



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

as of March 31,2017

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

## Consolidated Balance Sheet

March 31, 2017

	(JPY million)	(US\$ thousand)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and deposits	¥ 73,931	\$ 660,098
Notes receivable, accounts receivable from completed construction contracts and other	124,412	1,110,821
Allowance for doubtful accounts	(135)	(1,205)
Inventories	7,505	67,009
Deferred tax assets	6,042	53,946
Other	17,075	152,455
	<u>228,830</u>	<u>2,043,124</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities	14,166	126,482
Shares of unconsolidated subsidiaries and associates	2,060	18,393
Long-term loans receivable	524	4,679
Long-term loans receivable from unconsolidated subsidiaries and associates	446	3,982
Long-term non-operating accounts receivable	283	2,527
Claims provable in bankruptcy, claims provable in rehabilitation and other	74	661
Deferred tax assets	5,515	49,241
Other	3,108	27,750
Allowance for doubtful accounts	(297)	(2,652)
	<u>25,879</u>	<u>231,063</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	10,096	90,143
Buildings and structures	15,654	139,768
Machinery, vehicles, tools, furniture and fixtures	15,499	138,384
Leased assets	210	1,875
Construction in progress	501	4,473
	<u>41,960</u>	<u>374,643</u>
Accumulated depreciation	(24,761)	(221,080)
	<u>17,199</u>	<u>153,563</u>
<b>TOTAL ASSETS</b>	<b>¥ 271,908</b>	<b>\$ 2,427,750</b>

	(JPY million)	(US\$ thousand)
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term loans payable	¥ 12,427	\$ 110,955
Notes and accounts payable, trade	96,990	865,982
Advances received on uncompleted construction contracts	14,612	130,464
Accrued expenses	4,353	38,866
Income taxes payable	2,980	26,607
Deposits received from employees	2,061	18,402
Provision for loss on construction contracts	370	3,304
Provision for contingent loss	13,917	124,259
Other	18,908	168,822
	<u>166,618</u>	<u>1,487,661</u>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term loans payable	2,995	26,741
Net defined benefit liability	21,824	194,857
Other	182	1,625
	<u>25,001</u>	<u>223,223</u>
<b>NET ASSETS:</b>		
Shareholders' equity:		
Capital stock ;		
Authorized - 714,000,000 shares		
Issued - 377,544,607 shares	13,341	119,116
Capital surplus	7,881	70,366
Retained earnings	55,377	494,437
Treasury shares		
- 4,165,841 shares	(753)	(6,723)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	4,428	39,536
Foreign currency translation adjustment	389	3,473
Remeasurements of defined benefit plans	(374)	(3,339)
 Total net assets	 <u>80,289</u>	 <u>716,866</u>
	<u>¥ 271,908</u>	<u>\$ 2,427,750</u>

# Consolidated Statement of Income and Statement of Comprehensive Income

For the year ended March 31, 2017

## Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
<b>NET SALES:</b>		
Completed construction contracts	¥ 344,706	\$ 3,077,732
<b>COST OF SALES:</b>		
Completed construction contracts	303,625	2,710,937
Gross profit on completed construction contracts	41,081	366,795
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>15,946</u>	<u>142,375</u>
Operating profit	25,135	224,420
<b>OTHER INCOME ( EXPENSE):</b>		
Interest and dividends income	145	1,295
Interest expenses	(287)	(2,563)
Provision for contingent loss	(1,793)	(16,009)
Other, net	<u>(466)</u>	<u>(4,161)</u>
<b>Profit before income taxes</b>	22,734	202,982
Income taxes		
Current	6,132	54,750
Deferred	<u>168</u>	<u>1,500</u>
Profit	<u>16,434</u>	<u>146,732</u>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF PARENT</b>	<u>¥ 16,434</u>	<u>\$ 146,732</u>
	<u>(JPY)</u>	<u>(US\$)</u>
<b>PER SHARE OF COMMON STOCK</b>		
Basic profit	¥ 43.99	\$ 0.39

## Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Profit	¥ 16,434	\$ 146,732
Other comprehensive income		
Valuation difference on available-for-sale securities	571	5,098
Foreign currency translation adjustment	(5)	(45)
Remeasurements of defined benefit plans, net of tax	(58)	(518)
Share of other comprehensive income of entities accounted for using equity method	6	54
	514	4,589
<b>Comprehensive income</b>	<b>¥ 16,948</b>	<b>\$ 151,321</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	¥ 16,948	\$ 151,321
Comprehensive income attributable to non-controlling interests	-	-

## Consolidated Statement of Cash Flows

For the year ended March 31, 2017

	(JPY million)	(US\$ thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income taxes	¥ 22,734	\$ 202,982
Depreciation	1,368	12,214
Increase (decrease) in allowance for doubtful accounts	(1,038)	(9,268)
Increase (decrease) in provision for contingent loss	(1,215)	(10,848)
Increase (decrease) in net defined benefit liability	(76)	(679)
Interest and dividend income	(145)	(1,295)
Interest expenses	287	2,563
Foreign exchange losses (gains)	1	9
Share of (profit) loss of entities accounted for using equity method	(91)	(813)
Loss (gain) on valuation of investment securities	111	991
Loss (gain) on sales of investment securities	(4)	(36)
Loss (gain) on sales of non-current assets	112	1,000
Decrease (increase) in notes and accounts receivable-trade	(9,028)	(80,607)
Decrease (increase) in costs on uncompleted construction contracts	(3,147)	(28,098)
Increase (decrease) in notes and accounts payable-trade	4,636	41,393
Increase (decrease) in advances received on uncompleted construction contracts	730	6,518
Decrease (increase) in other assets and other	383	3,420
Other, net	1,337	11,938
Subtotal	16,955	151,384
Interest and dividend income received	149	1,330
Interest expenses paid	(278)	(2,482)
Income taxes paid	(8,201)	(73,223)
Net cash provided by (used in) operating activities	8,625	77,009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,985)	(26,652)
Proceeds from sales of property, plant and equipment	218	1,946
Purchase of investment securities	(346)	(3,089)
Proceeds from sales of investment securities	4	36
Payments of loans receivable	(84)	(750)
Collection of loans receivable	202	1,804
Other, net	(100)	(893)
Net cash provided by (used in) investing activities	(3,091)	(27,598)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term loans payable	(515)	(4,598)
Proceeds from long-term loans payable	1,476	13,179
Repayments of long-term loans payable	(3,360)	(30,000)
Cash dividends paid	(1,499)	(13,384)
Other, net	(126)	(1,126)
Net cash provided by (used in) financing activities	(4,024)	(35,929)
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	(6)	(53)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,504	13,429
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	72,422	646,625
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	¥ 73,926	\$ 660,054

## 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 translations 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 three of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2017.

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

Company Name	Fiscal Year-End
GAEART Co., Ltd.	31 Mar. 2017
Technos Co., Ltd.	31 Mar. 2017
K&E Co., Ltd.	31 Mar. 2017
Techno-Space Creates Co., Ltd.	31 Mar. 2017
FATEC Co., Ltd.	31 Mar. 2017
Technical Support Co., Ltd.	31 Mar. 2017
Taiwan Kumagai Co., Ltd.	31 Dec. 2016

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 JPY112=US\$1, which was the approximate exchange rate at March 31, 2017.

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.