	Balance sheet amount	Cost	Unrealized gain (loss)
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Unrealized gain: Stock	¥ 1,546	¥ 639	¥906	\$ 10,210	\$ 4,220	\$5,983
Unrealized loss: Stock	-	-	-	-	-	-
Total	<u>¥1,546</u>	<u>¥639</u>	<u>¥ 906</u>	<u>\$10,210</u>	<u>\$4,220</u>	<u>\$5,983</u>

	As of March 31, 2023		
	Balance sheet amount	Cost	Unrealized gain (loss)
	<i>(Millions of yen)</i>		
Unrealized gain: Stock	¥ 4,078	¥ 2,425	¥1,652
Unrealized loss: Stock	11,689	15,511	(3,822)
Total	<u>¥15,767</u>	<u>¥17,936</u>	<u>¥(2,169)</u>

(c) Sales of Other Securities

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Sales proceeds	¥18,764	¥388	\$123,928
Total gain on sales of security	2,244	187	14,820
Total loss on sales of security	(933)	(6)	(6,162)

13. Derivatives and Hedge Accounting

Derivative transactions for the years ended March 31, 2024 and 2023 were summarized as follows:

(a) Derivative Transactions to which the Hedge Accounting is Applied

(1) Currency-related transactions

Not applicable.

(2) Interest-related transactions

As of March 31, 2024								
Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Fair value	Interest-rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 2,500	¥ 2,500	¥ (1)	\$16,511	\$ 16,511	\$ (6)
Total			<u>¥ 2,500</u>	<u>¥ 2,500</u>	<u>¥ (1)</u>	<u>\$16,511</u>	<u>\$ 16,511</u>	<u>\$ (6)</u>

As of March 31, 2024								
Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
			<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Short-cut method	Interest-rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 6,000	¥ 6,000	(Note)	\$39,627	\$39,627	(Note)
	Pay fixed/ Receive floating	Long-term debt	4,000	4,000	(Note)	26,418	26,418	(Note)
Total			<u>¥10,000</u>	<u>¥10,000</u>		<u>\$66,045</u>	<u>\$66,045</u>	

Note: 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.

(a) Derivative Transactions to which the Hedge Accounting is Applied (continued)

As of March 31, 2023					
Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
<i>(Millions of yen)</i>					
Fair value	Interest-rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 7,500	¥ -	¥(20)
	Pay fixed/ Receive floating	Long-term debt	2,500	2,500	(19)
Total			<u>¥10,000</u>	<u>¥ 2,500</u>	<u>¥(40)</u>

As of March 31, 2023					
Method of hedge accounting	Transaction type	Hedged item	Contract amount	Over 1 year	Fair value
<i>(Millions of yen)</i>					
Short-cut method	Interest-rate swaps: Pay fixed/ Receive floating	Long-term debt	¥ 6,000	¥ 6,000	(Note)
	Pay fixed/ Receive floating	Long-term debt	4,000	4,000	(Note)
Total			<u>¥10,000</u>	<u>¥10,000</u>	

Note: 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.

14. Retirement Benefit Plans

For the year ended March 31, 2024, the Group has either funded or unfunded defined benefit and defined contribution plans to fund employees' retirement benefits.

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 a part 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 years ended March 31, 2024 and 2023 were as follows (excluding plans for which the simplified method is applied):

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of year	¥16,294	¥16,845	\$107,615
Service cost	922	898	6,089
Interest cost	91	84	601
Actuarial loss	50	26	330
Retirement benefit paid	(1,419)	(1,575)	(9,371)
Foreign currency translation	33	22	217
Other	1	(6)	6
Balance at the end of year	<u>¥15,974</u>	<u>¥16,294</u>	<u>\$105,501</u>

The changes in plan assets during the years ended March 31, 2024 and 2023 were as follows (excluding plans for which the simplified method is applied):

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of year	¥470	¥511	\$3,104
Expected return on plan assets	12	12	79
Actuarial gain (loss)	30	(27)	198
Contribution of the employer	17	18	112
Retirement benefit paid	(50)	(46)	(330)
Foreign currency translation	1	2	6
Balance at the end of year	<u>¥482</u>	<u>¥470</u>	<u>\$3,183</u>

14. Retirement Benefit Plans (continued)

The changes in liability for retirement benefits based on the simplified method during the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of year	¥2,059	¥1,928	\$13,598
Retirement benefit expense	281	226	1,855
Retirement benefit paid	(162)	(75)	(1,069)
Contribution to defined contribution plan	(25)	(19)	(165)
Balance at the end of year	<u>¥2,152</u>	<u>¥2,059</u>	<u>\$14,213</u>

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, 2024 and 2023 is as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 1,647	¥ 1,560	\$ 10,877
Plan assets at fair value	(1,367)	(1,405)	(9,028)
	279	155	1,842
Unfunded retirement benefit obligation	17,364	17,727	114,681
Net liability for retirement benefits in the consolidated balance sheet	<u>17,644</u>	<u>17,882</u>	<u>116,531</u>
Liability for retirement benefits	17,678	17,971	116,755
Assets for retirement benefits	(34)	(88)	(224)
Net liability for retirement benefits in the consolidated balance sheet	<u>¥17,644</u>	<u>¥17,882</u>	<u>\$116,531</u>

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

14. Retirement Benefit Plans (continued)

The components of retirement benefit expense during the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 922	¥ 898	\$ 6,089
Interest cost	91	84	601
Expected return on plan assets	(12)	(12)	(79)
Amortization of actuarial loss	210	260	1,386
Amortization of prior service cost	(38)	(121)	(250)
Retirement benefit expense calculated by the simplified method	281	226	1,855
Total retirement benefit expense	¥1,454	¥1,335	\$9,603

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) during the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Actuarial loss	¥190	¥206	\$1,254
Prior service cost	(40)	(122)	(264)
Total	¥ 150	¥ 83	\$ 990

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2024 and 2023 were follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized actuarial loss	¥672	¥862	\$4,438
Unrecognized prior service cost	18	(21)	118
Total	¥ 690	¥ 841	\$4,557

14. Retirement Benefit Plans (continued)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2023 were follows:

	As of March 31,	
	2024	2023
Bonds	52%	78%
Stocks	21%	11%
Cash and deposits	18%	3%
Other	9%	8%
Total	100%	100%

Cash and deposits, which were included in “Other” in the previous fiscal year, have been presented separately from the current fiscal year due to increased monetary importance. In order to reflect this change in the presentation method, we have reclassified the ratio of each major category to the total plan assets in the previous fiscal year.

As a result, cash and deposits account for 3% of “Other” in the previous fiscal year.

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,	
	2024	2023
Discount rate	Principally 0.3%	Principally 0.3%
Expected rate of return on plan assets	Principally 1.8%	Principally 0.9%
Expected rate of increase in salaries	Principally 4.9%	Principally 4.9%

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

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Contribution to defined contribution plans	¥760	¥764	\$5,019

15. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2024 and 2023 were as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Tax loss carried forward	¥ 3,352	¥289	\$22,138
Liability for retirement benefits	5,390	5,506	35,598
Accounts payable and accrued expenses	2,588	2,571	17,092
Impairment loss	84	84	554
Loss on valuation of investment securities	7	8	46
Provision for loss on construction contracts	10,292	13,869	67,974
Provision for contingent loss	661	661	4,365
Other	1,999	1,997	13,202
Gross deferred tax assets	24,375	24,989	160,986
Valuation allowance for tax loss carried forward (Note 2)	(3,352)	(289)	(22,138)
Valuation allowance for total deductible temporary differences, etc.	(14,611)	(17,673)	(96,499)
Gross valuation allowance (Note 1)	(17,963)	(17,963)	(118,638)
Total deferred tax assets	6,411	7,025	42,341
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(962)	(961)	(6,353)
Unrealized holding gain on securities	(277)	(0)	(1,829)
Valuation difference from business combinations	(292)	(393)	(1,928)
Other	(307)	(271)	(2,027)
Total deferred tax liabilities	(1,840)	(1,627)	(12,152)
Net deferred tax assets	¥4,571	¥5,397	\$30,189

Note 1: Valuation allowance decreased by ¥2,783 million (\$18,380 thousand). The main reason for this decrease was the decrease of the provision for loss on construction contracts.

Note 2: Amount of tax loss carried forward and the amount of the deferred tax assets by carryforward periods

	As of March 31, 2024						Total
	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	Over 5 years	
	<i>(Millions of yen)</i>						
Tax loss carried forward	¥ –	¥ 33	¥ 13	¥ 20	¥ 146	¥ 3,138	¥ 3,352
Valuation allowance	–	(33)	(13)	(20)	(146)	(3,138)	(3,352)
Deferred tax assets	–	–	–	–	–	–	–

15. Income Taxes (continued)

As of March 31, 2024							
	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	Over 5 years	Total
	<i>(Thousands of U.S. dollars)</i>						
Tax loss carried forward	\$ –	\$ 217	\$ 85	\$ 132	\$ 964	\$ 20,725	\$ 22,138
Valuation allowance	–	(217)	(85)	(132)	(964)	(20,725)	(22,138)
Deferred tax assets	–	–	–	–	–	–	–

Changes in presentation

In the previous fiscal year, “tax loss carried forward,” which was included in “Other,” has increased in materiality and has been presented separately from the current fiscal year. In addition, due to the increased materiality of tax loss carried forward, the “valuation allowance for tax loss carried forward” and “valuation allowance for total deductible temporary differences, etc.” which were presented collectively in the previous fiscal year, are presented separately from the current fiscal year. In order to reflect these changes in presentation, the notes for the previous fiscal year have been reclassified.

As a result, ¥2,286 million of “Other” under “Deferred Tax Assets” in the previous fiscal year was reclassified as ¥289 million of “Tax loss carried forward” and ¥1,997 million of “Other,” and ¥(17,963) million of “Valuation Allowance” under “Deferred Tax Assets” was reclassified as ¥(289) million yen of “Valuation allowance for tax loss carried forward” and ¥(17,673) million of “Valuation allowance for total deductible temporary differences, etc.”

The breakdown of the main items of significant differences between the statutory tax rates and the effective tax rates

	As of March 31,	
	2024	2023
Statutory tax rates	30.6%	–%
(Adjustments)		
Non-deductible expenses	6.1	–
Non-taxable income	(12.3)	–
Per capita inhabitants’ taxes, etc.	2.9	–
Increase or decrease in valuation allowance	(15.4)	–
Total tax effect	4.2	–
Other, net	0.1	–
Effective tax rate	16.4%	–%

Note: The note is omitted due to the posting of loss before income taxes for the year ended March 31, 2023.

15. Income Taxes (continued)

Changes in corporate income tax rates after the closing date

On March 30, 2024, the “Cabinet Order Partially Amending the Order for Enforcement of the Local Tax Law” (Act No. 4 of 2024) was promulgated, and from the fiscal year beginning on or after April 1, 2026, corporations applicable to the external standard taxation of corporate enterprise tax will be reviewed. As some of the subsidiaries of the Group are subject to it, the statutory effective tax rate will be changed for temporary differences, etc., which are expected to be reversed after the fiscal year beginning on or after April 1, 2026.

The impact of this tax rate change is immaterial.

The accounting treatment of corporate and local income taxes, and related tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. In addition, the Company conducts accounting treatment of corporate and local income taxes, or accounting treatment and disclosure of related tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42 issued on August 12, 2021).

16. Revenue Recognition

(a) Information on disaggregation of Revenue from Contracts with Customers

Information on the disaggregation of revenue from contracts with customers is presented in “17. Segment Information, etc.”

(b) Useful Information in Understanding Revenue from Contracts with Customers

The Group is primarily engaged in civil construction and building construction, providing construction design and construction work services as well as other related services to its domestic and overseas customers.

In civil and building construction, the Group primarily enters into long-term construction contracts. For such contracts, the completion and delivery of construction work is identified as a performance obligation. Performance obligations are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably estimated, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction contracts. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

Some construction contracts include variable consideration as they contain sliding clauses (overall sliding, single item sliding, or inflationary sliding) or clauses related to penalties for delays in construction. Variable consideration is estimated using the mode method based on contract terms and past performance.

Consideration for transactions related to construction contracts is generally received within approximately one year after the performance obligation is satisfied (in some cases, advance payments are received based on the contract). However, when the period between the satisfaction of the performance obligation and the customer's payment of the consideration is expected to be long, and the related market interest rate is expected to be considerably high and the impact on the financial component is expected to be significant, then the receivables are considered to contain a significant financial component. The financial component of the receivables based on the contract with the customer is adjusted accordingly.

16. Revenue Recognition (continued)

- (c) Balance of Contract Assets and Liabilities and the Transaction Price Allocated to the Remaining Performance Obligations

For the year ended March 31, 2024

- (1) Balances of contract assets and contract liabilities

	Year ended March 31,	
	2024	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Receivables from contracts with customers (beginning balance) (Note)	¥90,777	\$599,544
Receivables from contracts with customers (ending balance) (Note)	57,093	377,075
Contract assets (beginning balance)	124,443	821,894
Contract assets (ending balance)	135,598	895,568
Contract liabilities (beginning balance)	35,262	232,890
Contract liabilities (ending balance)	35,847	236,754

Contract assets relate to the rights of the Group to consideration for the completion and delivery of construction contracts with customers that have been completed but unbilled as of the end of the fiscal year. Contract assets are reclassified to receivables from contracts with customers when the Group's rights to the consideration become unconditional. Consideration for such construction is billed and received in accordance with the payment terms of the construction contracts.

Contract liabilities mainly relate to advances received from customers in accordance with the payment clauses of construction contracts. The contract liabilities are reversed upon recognition of revenue.

The portion of revenue recognized in the current fiscal year and included in the beginning balance of contract liabilities amounted to ¥26,476 million (\$174,862 thousand)

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior years was ¥4,300 million (\$28,399 thousand).

- (2) Transaction price allocated to the remaining performance obligations

For the Company and its consolidated subsidiaries, the total transaction price allocated to the remaining performance obligations as of March 31, 2024 amounted to ¥749,657 million (\$4,951,172 thousand).

The transaction price allocated to the remaining performance obligations represents the aggregate amount of the transaction price of contracts for which the Group has been awarded as of the end of the current fiscal year, but for which no revenue is recognized because the performance obligations have not been satisfied as of that date. The Group expects to recognize revenue from such transaction prices within approximately two years as performance obligations are satisfied.

16. Revenue Recognition (continued)

For the year ended March 31, 2023

(1) Balances of contract assets and contract liabilities

	<u>Year ended March 31,</u>
	<u>2023</u>
	<i>(Millions of yen)</i>
Receivables from contracts with customers (beginning balance) (Note)	¥81,419
Receivables from contracts with customers (ending balance) (Note)	90,777
Contract assets (beginning balance)	115,750
Contract assets (ending balance)	124,443
Contract liabilities (beginning balance)	28,635
Contract liabilities (ending balance)	35,262

Note: Receivables from contracts with customers are included in the amount of accounts receivable on completed construction contracts and other for the year ended March 31, 2022, however, they are included in the amount of trade notes receivable, accounts receivable on completed construction contracts and other for the year ended March 31, 2023.

Contract assets relate to the rights of the Group to consideration for the completion and delivery of construction contracts with customers that have been completed but unbilled as of the end of the fiscal year. Contract assets are reclassified to receivables from contracts with customers when the Group's rights to the consideration become unconditional. Consideration for such construction is billed and received in accordance with the payment terms of the construction contracts.

Contract liabilities mainly relate to advances received from customers in accordance with the payment clauses of construction contracts. The contract liabilities are reversed upon recognition of revenue.

The portion of revenue recognized in the current fiscal year and included in the beginning balance of contract liabilities amounted to ¥24,777 million.

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior years was ¥4,763 million.

(2) Transaction price allocated to the remaining performance obligations

For the Company and its consolidated subsidiaries, the total transaction price allocated to the remaining performance obligations as of March 31, 2023 amounted to ¥829,681 million.

The transaction price allocated to the remaining performance obligations represents the aggregate amount of the transaction price of contracts for which the Group has been awarded as of the end of the current fiscal year, but for which no revenue is recognized because the performance obligations have not been satisfied as of that date. The Group expects to recognize revenue from such transaction prices within approximately two years as performance obligations are satisfied.

17. 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 for reportable segments is based on gross profit on the Consolidated Statements of Income.

Sales 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.

Sumitomo Mitsui Construction Co., Ltd.
Notes to Consolidated Financial Statements
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(c) Sales, segment income (loss), segment assets, segment liabilities and other items for reportable segments

	Year ended March 31, 2024						
	Reportable operating segments			Others	Total	Adjustments	Consolidated
	Civil	Building	Total	(Note 1)		(Note 2)	(Note 3)
	<i>(Millions of yen)</i>						
Sales							
External customers	¥215,405	¥263,655	¥479,061	¥427	¥479,488	¥ –	¥479,488
Intersegment transactions or transfers	1,252	89	1,341	136	1,478	(1,478)	–
Net sales	¥216,657	¥263,744	¥480,402	¥564	¥480,967	¥(1,478)	¥479,488
Segment income	¥ 33,221	¥ 1,821	¥ 35,042	¥187	¥ 35,229	¥(133)	¥ 35,095

	Year ended March 31, 2024						
	Reportable operating segments			Others	Total	Adjustments	Consolidated
	Civil	Building	Total	(Note 1)		(Note 2)	(Note 3)
	<i>(Thousands of U.S. dollars)</i>						
Sales							
External customers	\$1,422,660	\$1,741,331	\$3,163,998	\$2,820	\$3,166,818	\$ –	\$3,166,818
Intersegment transactions or transfers	8,268	587	8,856	898	9,761	(9,761)	–
Net sales	\$1,430,929	\$1,741,919	\$3,172,855	\$3,724	\$3,176,586	\$(9,761)	\$3,166,818
Segment income	\$ 219,410	\$ 12,026	\$ 231,437	\$1,235	\$ 232,672	\$ (878)	\$ 231,787

Note 1: “Others” which includes the Company’s business of solar power and insurance agent, does not qualify as a reportable operating segment.

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

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

	Year ended March 31, 2023						
	Reportable operating segments			Others	Total	Adjustments	Consolidated
	Civil	Building	Total	(Note 1)		(Note 2)	(Note 3)
	<i>(Millions of yen)</i>						
Sales							
External customers	¥220,471	¥237,662	¥458,134	¥488	¥458,622	¥ –	¥458,622
Intersegment transactions or transfers	1,430	9	1,439	142	1,581	(1,581)	–
Net sales	¥221,902	¥237,671	¥459,574	¥630	¥460,204	¥(1,581)	¥458,622
Segment income (loss)	¥ 29,003	¥(20,058)	¥ 8,945	¥213	¥ 9,159	¥ (89)	¥ 9,069

Note 1: “Others” which includes the Company’s business of solar power, its incidental business and insurance agent, does not qualify as a reportable operating segment.

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

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

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(d) Information on Disaggregation of Revenue by Reportable Segment

	Year ended March 31, 2024				
	Reportable operating segments			Others	Total
	Civil	Building	Total	(Note)	
	<i>(Millions of yen)</i>				
Japan	¥171,497	¥202,516	¥374,013	¥427	¥374,440
Asia	41,238	56,648	97,887	—	97,887
Others	1,802	3,273	5,075	—	5,075
Revenue from contracts with customers	214,537	262,437	476,975	427	477,403
Other revenue	867	1,217	2,085	—	2,085
Sales to external customers	¥215,405	¥263,655	¥479,061	¥427	¥479,488

	Year ended March 31, 2024				
	Reportable operating segments			Others	Total
	Civil	Building	Total	(Note)	
	<i>(Thousands of U.S. dollars)</i>				
Japan	\$1,132,666	\$1,337,533	\$2,470,200	\$2,820	\$2,473,020
Asia	272,359	374,136	646,502	—	646,502
Others	11,901	21,616	33,518	—	33,518
Revenue from contracts with customers	1,416,927	1,733,287	3,150,221	2,820	3,153,048
Other revenue	5,726	8,037	13,770	—	13,770
Sales to external customers	\$1,422,660	\$1,741,331	\$3,163,998	\$2,820	\$3,166,818

Note: “Others” which includes the Company’s business of solar power and insurance agent, does not qualify as a reportable operating segment.

	Year ended March 31, 2023				
	Reportable operating segments			Others	Total
	Civil	Building	Total	(Note)	
	<i>(Millions of yen)</i>				
Japan	¥168,256	¥196,860	¥365,117	¥419	¥365,536
Asia	50,446	36,510	86,956	68	87,025
Others	1,604	4,081	5,685	—	5,685
Revenue from contracts with customers	220,307	237,452	457,759	488	458,247
Other revenue	164	210	374	—	374
Sales to external customers	¥220,471	¥237,662	¥458,134	¥488	¥458,622

Note: “Others” which includes the Company’s business of solar power, its incidental business and insurance agent, does not qualify as a reportable operating segment.

Related Information

For the year ended March 31, 2024

(a) Product and Service Information

See “Sales, segment income (loss), segment assets, segment liabilities and other items for reportable segments.”

(b) Geographical Segment Information

(1) Sales

Year ended March 31, 2024							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>			
¥376,526	¥97,887	¥5,075	¥479,488	\$2,486,797	\$646,502	\$33,518	\$3,166,818

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

(2) Property and equipment

Year ended March 31, 2024							
Japan	Asia	Others	Total	Japan	Asia	Others	Total
<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>			
¥31,309	¥5,251	¥254	¥36,815	\$206,782	\$34,680	\$1,677	\$243,147

Note 1: Countries and regions are classified according to geographical proximity.

Note 2: Asia includes Singapore, amounting to ¥4,551 million (\$30,057 thousand).

(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 on the Consolidated Statements of Income for the year ended March 31, 2024.

For the year ended March 31, 2023

(a) Product and Service Information

See “Sales, segment income (loss), segment assets, segment liabilities and other items for reportable segments.”

(b) Geographical Segment Information

(1) Sales

Year ended March 31, 2023			
Japan	Asia	Others	Total
<i>(Millions of yen)</i>			
¥365,911	¥87,025	¥5,685	¥458,622

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

(b) Geographical Segment Information (continued)

(2) Property and equipment

Year ended March 31, 2023			
Japan	Asia	Others	Total
<i>(Millions of yen)</i>			
¥31,335	¥4,981	¥159	¥36,476

Note 1: Countries and regions are classified according to geographical proximity.

Note 2: Asia includes Singapore, amounting to ¥4,167 million.

(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 on the Consolidated Statements of Income for the year ended March 31, 2023.

Information on losses on impairment for fixed assets by reportable segment

	Year ended March 31, 2024				
	Reportable operating segments			Corporate and elimination	Total
	Civil	Building	Total	(Note)	
	<i>(Millions of yen)</i>				
Losses on impairment	¥27	¥—	¥27	¥19	¥47

	Year ended March 31, 2024				
	Reportable operating segments			Corporate and elimination	Total
	Civil	Building	Total	(Note)	
	<i>(Thousands of U.S. dollars)</i>				
Losses on impairment	\$178	\$—	\$178	\$125	\$310

Note: The amounts in “Corporate and elimination” are losses on impairment relating to corporate assets that are not attributable to segments.

	Year ended March 31, 2023				
	Reportable operating segments			Corporate and elimination	Total
	Civil	Building	Total	(Note)	
	<i>(Millions of yen)</i>				
Losses on impairment	¥62	¥—	¥62	¥—	¥62

Information on amortization of goodwill and unamortized balance by reportable segment

	Year ended March 31, 2024				
	Reportable operating segments			Others	Total
	Civil	Building	Total	(Note)	
	<i>(Millions of yen)</i>				
Amortization for the year	¥441	¥—	¥441	¥—	¥441
Balance at the end of the year	2,647	—	2,647	—	2,647

(c) Major Customer Information (continued)

	Year ended March 31, 2024				
	Reportable operating segments			Others	Total
	Civil	Building	Total	(Note)	
	<i>(Thousands of U.S. dollars)</i>				
Amortization for the year	\$2,912	\$—	\$2,912	\$—	\$2,912
Balance at the end of the year	17,482	—	17,482	—	17,482

	Year ended March 31, 2023				
	Reportable operating segments			Others	Total
	Civil	Building	Total	(Note)	
	<i>(Millions of yen)</i>				
Amortization for the year	¥405	¥—	¥405	¥—	¥405
Balance at the end of the year	2,838	—	2,838	—	2,838

Information on gain on negative goodwill by reportable segment

For the years ended March 31, 2024 and 2023, there were no gain on negative goodwill by reportable segment.

18. Related Party Transactions

Related party transaction

There were no transactions with affiliates for the years ended March 31, 2024 and 2023.

19. Per Share Information

Net assets and basic profit (loss) per share as of and for the years ended March 31, 2024 and 2023 were as follows:

	Year ended March 31,		
	2024	2023	2024
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net assets per share	¥445.33	¥406.53	\$2.94
Profit (loss) per share – basic	25.58	(164.32)	0.169

Note: For the year ended March 31, 2024, Profit per share – diluted was omitted as there were no diluted shares. For the years ended March 31, 2023, Profit per share – diluted was omitted as loss per share was recorded and there were no diluted shares.

19. Per Share Information (continued)

The basis of calculation for net assets per share at March 31, 2024 and 2023 were as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total net assets	¥77,165	¥71,137	\$509,642
Amounts deducted from total net assets [Including non-controlling interests]	7,377 [7,377]	7,519 [7,519]	48,722 [48,722]
Total net assets attributable to common stock	<u>¥69,788</u>	<u>¥63,618</u>	<u>\$460,920</u>
	<i>(Thousands of shares)</i>		
Number of shares of common stock used to determine net assets per share	156,711	156,492	

The basis for calculating basic profit (loss) per share for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit (loss) per share – basic:			
Profit (loss) attributable to owners of parent	¥4,006	¥(25,702)	\$26,457
Amount not available to common shareholders	–	–	–
Profit (loss) attributable to owners of parent per share – basic	<u>¥4,006</u>	<u>¥(25,702)</u>	<u>\$26,457</u>
	<i>(Thousands of shares)</i>		
Average number of shares of common stock outstanding	156,633	156,420	

20. Subsequent Event

Not applicable.

21. Corporate Bond

Corporate bonds at March 31, 2024 was summarized as follows:

As of March 31, 2024							
Company	Bond	Issued Date	Balance at April 1, 2023	Balance at March 31, 2024	Interest Rate	Collateral	Redemption Deadline
<i>(Millions of yen)</i>							
The Company	1st Unsecured Bond (with inter-bond pari passu clause)	October 22, 2020	5,000	5,000	0.30%	Nil	October 22, 2025
The Company	2nd Unsecured Bond (with inter-bond pari passu clause)	June 14, 2022	5,000	5,000	0.52%	Nil	June 14, 2027
Total	–	–	10,000	10,000	–	–	–

As of March 31, 2024							
Company	Bond	Issued Date	Balance at April 1, 2023	Balance at March 31, 2024	Interest Rate	Collateral	Redemption Deadline
<i>(Thousands of U.S. dollars)</i>							
The Company	1st Unsecured Bond (with inter-bond pari passu clause)	October 22, 2020	33,022	33,022	0.30%	Nil	October 22, 2025
The Company	2nd Unsecured Bond (with inter-bond pari passu clause)	June 14, 2022	33,022	33,022	0.52%	Nil	June 14, 2027
Total	–	–	66,045	66,045	–	–	–

Scheduled redemption of corporate bonds are summarized as follows:

Year ended March 31, 2024	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥–	\$–
Over 1 year and within 2 years	5,000	33,022
Over 2 years and within 3 years	–	–
Over 3 years and within 4 years	5,000	33,022
Over 4 years and within 5 years	–	–

22. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2024 and 2023 were summarized as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Short-term bank loans (at weighted-average interest rates of 5.4% at 2024 and 4.4% at 2023)	¥ 308	¥150	\$ 2,034
Deposits from employees (at interest rates of 1.0% at 2024 and 2023)	¥4,163	¥4,305	\$27,494

Long-term debt at March 31, 2024 and 2023 were summarized as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Debt with collateral (at weighted-average interest rates of 2.5% at 2024 and 2023)	¥43	¥56	\$283
Debt without collateral (at weighted-average interest rates of 2.4% at 2024 and 1.2% at 2023)	69,865	74,050	461,429
Lease obligations	2,320	2,563	15,322
Current portion (excluding lease obligations)	(20,912)	(10,662)	(138,115)
Current portion of lease obligations	(685)	(749)	(4,524)

The aggregate annual maturities of long-term debt subsequent to March 31, 2024 were summarized as follows:

Year ending March 31,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2025	¥ 20,912	\$ 138,115
2026	13,278	87,695
2027	14,213	93,870
2028	14,003	92,483
2029	7,500	49,534
2030 and thereafter	—	—
	<u>¥69,908</u>	<u>\$461,713</u>

22. Short-Term Debt and Long-Term Debt (continued)

The aggregate annual maturities of lease obligations subsequent to March 31, 2024 were summarized as follows:

<u>Year ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2025	¥ 685	\$ 4,524
2026	532	3,513
2027	361	2,384
2028	193	1,274
2029	92	607
2030 and thereafter	454	2,998
	<u>¥2,320</u>	<u>\$15,322</u>

Independent Auditor's Report

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

The Audit of the Consolidated Financial Statements

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, 2024, 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, 2024, 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.

Estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over time	
Description of Key Audit Matter	Auditor's Response
Sumitomo Mitsui Construction Co., Ltd. (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	We mainly performed the following procedures to evaluate the reasonableness of estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over

described in “(m) Recognition of Revenues and Costs” of “2. Summary of Significant Accounting Policies” 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 mainly use the method of recognizing revenue as performance obligations are satisfied over time (cost-based input method is applied for estimates of progress towards satisfaction of the performance obligation) for construction that is deemed to satisfy performance obligations for the portion of work completed up to the end of the fiscal year ended March 31, 2024. Additionally, as described in “(b). Recognition of Revenues from Construction Contracts” of “4. Significant Accounting Estimates” under Notes to Consolidated Financial Statements, net sales of 423,455 million yen were recorded using the method of recognizing revenue as performance obligations are satisfied over time in the consolidated financial statements, accounting for approximately 88% of net sales of 479,488 million yen for the fiscal year ended March 31, 2024.

Revenue recognition using the method of recognizing revenue as performance obligations are satisfied over time is measured based on the progress towards the satisfaction of the performance obligation, and such progress is determined based on the ratio of actual incurred costs up to the end of the fiscal year to total construction costs.

Considering that construction is 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 are subject to uncertainty. Further, given that construction work generally spans long periods of time, unanticipated costs may arise in line with

time.

(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 initially estimated 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, including large-scale building construction in Japan in which significant losses are recognized.

- We mainly performed the following procedures to evaluate the reasonableness of initially estimated total construction costs.

- We considered whether construction difficulty, specialized construction methods, and instructions from ordering parties were reflected in initial estimates of costs for each type of work by inspecting overviews of construction projects, floor plans, and architectural renderings and making inquiries of managers in construction management departments.

- 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

<p>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.</p> <p>Based on the above, we have determined that estimates of total construction costs made in calculating construction revenue and progress towards satisfaction of the performance obligation are of particular significance in the current period and, accordingly, that estimates of total construction costs under the method of recognizing revenue as performance obligations are satisfied over time is a key audit matter.</p>	<p>procedures to evaluate the reasonableness of total construction costs estimated at fiscal year-end.</p> <ul style="list-style-type: none"> -We considered whether there are any future concerns about matters such as construction period extensions and inflation, 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 performed on-site observations for a portion of construction projects and considered whether the actual status of construction work was consistent with estimates of total construction costs. We also made inquiries of multiple members of management and assessed the consistency of the information provided. • We compared estimates of total construction costs from prior fiscal years to costs that were actually incurred to evaluate the effectiveness of the process for estimating total construction costs.
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Amount recorded for allowance for contingency loss	
Description of Key Audit Matter	Auditor's Response
<p>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</p>	<p>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</p>

<p>approximately 51.0 billion yen on July 11, 2018. A lawsuit to change the compensation claim to approximately 50.6 billion yen was then filed on September 30, 2022.</p> <p>As described in “(j) Allowance for Contingency Loss” in “2. Summary of Significant Accounting Policies” under Notes to Consolidated Financial Statements, the Company recorded an 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.</p> <p>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.</p>	<p>disclosures.</p> <ul style="list-style-type: none"> • We mainly performed the following procedures to evaluate the impact of the lawsuit on the scope of the defect liability. <ul style="list-style-type: none"> -We inspected, complaints, 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 assess the reasonableness of financial statement disclosures.
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Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 consolidated 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.

Fee-related Information

The fees for the audits of the financial statements of Sumitomo Mitsui Construction Co., Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 174 million yen and 49 million yen, respectively.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 9, 2024

中原 義勝

Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

山本 高揮

Koki Yamamoto
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Financial Statements

Sumitomo Mitsui Construction Co., Ltd.

*Year ended March 31, 2024
with Independent Auditor's Report*

Sumitomo Mitsui Construction Co., Ltd.
Non-Consolidated Balance Sheets
 March 31, 2024

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Assets			
Current assets:			
Cash and deposits	¥ 53,257	¥ 30,020	\$ 351,740
Trade notes receivable <i>(Note 4-(d))</i>	1,037	508	6,848
Accounts receivable on completed construction contracts	144,952	173,895	957,347
Securities <i>(Note 4-(b))</i>	—	348	—
Inventories	21,094	18,578	139,317
Other current assets	53,217	41,799	351,476
Allowance for doubtful receivables	(2,842)	(2,510)	(18,770)
Total current assets	270,716	262,640	1,787,966
Non-current assets:			
Property and equipment, at cost:			
Land <i>(Note 4-(b))</i>	5,109	5,129	33,742
Buildings <i>(Note 4-(b) and Note 4-(e))</i>	6,758	6,607	44,633
Structures <i>(Note 4-(b) and 4-(e))</i>	944	927	6,234
Machinery and equipment <i>(Note 4-(e))</i>	5,561	5,210	36,728
Vehicles	326	312	2,153
Tools, furniture and fixtures	4,408	4,745	29,113
Construction in progress	627	683	4,141
Accumulated depreciation	(11,787)	(11,647)	(77,848)
Property and equipment, net	11,949	11,969	78,918
Intangible fixed assets	2,566	2,407	16,947
Investments and other assets:			
Investments in securities	4,741	19,054	31,312
Investments in subsidiaries and affiliates <i>(Notes 4-(b) and 6)</i>	22,594	22,498	149,223
Long-term loans receivable	73	73	482
Long-term loans to employees	242	303	1,598
Distressed receivables	579	—	3,824
Long-term prepaid expenses	145	176	957
Deferred tax assets <i>(Note 7)</i>	4,359	5,280	28,789
Other	2,836	3,624	18,730
Allowance for doubtful receivables	(898)	(925)	(5,930)
Total investments and other assets	34,673	50,086	229,000
Total non-current assets	49,189	64,463	324,872
Total assets	<u>¥319,905</u>	<u>¥327,104</u>	<u>\$2,112,839</u>

Sumitomo Mitsui Construction Co., Ltd.
Non-Consolidated Balance Sheets
 March 31, 2024

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 2)</i>
Liabilities and net assets			
Current liabilities:			
Trade notes payable <i>(Note 4-(a))</i>	¥ 4,578	¥ 6,571	\$ 30,235
Electronically recorded payable <i>(Note 4-(a))</i>	24,755	24,385	163,496
Accounts payable on construction contracts <i>(Note 4-(a))</i>	65,048	61,612	429,614
Short-term bank loans and current portion of long-term debt <i>(Note 4-(f))</i>	21,306	10,650	140,717
Lease obligations	97	132	640
Income taxes payable	242	75	1,598
Deposit received	19,443	18,117	128,412
Advances received on construction contracts in progress	24,514	25,664	161,904
Provision for warranties for completed construction	348	424	2,298
Provision for loss on construction contracts	29,088	37,522	192,114
Provision for contingent loss	2,159	2,159	14,259
Other current liabilities	11,180	13,211	73,839
Total current liabilities	202,763	200,527	1,339,165
Long-term liabilities:			
Corporate bond payable	10,000	10,000	66,045
Long-term debt <i>(Note 4-(f))</i>	48,965	63,400	323,393
Lease obligations	107	139	706
Accrued retirement benefits	12,313	12,497	81,322
Other long-term liabilities	141	151	931
Total long-term liabilities	71,527	86,188	472,406
Contingent liabilities <i>(Note 4-(c))</i>			
Net assets:			
Shareholders' equity:			
Capital stock:	12,003	12,003	79,274
Common stock:			
Authorized:			
533,892,994 shares in 2024 and 2023			
Issued and outstanding:			
162,673,321 shares in 2024 and 2023			
Capital surplus:			
Other capital surplus	238	293	1,571
Total capital surpluses	238	293	1,571
Retained earnings:			
Legal retained earnings	2,462	2,243	16,260
Earned surplus carried forward	33,946	31,850	224,199
Total retained earnings	36,409	34,094	240,466
Treasury stock, at cost:			
5,961,510 shares in 2024 and 6,180,515 shares in 2023	(3,647)	(3,782)	(24,086)
Total shareholders' equity	45,003	42,608	297,226
Valuation, translation adjustments and other:			
Unrealized holding gain (loss) on securities	612	(2,180)	4,042
Deferred loss on hedging instruments, net of taxes	(1)	(40)	(6)
Total valuation, translation adjustments and other	610	(2,220)	4,028
Total net assets	45,614	40,388	301,261
Total liabilities and net assets	¥319,905	¥327,104	\$2,112,839

See accompanying notes to non-consolidated financial statements.

Sumitomo Mitsui Construction Co., Ltd.
Non-Consolidated Statements of Income
 March 31, 2024

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 2)</i>
Net sales (Note 8):			
Completed construction	¥336,922	¥337,298	\$2,225,229
Others	303	292	2,001
	<u>337,225</u>	<u>337,591</u>	<u>2,227,230</u>
Cost of sales:			
Completed construction	316,990	342,249	2,093,586
Others	222	187	1,466
	<u>317,213</u>	<u>342,437</u>	<u>2,095,059</u>
Gross profit (loss)			
Completed construction	19,931	(4,951)	131,635
Others	81	105	534
	<u>20,012</u>	<u>(4,845)</u>	<u>132,170</u>
Selling, general and administrative expenses (Note 5-(d))	16,642	18,216	109,913
Operating profit (loss)	<u>3,369</u>	<u>(23,062)</u>	<u>22,250</u>
Other income (expenses):			
Interest and dividend income (Note 5-(a))	4,099	2,380	27,072
Payments received from insurance claims	66	81	435
Interest expense	(1,772)	(1,427)	(11,703)
Exchange gain, net	1,119	1,669	7,390
Financing related expenses	(1,352)	(338)	(8,929)
Commission for loan commitment agreement	(1,172)	(381)	(7,740)
Gain on sales of property and equipment (Note 5-(b))	33	84	217
Gain on sales of investments in securities	2,090	185	13,803
Loss on disposal of property and equipment (Note 5-(c))	(147)	(18)	(970)
Impairment losses	(14)	—	(92)
Loss on valuation of shares of subsidiaries and affiliates	(170)	—	(1,122)
Loss on sales of investments in securities	(933)	(6)	(6,162)
Other, net (Note 5-(a))	189	(334)	1,248
	<u>2,035</u>	<u>1,892</u>	<u>13,440</u>
Profit (loss) before income taxes	5,405	(21,169)	35,697
Income taxes (Note 7):			
Current	249	377	1,644
Deferred	650	4,072	4,292
	<u>899</u>	<u>4,449</u>	<u>5,937</u>
Profit (loss)	<u>¥ 4,505</u>	<u>¥ (25,619)</u>	<u>\$ 29,753</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
			<i>(Note 2)</i>
Profit (loss) per share – basic	¥28.76	¥(163.79)	\$0.190

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes In Net Assets

March 31, 2024

	Year ended March 31, 2024						Total shareholders' equity
	Shareholders' equity						
	Capital stock	Additional paid-in capital		Retained earnings		Treasury stock, at cost	
		Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings		
<i>(Millions of yen)</i>							
Balance at the beginning of the period	¥12,003	¥293	¥2,243	¥31,850	¥34,094	¥(3,782)	¥42,608
Changes in items during the period							
Dividends from surplus				(2,190)	(2,190)		(2,190)
Provision of legal retained earnings			219	(219)	—		—
Profit				4,505	4,505		4,505
Purchases of treasury stock						(1)	(1)
Disposition of treasury stock		(54)				136	81
Net changes in items other than shareholders' equity							
Total changes in items during the period	—	(54)	219	2,095	2,314	134	2,394
Balance at the end of the period	¥12,003	¥238	¥2,462	¥33,946	¥36,409	¥(3,647)	¥45,003

	Year ended March 31, 2024			
	Valuation, translation adjustments and other			
	Unrealized holding gain (loss) on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
Balance at the beginning of the period	¥(2,180)	¥(40)	¥(2,220)	¥40,388
Changes in items during the period				
Dividends from surplus				(2,190)
Provision of legal retained earnings				—
Profit				4,505
Purchases of treasury stock				(1)
Disposition of treasury stock				81
Net changes in items other than shareholders' equity	2,792	38	2,831	2,831
Total changes in items during the period	2,792	38	2,831	5,226
Balance at the end of the period	¥612	¥(1)	¥610	¥45,614

Non-Consolidated Statements of Changes In Net Assets

March 31, 2024

	Year ended March 31, 2024						Total shareholders' equity
	Shareholders' equity						
	Capital stock	Additional paid-in capital		Retained earnings		Treasury stock, at cost	
		Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings		
<i>(Thousands of U.S. dollars) (Note 2)</i>							
Balance at the beginning of the period	\$79,274	\$1,935	\$14,814	\$210,355	\$225,176	\$(24,978)	\$281,408
Changes in items during the period							
Dividends from surplus				(14,464)	(14,464)		(14,464)
Provision of legal retained earnings			1,446	(1,446)	–		–
Profit				29,753	29,753		29,753
Purchases of treasury stock						(6)	(6)
Disposition of treasury stock		(356)				898	534
Net changes in items other than shareholders' equity							
Total changes in items during the period	–	(356)	1,446	13,836	15,283	885	15,811
Balance at the end of the period	\$79,274	\$1,571	\$16,260	\$224,199	\$240,466	\$(24,086)	\$297,226

	Year ended March 31, 2024			
	Valuation, translation adjustments and other			
	Unrealized holding gain (loss) on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
<i>(Thousands of U.S. dollars) (Note 2)</i>				
Balance at the beginning of the period	\$(14,397)	\$(264)	\$(14,662)	\$266,745
Changes in items during the period				
Dividends from surplus				(14,464)
Provision of legal retained earnings				–
Profit				29,753
Purchases of treasury stock				(6)
Disposition of treasury stock				534
Net changes in items other than shareholders' equity	18,439	250	18,697	18,697
Total changes in items during the period	18,439	250	18,697	34,515
Balance at the end of the period	\$4,042	\$(6)	\$4,028	\$301,261

Non-Consolidated Statements of Changes In Net Assets

March 31, 2024

	Year ended March 31, 2023						
	Shareholders' equity						
	Capital stock	Additional paid-in capital		Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Other capital surplus	Earned reserve	Earned surplus carried forward	Total retained earnings		
	<i>(Millions of yen)</i>						
Balance at the beginning of the period	¥12,003	¥326	¥1,931	¥60,908	¥62,839	¥(3,907)	¥71,262
Changes in items during the period							
Dividends from surplus				(3,125)	(3,125)		(3,125)
Provision of legal retained earnings			312	(312)	—		—
Loss				(25,619)	(25,619)		(25,619)
Purchases of treasury stock						(2)	(2)
Disposition of treasury stock		(33)				126	93
Net changes in items other than shareholders' equity							
Total changes in items during the period	—	(33)	312	(29,057)	(28,745)	124	(28,653)
Balance at the end of the period	¥12,003	¥293	¥2,243	¥31,850	¥34,094	¥(3,782)	¥42,608

	Year ended March 31, 2023			
	Valuation, translation adjustments and other			
	Unrealized holding loss on securities	Deferred loss on hedging instruments, net of taxes	Total valuation, translation adjustments and other	Total net assets
	<i>(Millions of yen)</i>			
Balance at the beginning of the period	¥(542)	¥(92)	¥(635)	¥70,627
Changes in items during the period				
Dividends from surplus				(3,125)
Provision of legal retained earnings				—
Loss				(25,619)
Purchases of treasury stock				(2)
Disposition of treasury stock				93
Net changes in items other than shareholders' equity	(1,637)	52	(1,584)	(1,584)
Total changes in items during the period	(1,637)	52	(1,584)	(30,238)
Balance at the end of the period	¥(2,180)	¥(40)	¥(2,220)	¥40,388

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. For other securities, securities other than stocks, etc. with no market value 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. Stocks, etc. with no market value 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 weighted average method. Balance sheet amounts of materials and supplies are calculated by writing down their carrying amounts based on declines in profitability.

(d) Depreciation and Amortization

(1) Property and equipment (except leased assets)

Depreciation of property and equipment (except leased assets) is calculated by the declining-balance method based on the 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)

Amortization of intangible fixed assets (except leased assets) is calculated by the straight-line method based on the 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.

(4) Long-term prepaid expenses

Amortization of long-term prepaid expenses is calculated by the straight-line method based on the useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan.

Small amount depreciable assets

Assets with an acquisition cost of 100,000 yen or more and less than 200,000 yen are accounted for as lump sum costs at the time of acquisition.

(e) 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.

(f) Provision for Warranties for Completed Construction

A provision has been provided based on the estimated future compensation for sales for the current fiscal year in order to cover the liability for future costs of defects of the completed construction projects.

(g) Provision for Loss on Construction Contracts

A provision 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.

(h) Provision for Contingent Loss

The provision for contingent loss related to the defective piling work at a condominium in Yokohama, which was constructed by the Company, 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.

(i) Allowance for Employees' Retirement Benefits

In order to prepare for retirement benefits for employees, an allowance has been provided based on the estimated amount of retirement benefit obligations at the end of the current fiscal year.

(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, 2024.

(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 when the actuarial gain or loss is recognized in each fiscal year.

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.

(j) Recognition of Revenues and Costs

Recognition of sales and costs of the completed construction

The Company is primarily engaged in civil construction and building construction, providing construction design and construction work services as well as other related services to its domestic and overseas customers.

In civil and building construction, the Company primarily enters into long-term construction contracts. For such contracts, the completion and delivery of construction work is identified as a performance obligation. Performance obligations are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. The progress toward complete satisfaction of a performance obligation is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. When the progress toward complete satisfaction of a performance obligation cannot be reasonably estimated, but the costs to be incurred are expected to be recovered, revenue is recognized only to the extent of the costs incurred, except for those contracts that are in the initial stages of construction contracts. For construction contracts whose period between the date of commencement of the transaction and the point in time when the performance obligation is expected to be fully satisfied is very short, an alternative treatment is applied, whereby revenue is not recognized over time, but is recognized when the performance obligation is fully satisfied.

(k) 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

Hedged items: Interest on debt

(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.

(l) Accounting for Retirement Benefits

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

(m) Accounting Method of Joint Ventures for Construction Project

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

Notes to Non-Consolidated Financial Statements

March 31, 2024

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 ¥151.41 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2024. 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

For the year ended March 31, 2024

(a) Provision for Contingent Loss

(1) Amounts recognized on the financial statements for this fiscal year

	As of March 31, 2024	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Provision for contingent loss	¥2,159	\$14,259

(a) Provision for Contingent Loss (continued)

(2) Information on significant accounting estimates for the item above

The provision for contingent loss related to the defective piling work at a condominium in Yokohama, which was constructed by the Company, 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, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) 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. However, the Company’s results may fluctuate due to the review of the estimated incurred costs depending on the outcome of this trial.

(b) Recognition of Revenues from Construction Contracts

(1) Amounts recognized on the financial statements for this fiscal year

	Year ended March 31, 2024	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net sales of construction contracts, etc. related to performance obligations to be satisfied over time	¥309,534	\$2,044,343

(2) Information on significant accounting estimates for the item above

For construction contracts, etc. whose performance obligations are satisfied over time, the progress toward complete satisfaction of a performance obligation is measured and net sales of completed construction contracts are recognized over time based on such progress toward satisfaction of the performance obligation.

It is necessary to estimate total revenues and costs of a project reasonably upon recognition. The Company’s results may fluctuate due to changes in total revenues and total costs of completed construction contracts as a result of negotiations with clients, unanticipated incurrence of costs, or other reasons.

3. Significant Accounting Estimates (continued)

For the year ended March 31, 2023

(a) Provision for Contingent Loss

- (1) Amounts recognized on the financial statements for this fiscal year

	<u>As of March 31, 2023</u>
	<i>(Millions of yen)</i>
Provision for contingent loss	¥2,159

- (2) Information on significant accounting estimates for the item above

The provision for contingent loss related to the defective piling work at a condominium in Yokohama, which was constructed by the Company, 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, and decreased from approximately 51.0 billion yen to approximately 50.6 billion yen on September 30, 2022) 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. However, the Company’s results may fluctuate due to the review of the estimated incurred costs depending on the outcome of this trial.

(b) Recognition of Revenues from Construction Contracts

- (1) Amounts recognized on financial statements for this fiscal year

	<u>Year ended March 31, 2023</u>
	<i>(Millions of yen)</i>
Net sales of construction contracts, etc. related to performance obligations to be satisfied over time	¥309,586

(b) Recognition of Revenues from Construction Contracts (continued)

(2) Information on significant accounting estimates for the item above

For construction contracts, etc. whose performance obligations are satisfied over time, the progress toward complete satisfaction of a performance obligation is measured and net sales of completed construction contracts are recognized over time based on such progress toward satisfaction of the performance obligation.

It is necessary to estimate total revenues and costs of a project reasonably upon recognition. The Company's results may fluctuate due to changes in total revenues and total costs of completed construction contracts as a result of negotiations with clients, unanticipated incurrence of costs, or other reasons.

4. Notes to Non-Consolidated Balance Sheets

(a) Outstanding Balances with Subsidiaries and Affiliates

Significant outstanding balances for subsidiaries and affiliates other than individually presented on the accompanying non-consolidated balance sheets at March 31, 2024 and 2023 were as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Trade notes payable	¥325	¥211	\$2,146
Electronically recorded payable	5,857	6,202	38,683
Accounts payable on construction contracts	9,003	10,791	59,461

(b) Pledged Assets

The following assets were pledged at March 31, 2024 and 2023 principally as collateral for guarantees (such as guarantees for the completion of construction contracts):

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	¥1,518	¥1,537	\$10,025
Buildings, net of accumulated depreciation	1,110	1,153	7,331
Structures, net of accumulated depreciation	140	149	924
Investments in subsidiaries and affiliates	369	363	2,437
Total	<u>¥3,138</u>	<u>¥3,204</u>	<u>\$20,725</u>

There were no secured liabilities as of March 31, 2024 and 2023.

The following assets were pledged at March 31, 2024 and 2023 as collateral for business security deposits:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Securities	¥-	¥285	\$-

4. Notes to Non-Consolidated Balance Sheets (continued)

(c) Contingent Liabilities

At March 31, 2024 and 2023, the Company was contingently liable for the following:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
As guarantor of bank loans to subsidiaries and other	¥8,569	¥8,214	\$56,594
Advance deposits	–	609	–

(d) Trade Notes Receivable Maturing at the End of the Fiscal Year

Accounting for trade notes receivable maturing at the end of the fiscal year is treated as if the settlement was made on the maturity date. Since the end of the fiscal year was a holiday for financial institutions, next trade notes receivable maturing on the following fiscal year are treated as if they were settled on the maturity date.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Trade notes receivable	¥1	¥–	\$6
Electronic records receivables	5	–	33

(e) Amount of Reduction Entries

The amount of reduction entries deducted from the acquisition cost of property and equipment through government subsidies, etc., and the breakdown thereof as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
The amount of reduction entries	¥450	¥–	\$2,972
(Of which, buildings)	1	–	6
(Of which, structures)	4	–	26
(Of which, machinery and equipment)	445	–	2,939

(f) Financial Covenants

As of March 31, 2024

- (1) The Company has entered into a loan commitment agreement dated on March 31, 2016 with its seven banks (subsequently changed to Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Ltd. dated on May 25, 2023) 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2024.

Unused amount on loan commitment agreement as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥15,000	¥20,000	\$99,068
Loan balance outstanding	—	—	—
Difference (unused portion)	<u>¥15,000</u>	<u>¥20,000</u>	<u>\$99,068</u>

- (2) The Company has entered into a committed syndicated loan contract dated on March 30, 2018 with its seven banks (subsequently changed to six banks dated on March 26, 2024) with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower’s consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

Sumitomo Mitsui Construction Co., Ltd.
Notes to Non-Consolidated Financial Statements
 March 31, 2024

(f) Financial Covenants (continued)

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)
 At the end of March, 2025: ¥66,226 million (\$437,395 thousand)
 At the end of March, 2026: ¥68,961 million (\$455,458 thousand)
 At the end of March, 2027: ¥75,819 million (\$500,752 thousand)
 At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥9,000 million (\$59,441 thousand) in long-term debt as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the contract	¥9,000	¥10,000	\$59,441
Loan balance outstanding	9,000	10,000	59,441
Difference (unused portion)	¥ —	¥ —	\$ —

(f) Financial Covenants (continued)

- (3) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the contract	¥10,000	¥10,000	\$66,045
Loan balance outstanding	10,000	10,000	66,045
Difference (unused portion)	¥ —	¥ —	\$ —

- (4) 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 Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of March 31, 2024 shall be equal to or exceed ¥66,226 million (\$437,395 thousand).

(f) Financial Covenants (continued)

In calculating total of the consolidated net assets at the end of March, 2024, in the borrower's consolidated statements of income as of the end of March, 2024, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million (\$99,068 thousand) in long-term debt of the current portion as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the contract	¥15,000	¥15,000	\$99,068
Loan balance outstanding	15,000	15,000	99,068
Difference (unused portion)	¥ —	¥ —	\$ —

- (5) The Company has entered into a syndicated loan contract dated on September 29, 2020 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of March, 2024 and 2025 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥265 million (\$1,750 thousand) in long-term debt (including the current portion) as of March 31, 2024.

(f) Financial Covenants (continued)

- (6) The Company has entered into a syndicated loan contract dated on March 29, 2021 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt as of March 31, 2024.

(f) Financial Covenants (continued)

- (7) The Company has entered into a syndicated loan contract dated on March 28, 2022 with its eight banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt (including the current portion) as of March 31, 2024.

- (8) The Company has entered into a committed syndicated loan contract dated on March 28, 2022 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

(f) Financial Covenants (continued)

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥5,600 million (\$36,985 thousand) in long-term debt (including the current portion) as of March 31, 2024.

Unused amount on the committed syndicated loan contract as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥7,000	¥7,000	\$46,232
Loan balance outstanding	7,000	7,000	46,232
Difference (unused portion)	¥ –	¥ –	\$ –

- (9) The Company has entered into a loan commitment agreement dated on May 24, 2022 with its seven banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on September 26, 2023 and the following financial covenant is included in the contract:

- Total consolidated net assets at the end of the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

- Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower’s consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after September 26, 2023, all profits or losses related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2024.

(f) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥27,200	¥30,000	\$179,644
Loan balance outstanding	—	—	—
Difference (unused portion)	<u>¥27,200</u>	<u>¥30,000</u>	<u>\$179,644</u>

(10) The Company has entered into a loan commitment agreement dated on June 27, 2022 with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on September 26, 2023 and the following financial covenant is included in the contract:

1. Total consolidated net assets at the end of the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

2. Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower’s consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after September 26, 2023, all profits or losses related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

At the end of March, 2028: ¥81,561 million (\$538,676 thousand)

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2024.

(f) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2024 and 2023 were as follows.

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Maximum limit under the agreement	¥20,000	¥20,000	\$132,091
Loan balance outstanding	—	—	—
Difference (unused portion)	<u>¥20,000</u>	<u>¥20,000</u>	<u>\$132,091</u>

- (11) The Company has entered into a general syndicated loan contract dated on September 27, 2022 with its twenty-one banks with Sumitomo Mitsui Banking Corporation as arranger. The Company has entered into a change agreement regarding the review of the contents of the financial covenants dated on October 20, 2023 and the following financial covenant is included in the contract:

Total consolidated net assets at the end of each fiscal year beginning March 31, 2024 shall be equal to or exceed the following amount.

In calculating total of the consolidated net assets at the end of each fiscal year, in the borrower's consolidated statements of income as of the end of each fiscal year ending in the period up to the end (including the same day) of the relevant fiscal year after October 20, 2023, all profits or losses related to the condominium in Yokohama, which was described in "Instructions from the Ministry of Land, Infrastructure Transportation and Tourism" released on January 13, 2016, will be excluded from the calculation.

At the end of March, 2024: ¥66,226 million (\$437,395 thousand)

At the end of March, 2025: ¥66,226 million (\$437,395 thousand)

At the end of March, 2026: ¥68,961 million (\$455,458 thousand)

At the end of March, 2027: ¥75,819 million (\$500,752 thousand)

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million (\$66,045 thousand) in long-term debt as of March 31, 2024.

(f) Financial Covenants (continued)

As of March 31, 2023

- (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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2023.

Unused amount on loan commitment agreement as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
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 (including five different banks from (1) above) 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 ¥1,750 million in long-term debt (including the current portion) as of March 31, 2023.

- (3) 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥10,000 million in long-term debt (including the current portion) as of March 31, 2023.

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	10,000	10,000
Difference (unused portion)	¥ —	¥ —

(f) Financial Covenants (continued)

- (4) The Company has entered into a committed syndicated loan contract dated on December 26, 2019 with its ten banks (including six different banks from (3) above) 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

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, 2023.

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	<u>As of March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<i>(Millions of yen)</i>	
Maximum limit under the contract	¥10,000	¥10,000
Loan balance outstanding	<u>10,000</u>	<u>10,000</u>
Difference (unused portion)	<u>¥ —</u>	<u>¥ —</u>

- (5) 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:

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 addition, the balance of bank borrowings under the committed syndicated loan contract is ¥15,000 million in long-term debt as of March 31, 2023.

(f) Financial Covenants (continued)

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the contract	¥15,000	¥15,000
Loan balance outstanding	15,000	15,000
Difference (unused portion)	¥ —	¥ —

- (6) The Company has entered into a syndicated loan contract dated on September 29, 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 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥1,000 million in long-term debt (including the current portion) as of March 31, 2023.

- (7) 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:

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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2023.

(f) Financial Covenants (continued)

- (8) The Company has entered into a syndicated loan contract dated on March 28, 2022 with its eight 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, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under this syndicated loan contract is ¥10,000 million in long-term debt as of March 31, 2023.

- (9) The Company has entered into a committed syndicated loan contract dated on March 28, 2022 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 each fiscal year beginning March 31, 2022 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2021 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, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, the balance of bank borrowings under the committed syndicated loan contract is ¥6,300 million in long-term debt (including the current portion) as of March 31, 2023.

Unused amount on the committed syndicated loan contract as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥7,000	¥7,000
Loan balance outstanding	7,000	—
Difference (unused portion)	¥ —	¥7,000

(f) Financial Covenants (continued)

- (10) The Company has entered into a loan commitment agreement dated on May 24, 2022 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 the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2023.

Unused amount on loan commitment agreement as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥30,000	¥-
Loan balance outstanding	-	-
Difference (unused portion)	<u>¥30,000</u>	<u>¥-</u>

- (11) The Company has entered into a loan commitment agreement dated on June 27, 2022 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 the second quarter of the fiscal year ended March 31, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022.

In calculating consolidated net assets, any allowance or costs related to the condominium in Yokohama, which was described in “Instructions from the Ministry of Land, Infrastructure Transportation and Tourism” released on January 13, 2016, will be excluded from the calculation.

In addition, there was no balance of bank borrowings under the loan commitment agreement as of March 31, 2023.

(f) Financial Covenants (continued)

Unused amount on loan commitment agreement as of March 31, 2023 and 2022 were as follows.

	As of March 31,	
	2023	2022
	<i>(Millions of yen)</i>	
Maximum limit under the agreement	¥20,000	¥-
Loan balance outstanding	-	-
Difference (unused portion)	<u>¥20,000</u>	<u>¥-</u>

- (12) The Company has entered into a general syndicated loan contract dated on September 27, 2022 with its twenty-one 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, 2023 shall be equal to or exceed 75% of total consolidated net assets as of March 31, 2022 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 ¥10,000 million in long-term debt as of March 31, 2023.

Contracts other than (10) and (11) above are in conflict with financial covenants at the end of the current fiscal year, however, as of May 19, 2023, the Company obtained approval from our financial institutions to not exercise their rights to lose profits for the time limit due to such conflicts.

Notes to Non-Consolidated Financial Statements

March 31, 2024

5. Notes to Non-Consolidated Statements of Income

(a) Transactions with Subsidiaries and Affiliates

Significant transactions with subsidiaries and affiliates other than those individually presented on the accompanying non-consolidated statements of income for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Dividend income	¥2,915	¥1,406	\$19,252
Royalty income	575	388	3,797
Allowance for doubtful accounts	13	74	85

(b) Gain on Sales of Property and Equipment

The significant components of gain on sales of property and equipment for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Buildings	¥-	¥9	\$-
Machinery and equipment	-	3	-
Vehicles	1	1	6
Tools, furniture and fixtures	-	0	-
Land	31	69	204
Total	¥33	¥84	\$217

5. Notes to Non-Consolidated Statements of Income (continued)

(c) Loss on Disposal of Property and Equipment

The significant components of loss on disposal of property and equipment for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loss on disposal	¥147	¥18	\$970

(d) Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

	Years ended March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Salaries and wages	¥ 8,017	¥ 8,459	\$ 52,948
Depreciation expenses	796	837	5,257
Other	7,828	8,919	51,700
Total	<u>¥16,642</u>	<u>¥18,216</u>	<u>\$109,913</u>

6. Securities

Stocks of subsidiaries and affiliates at March 31, 2024 and 2023 were as follows:

	As of March 31, 2024					
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Stocks of a subsidiary	¥717	¥5,828	¥5,111	\$4,735	\$38,491	\$33,756

Note: Stocks of subsidiaries and affiliates with no market value that were excluded from the above were as follows:

	As of March 31,	
	2024	2024
	Carrying value	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Stocks of subsidiaries	¥15,983	\$105,561
Stocks of affiliates	46	303

6. Securities (continued)

	As of March 31, 2023		
	Carrying value	Fair value	Unrealized gain
	<i>(Millions of yen)</i>		
Stocks of a subsidiary	¥717	¥4,279	¥3,561

	As of March 31, 2023
	Carrying value
	<i>(Millions of yen)</i>
Stocks of subsidiaries	¥15,253
Stocks of affiliates	40

7. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at March 31, 2024 and 2023 were as follows:

	As of March 31,		
	2024	2023	2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued retirement benefits	¥3,770	¥3,826	\$24,899
Tax loss carried forward	1,991	–	13,149
Account payable and accrued expenses	2,027	1,993	13,387
Allowance for bad debts	1,145	1,052	7,562
Loss on devaluation of investments in subsidiaries and affiliates	1,004	952	6,631
Provision for warranties for completed construction	106	129	700
Provision for loss on construction contracts	10,032	13,538	66,257
Other	909	975	6,003
Gross deferred tax assets	20,988	22,468	138,617
Valuation allowance for tax loss carried forward	(1,991)	–	(13,149)
Valuation allowance for total deductible temporary differences, etc.	(14,343)	(17,172)	(94,729)
Gross valuation allowance	(16,335)	(17,172)	(107,885)
Total deferred tax assets	4,653	5,296	30,731
Deferred tax liabilities:			
Unrealized holding gain on securities	(270)	–	(1,783)
Asset retirement obligations	(23)	(15)	(151)
Total deferred tax liabilities	(293)	(15)	(1,935)
Net deferred tax assets	¥4,359	¥5,280	\$28,789

7. Income Taxes (continued)

The breakdown of the main items of significant differences between the statutory tax rates and the effective tax rates

	As of March 31,	
	2024	2023
Statutory tax rates	30.6%	-%
(Adjustments)		
Non-deductible expenses	7.7	-
Non-taxable income	(16.1)	-
Per capita inhabitants' taxes, etc.	2.7	-
Increase or decrease in valuation allowance	(15.6)	-
Total tax effect	5.8	-
Other, net	1.5	-
Effective tax rate	<u>16.6%</u>	<u>-%</u>

Note: The note is omitted due to the posting of loss before income taxes for the year ended March 31, 2023.

The accounting treatment of corporate and local income taxes, and related tax effect accounting

The Company has adopted the group tax sharing system. In addition, the Company conducts accounting treatment of corporate and local income taxes, or accounting treatment and disclosure of related tax effect accounting in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42 issued on August 12, 2021).

8. Revenue Recognition

The note on useful information in understanding revenue from contracts with customers is omitted since the Consolidated Financial Statement (Notes to Consolidated Financial Statements, Revenue Recognition) provides the same information.

9. Subsequent Event

Not applicable.

Independent Auditor's Report

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

The Audit of the Non-Consolidated Financial Statements

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, 2024, 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, 2024, 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 method of recognizing revenue as performance obligations are satisfied over time

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 allowance for contingency 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.

Other Information

The other information comprises the information included in the Annual Report that contains audited non-consolidated financial statements, but does not include the non-consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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 Company 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 non-consolidated 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2024 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.

Fee-related Information

The Fee-related Information is included in the auditor's report for the consolidated financial statements.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 9, 2024

中原 義勝

Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

山本 高揮

Koki Yamamoto
Designated Engagement Partner
Certified Public Accountant

CORPORATE OUTLINE

Corporate Name:

Sumitomo Mitsui Construction Co.,Ltd.

Established:

October 14, 1941

Permission:

(Special-3)No.200, Specified Constructor, granted by the Minister of Land, Infrastructure, Transport and Tourism

License:

(17)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

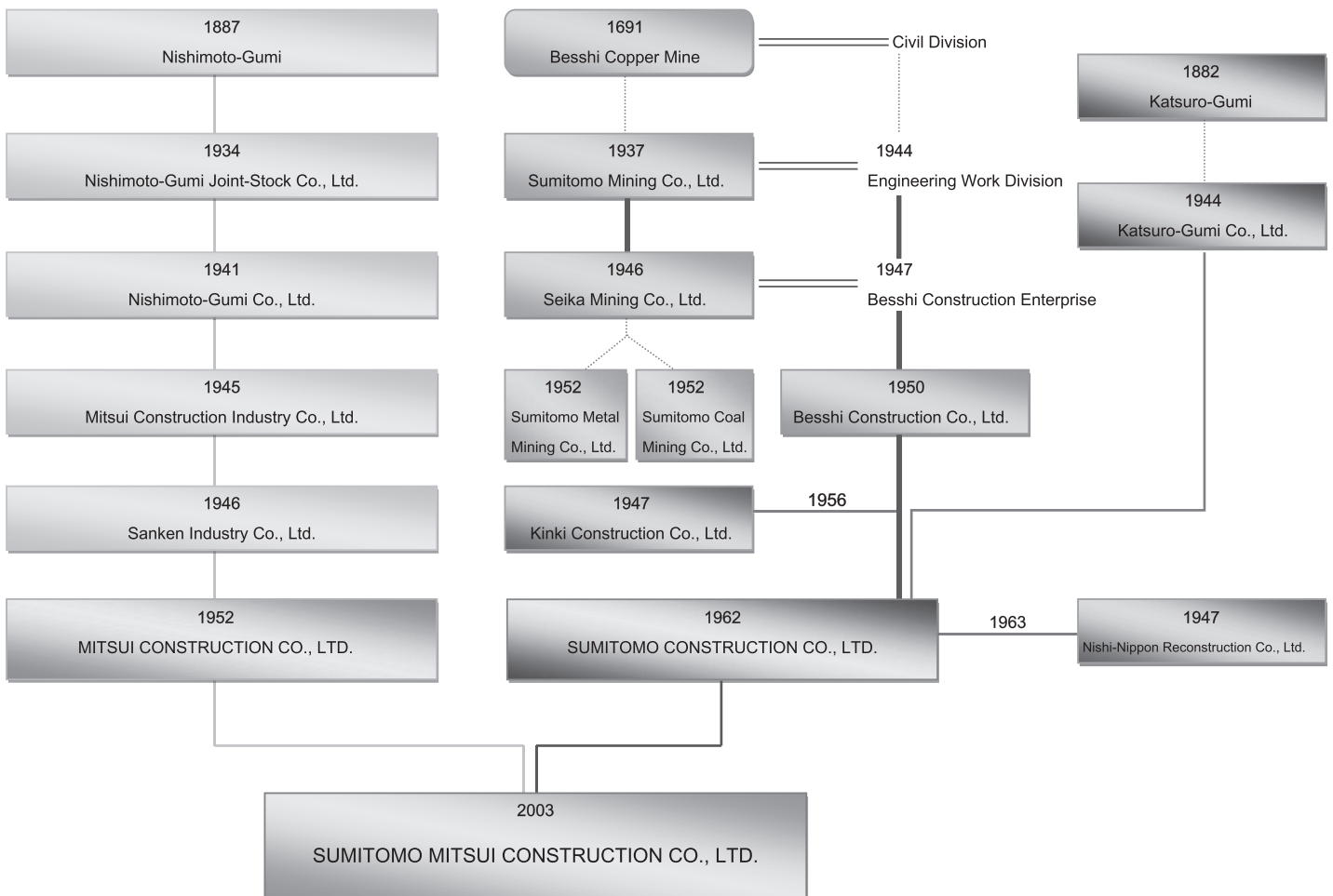
Main Banks

Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank, Limited

Main Shareholders

The Master Trust Bank of Japan, Ltd.
Aya Nomura
Minami Aoyama Fudosan Co.,Ltd.
Mitsui Fudosan Co.,Ltd.
Custody Bank of Japan, Ltd.

Corporate History



CORPORATE DATA

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SUBSIDIARY COMPANIES IN OVERSEAS

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**SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.**