

**CONSOLIDATED FINANCIAL STATEMENTS**  
**together with**  
**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

as of March 31,2011

**KUMAGAI GUMI CO., LTD.**  
TOKYO, JAPAN

## Consolidated Balance Sheet

March 31, 2011

	(JPY million)	(US\$ thousand)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	39,981	481,699
Notes and accounts receivable, trade	82,831	997,964
Allowance for doubtful accounts	(2,093)	(25,217)
Inventories	5,497	66,229
Deferred income taxes	1,852	22,313
Other current assets	11,808	142,265
	<u>139,876</u>	<u>1,685,253</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities	7,326	88,265
Investments in unconsolidated subsidiaries and affiliates	4,192	50,506
Long-term loans receivable	1,105	13,313
Long-term loans to unconsolidated subsidiaries and affiliates	374	4,506
Long-term receivable	6,944	83,663
Claims to companies in bankruptcy, reorganization, etc.	458	5,518
Deferred income taxes	9,245	111,386
Other	2,896	34,892
Allowance for doubtful accounts	(6,416)	(77,301)
	<u>26,124</u>	<u>314,748</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	10,251	123,506
Buildings	13,289	160,108
Machinery and equipment	13,513	162,807
Leased assets	110	1,325
Construction in progress	1	12
	<u>37,164</u>	<u>447,758</u>
Accumulated depreciation	(23,241)	(280,012)
	<u>13,923</u>	<u>167,746</u>
<b>TOTAL ASSETS</b>	<u>179,923</u>	<u>2,167,747</u>

	(JPY million)	(US\$ thousand)
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term loans payable	20,352	245,205
Notes and accounts payable, trade	64,068	771,904
Advances received on uncompleted contracts	5,225	62,952
Accrued expenses	877	10,566
Accrued income taxes	330	3,976
Employees' savings deposits	2,098	25,277
Allowance for losses on construction contracts	743	8,952
Other current liabilities	13,835	166,687
	<u>107,528</u>	<u>1,295,519</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans payable	8,095	97,530
Accrued severance indemnities	18,851	227,120
Other long-term liabilities	74	892
	<u>27,020</u>	<u>325,542</u>
<b>NET ASSETS:</b>		
Shareholders' Equity:		
Capital stock ;		
Authorized - 753,200,000 shares		
Issued - 220,744,607 shares	13,341	160,735
Additional paid-in capital	7,881	94,952
Retained earnings	23,218	279,735
Treasury stock, at cost		
- 3,089,014 shares	(525)	(6,325)
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	345	4,157
Foreign currency translation adjustment	(285)	(3,434)
Minority interests	1,400	16,866
Total net assets	<u>45,375</u>	<u>546,686</u>
	<u>179,923</u>	<u>2,167,747</u>

# Consolidated Statement of Income and Statement of Comprehensive Income

For the year ended March 31, 2011

## Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
<b>NET SALES:</b>		
Contracts completed	240,481	2,897,361
<b>COST OF SALES:</b>		
Cost of construction	224,662	2,706,771
Gross profit	15,819	190,590
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>11,785</u>	<u>141,988</u>
Operating Income	4,034	48,602
<b>OTHER INCOME ( EXPENSE):</b>		
Interest and dividend income	171	2,060
Interest expense	(894)	(10,771)
Other, net	<u>(574)</u>	<u>(6,916)</u>
<b>Income before income taxes</b>	2,737	32,975
Income taxes		
Current	266	3,205
Deferred	<u>897</u>	<u>10,807</u>
Income before minority interests	1,574	18,963
Minority interests in loss	<u>(2)</u>	<u>(24)</u>
<b>NET INCOME</b>	<u><u>1,576</u></u>	<u><u>18,987</u></u>
	<u>(JPY)</u>	<u>(US\$)</u>
<b>PER SHARE OF COMMON STOCK</b>		
Basic net income	¥8.83	\$0.11
Diluted net income	¥4.21	\$0.05

## Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Income before minority interests	1,574	18,963
Other comprehensive income		
Valuation difference on available-for-sale securities	(396)	(4,771)
Foreign currency translation adjustment	(80)	(964)
Share of other comprehensive income of associates accounted for using equity method	<u>(26)</u>	<u>(313)</u>
	(502)	(6,048)
<b>Comprehensive income</b>	<b><u>1,072</u></b>	<b><u>12,915</u></b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,069	12,879
Comprehensive income attributable to minority interests	3	36

## Consolidated Statement of Cash Flows

For the year ended March 31, 2011

	(JPY million)	(US\$ thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income taxes	2,737	32,975
Depreciation and amortization	1,106	13,325
Impairment loss	3	36
Increase (decrease) in allowance for doubtful accounts	(1,224)	(14,747)
Increase (decrease) in provision for retirement benefits	629	7,578
Interest and dividends income	(171)	(2,060)
Interest expenses	894	10,771
Foreign exchange losses (gains)	147	1,771
Equity in (earnings) losses of affiliates	141	1,699
Loss (gain) on valuation of short-term and long term investment securities	234	2,819
Loss (gain) on sales of short-term and long term investment securities	3	36
Loss on retirement of noncurrent assets	15	181
Loss (gain) on sales of noncurrent assets	(2)	(24)
Decrease (increase) in notes and accounts receivable-trade	15,701	189,169
Decrease (increase) in costs on uncompleted construction contracts	826	9,952
Increase (decrease) in notes and accounts payable-trade	(8,950)	(107,831)
Increase (decrease) in advances received on uncompleted construction contracts	(258)	(3,108)
Increase (decrease) in other assets	1,266	15,253
Other, net	<u>(2,412)</u>	<u>(29,059)</u>
Sub-total	10,685	128,736
Interest and dividends income received	189	2,277
Interest expenses paid	(854)	(10,289)
Income taxes paid	<u>(300)</u>	<u>(3,614)</u>
Net cash provided by operating activities	9,720	117,110
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(738)	(8,892)
Proceeds from sales of property, plant and equipment	8	96
Proceeds from redemption of securities	1,000	12,048
Purchase of short-term and long term investment securities	(1,062)	(12,795)
Proceeds from sale short-term and long term investment securities	25	301
Payments of loans receivable	(307)	(3,699)
Collection of loans receivable	309	3,723
Other, net	<u>632</u>	<u>7,614</u>
Net cash used by investing activities	(133)	(1,604)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term loans payable	(2,071)	(24,952)
Proceeds from long-term loans payable	4,758	57,325
Repayment of long term loans payable	(3,977)	(47,916)
Other, net	<u>(27)</u>	<u>(325)</u>
Net cash used in financing activities	(1,317)	(15,868)
<b>EFFECT ON EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	<u>(175)</u>	<u>(2,108)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,095	97,530
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>31,869</u>	<u>383,964</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	39,964	481,494

## Notes to the Consolidated Financial Statements

### 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Kumagai Gumi Co.,Ltd.(the Company) and its consolidated subsidiaries (the Companies) prepared their financial statements in accordance with accounting principles and practices generally accepted in Japan.

The accompanying consolidated financial statements of the Companies are a translation of the consolidated financial statements prepared by the Company in accordance with the Japanese Financial Instruments and Exchange Law and audited by Gyosei & Co.

In consideration of the purpose of the consolidated financial statements, most of their footnotes have been omitted.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers of these statements outside Japan.

#### - Consolidation

The Company applies the control or influence standard for determining the criteria of subsidiaries and affiliates included within the scope of consolidation.

The consolidated financial statements include the accounts of the Company, seven of its consolidated subsidiaries and four of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2011.

The subsidiaries which are consolidated with the Company are listed below:

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2011
Technos Co., Ltd.	31 Mar. 2011
K&E Co., Ltd.	31 Mar. 2011
Techno-Space Creates Co., Ltd.	31 Mar. 2011
FATEC Co., Ltd.	31 Mar. 2011
Technical Support Co., Ltd.	31 Mar. 2011
Taiwan Kumagai Co., Ltd.	31 Dec. 2010

All significant intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates that are not accounted for applying the equity method are stated at cost.

The Company consolidates such subsidiaries' financial statements as of each subsidiary's most recent year-end. Unusual significant transactions occurring between subsidiaries' year-ends and the Company's are adjusted on consolidation.

### 2. UNITED STATES DOLLAR AMOUNTS

The United States dollar amounts included in the accompanying consolidated financial statements are presented solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of JPY83=US\$1, which was the approximate exchange rate at March 31, 2011.

These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into United States dollars at that rate.



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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (CONSOLIDATED)**

**To the Board of Directors of  
Kumagai Gumi Co., Ltd.**

We have audited the accompanying consolidated balance sheet of Kumagai Gumi Co., Ltd.(the Company) and its consolidated subsidiaries as of March 31, 2011 and the related consolidated statements of income, comprehensive income and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kumagai Gumi Co., Ltd. and its consolidated subsidiaries as of March 31, 2011 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles and practices in Japan.

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note. 2.

Tokyo, Japan

June 29, 2011

**Gyosei & Co.**

**Certified Public Accountants**

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This report of independent public accountants is a translation of the report issued domestically by Gyosei & Co. for the consolidated financial statements prepared by the Company in accordance with the Japanese Financial Instruments and Exchange Law.