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Consolidated Financial Results for the Third Quarter Ended December 31, 2016 [Japanese GAAP]

February 9, 2017

Company name : Kumagai Gumi Co., Ltd.
 Stock exchange listings : Tokyo Stock Exchange, 1st Section
 Securities code : 1861 URL : <http://www.kumagaigumi.co.jp/>
 Representative : Yasushi Higuchi, President
 Contact : Chihiro Nosaka, General Manager, Accounting Department, Administration Division
 Tel. 03-3235-8606

Date of filing of quarterly securities report : February 9, 2017

Scheduled date of dividend payment : —

Supplemental materials for quarterly financial results : None

Presentation on quarterly financial results : None

(Rounded down to the nearest million yen)

1. Consolidated Results for the Third Quarter Ended December 31, 2016 (April 1, 2016 – December 31, 2016)

(1) Consolidated Operating Results

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016 3rd Quarter	247,547	(1.1)	17,753	7.9	17,841	0.5	12,130	1.2
FY2015 3rd Quarter	250,224	(4.5)	16,448	67.5	17,747	88.7	11,986	525.0

(Note) Comprehensive income FY2016 3rd Quarter 12,611 million yen 6.4% FY2015 3rd Quarter 11,858 million yen 226.6%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2016 3rd Quarter	32.47	—
FY2015 3rd Quarter	32.07	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016 3rd Quarter	262,256	75,969	29.0	203.44
FY2015	255,525	64,933	25.4	173.76

(Reference) Owner's equity FY2016 3rd Quarter 75,969 million yen FY2015 64,933 million yen

2. Dividends

	Annual cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	—	—	4.00	4.00
FY2016	—	—	—		
FY2016 (forecast)				6.00	6.00

(Note) Revision to the latest forecasts of cash dividends announced : Yes

3. Forecast of Consolidated Operating Results for FY2016 (April 1, 2016 – March 31, 2017)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2016	344,100	0.1	23,200	(5.5)	23,300	(9.6)	15,200	25.7	40.69

(Note) Revision to the latest forecasts of consolidated operating results announced : Yes

※ Notes

(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries that resulted in a change in the scope of consolidation) : None

(2) Application of specific accounting for quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

① Changes in accounting policies due to the revision of the accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Retrospective restatements : None

(4) Number of shares issued (common stock)

(Shares)

① Number of shares issued at the end of the period (including treasury stocks)

FY2016 Q3	377,544,607	FY2015	377,544,607
FY2016 Q3	4,110,762	FY2015	3,856,532
FY2016 Q3	373,598,309	FY2015 Q3	373,733,310

② Number of treasury stocks at the end of the period

③ Average number of shares outstanding during the period

(quarterly cumulative total)

※ Indication regarding the status of the implementation of quarterly review procedure

This quarterly financial report is exempt from the quarterly review procedure as required by the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this report, the quarterly review procedure of consolidated financial statements as required by the Financial Instruments and Exchange Act of Japan have been completed.

※ Explanation regarding the appropriate use of forecasts of operating results, and other specific comments

The financial forecast of operating results in this document are based on information available at present and logical assessments. Actual results may be materially different from expectations due to a variety of factors.

(Reference) Summary of Nonconsolidated Financial Results

(Rounded down to the nearest million yen)

1. Nonconsolidated Results for the Third Quarter Ended December 31, 2016 (April 1, 2016 – December 31, 2016)

(1) Nonconsolidated Operating Results

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016 3rd Quarter	198,374	1.9	15,246	14.6	15,986	4.7	11,049	4.1
FY2015 3rd Quarter	194,694	(7.9)	13,300	62.1	15,268	80.3	10,614	596.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2016 3rd Quarter	29.49	—
FY2015 3rd Quarter	28.32	—

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016 3rd Quarter	218,435	54,649	25.0	145.93
FY2015	210,628	44,329	21.0	118.29

(Reference) Owner's equity FY2016 3rd Quarter 54,649 million yen FY2015 44,329 million yen

2. Forecast of Nonconsolidated Operating Results for FY2016 (April 1, 2016 – March 31, 2017)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Ordinary income		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
FY2016	271,200	1.4	20,300	(7.8)	13,300	28.0	35.50

(Note) Revision to the latest forecasts of nonconsolidated operating results announced : Yes

1. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2016)	Current 3rd Quarter (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	72,422	79,732
Notes receivable, accounts receivable from completed construction contracts and other	115,388	109,890
Costs on uncompleted construction contracts	3,967	8,328
Deferred tax assets	6,320	4,967
Other	17,109	17,468
Allowance for doubtful accounts	(186)	(162)
Total current assets	215,021	220,225
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,589	4,007
Land	10,089	10,094
Other, net	2,066	2,405
Total property, plant and equipment	15,745	16,507
Intangible assets	430	430
Investments and other assets		
Investment securities	15,075	16,319
Deferred tax assets	5,630	5,392
Other	4,906	4,578
Allowance for doubtful accounts	(1,284)	(1,197)
Total investments and other assets	24,328	25,093
Total non-current assets	40,503	42,031
Total assets	255,525	262,256

(millions of yen)

	Prior Fiscal Year (As of March 31, 2016)	Current 3rd Quarter (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	69,581	67,583
Electronically recorded obligations – operating	22,530	24,541
Short-term loans payable	6,849	12,341
Advances received on uncompleted construction contracts	13,883	17,539
Provision for warranties for completed construction	559	510
Provision for loss on construction contracts	180	308
Provision for contingent loss	15,132	12,990
Provision for bonuses	3,267	1,529
Other	25,643	23,744
Total current liabilities	157,627	161,089
Non-current liabilities		
Long-term loans payable	10,971	3,521
Net defined benefit liability	21,815	21,490
Other	177	186
Total non-current liabilities	32,964	25,197
Total liabilities	190,591	186,286
Net assets		
Shareholders' equity		
Capital stock	13,341	13,341
Capital surplus	7,879	7,880
Retained earnings	40,442	51,074
Treasury shares	(659)	(736)
Total shareholders' equity	61,004	71,559
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,850	4,689
Foreign currency translation adjustment	394	28
Remeasurements of defined benefit plans	(315)	(308)
Total accumulated other comprehensive income	3,929	4,409
Total net assets	64,933	75,969
Total liabilities and net assets	255,525	262,256

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 Quarterly consolidated statement of income (Cumulative total)

(millions of yen)

	FY2015 3rd Quarter (Apr 1, 2015—Dec 31, 2015)	FY2016 3rd Quarter (Apr 1, 2016—Dec 31, 2016)
Net sales of completed construction contracts	250,224	247,547
Cost of sales of completed construction contracts	223,216	218,076
Gross profit on completed construction contracts	27,007	29,471
Selling, general and administrative expenses	10,558	11,718
Operating income	16,448	17,753
Non-operating income		
Interest income	33	30
Dividend income	82	104
Foreign exchange gains	1	1
Reversal of allowance for doubtful accounts	1,436	26
Other	67	204
Total non-operating income	1,621	367
Non-operating expenses		
Interest expenses	268	221
Other	53	58
Total non-operating expenses	321	279
Ordinary income	17,747	17,841
Extraordinary income		
Gain on sales of non-current assets	64	15
Gain on sales of investment securities	809	4
Other	57	3
Total extraordinary income	931	23
Extraordinary losses		
Loss on sales of non-current assets	—	127
Loss on valuation of investment securities	17	111
Provision for contingent loss	2,448	289
Other	24	133
Total extraordinary losses	2,489	661
Profit before income taxes	16,190	17,202
Income taxes – current	3,680	3,849
Income taxes – deferred	522	1,222
Total income taxes	4,203	5,071
Profit	11,986	12,130
Profit attributable to owners of parent	11,986	12,130

Quarterly consolidated statement of comprehensive income (Cumulative total)

(millions of yen)

	FY2015 3rd Quarter (Apr 1, 2015—Dec 31, 2015)	FY2016 3rd Quarter (Apr 1, 2016—Dec 31, 2016)
Profit	11,986	12,130
Other comprehensive income		
Valuation difference on available-for-sale securities	(35)	828
Foreign currency translation adjustment	(117)	(365)
Remeasurements of defined benefit plans, net of tax	24	7
Share of other comprehensive income of entities accounted for using equity method	0	10
Total other comprehensive income	(128)	480
Comprehensive income	11,858	12,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,858	12,611
Comprehensive income attributable to non-controlling interests	—	—

2. Quarterly Nonconsolidated Financial Statements

(1) Quarterly nonconsolidated balance sheet

	(millions of yen)	
	Prior Fiscal Year (As of March 31, 2016)	Current 3rd Quarter (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	56,452	64,596
Notes receivable, accounts receivable from completed construction contracts and other	93,174	90,344
Costs on uncompleted construction contracts	3,445	7,245
Deferred tax assets	5,813	4,713
Other	17,889	16,856
Allowance for doubtful accounts	(105)	(102)
Total current assets	176,670	183,654
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,536	1,722
Land	7,317	7,273
Other, net	245	274
Total property, plant and equipment	9,099	9,270
Intangible assets	242	235
Investments and other assets		
Investment securities	12,108	13,226
Deferred tax assets	4,251	3,915
Other	9,149	9,019
Allowance for doubtful accounts	(892)	(886)
Total investments and other assets	24,617	25,274
Total non-current assets	33,958	34,781
Total assets	210,628	218,435

(millions of yen)

	Prior Fiscal Year (As of March 31, 2016)	Current 3rd Quarter (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	54,798	54,084
Electronically recorded obligations – operating	22,530	24,541
Short-term loans payable	6,598	12,090
Lease obligations	12	13
Advances received on uncompleted construction contracts	12,884	15,619
Provision for warranties for completed construction	456	412
Provision for loss on construction contracts	172	241
Provision for contingent loss	14,741	12,769
Provision for bonuses	2,016	935
Other	22,259	21,015
Total current liabilities	136,470	141,722
Non-current liabilities		
Long-term loans payable	10,906	3,490
Lease obligations	30	25
Provision for retirement benefits	18,833	18,489
Other	57	57
Total non-current liabilities	29,828	22,063
Total liabilities	166,299	163,786
Net assets		
Shareholders' equity		
Capital stock	13,341	13,341
Capital surplus	7,879	7,880
Retained earnings	19,882	29,432
Treasury shares	△539	△616
Total shareholders' equity	40,564	50,038
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,765	4,611
Total valuation and translation adjustments	3,765	4,611
Total net assets	44,329	54,649
Total liabilities and net assets	210,628	218,435

(2) Quarterly nonconsolidated statement of income (Cumulative total)

(millions of yen)

	FY2015 3rd Quarter (Apr 1, 2015—Dec 31, 2015)	FY2016 3rd Quarter (Apr 1, 2016—Dec 31, 2016)
Net sales of completed construction contracts	194,694	198,374
Cost of sales of completed construction contracts	173,909	174,685
Gross profit on completed construction contracts	20,785	23,689
Selling, general and administrative expenses	7,484	8,442
Operating income	13,300	15,246
Non-operating income		
Interest income	33	31
Dividend income	769	776
Foreign exchange gains	4	1
Reversal of allowance for doubtful accounts	1,417	8
Other	61	194
Total non-operating income	2,286	1,012
Non-operating expenses		
Interest expenses	263	217
Other	54	55
Total non-operating expenses	318	273
Ordinary income	15,268	15,986
Extraordinary income		
Gain on sales of investment securities	809	4
Gain on sales of memberships	22	3
Other	10	0
Total extraordinary income	842	7
Extraordinary losses		
Loss on sales of non-current assets	—	127
Loss on valuation of investment securities	17	111
Provision for contingent loss	2,448	289
Other	10	53
Total extraordinary losses	2,476	581
Profit before income taxes	13,634	15,412
Income taxes – current	2,821	3,300
Income taxes – deferred	198	1,062
Total income taxes	3,019	4,363
Profit	10,614	11,049

3. Supplementary Information

(1) Orders received, net sales and carried-forward (Nonconsolidated)

(millions of yen)

	FY2015 3rd Quarter Apr 1, 2015—Dec 31, 2015		FY2016 3rd Quarter Apr 1, 2016—Dec 31, 2016		Change	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	%
Public	37,583	18.5	27,002	14.2	(10,580)	(28.2)
Private	36,474	18.0	37,416	19.7	942	2.6
Domestic	74,057	36.5	64,419	33.9	(9,637)	(13.0)
Overseas	—	—	—	—	—	—
Civil engineering	74,057	36.5	64,419	33.9	(9,637)	(13.0)
Public	15,172	7.5	14,194	7.5	(977)	(6.4)
Private	113,573	56.0	110,858	58.3	(2,714)	(2.4)
Domestic	128,745	63.5	125,052	65.8	(3,692)	(2.9)
Overseas	(109)	0.0	631	0.3	741	—
Building construction	128,635	63.5	125,684	66.1	(2,951)	(2.3)
Public	52,755	26.0	41,197	21.7	(11,558)	(21.9)
Private	150,047	74.0	148,275	78.0	(1,772)	(1.2)
Domestic	202,802	100.0	189,472	99.7	(13,330)	(6.6)
Overseas	(109)	0.0	631	0.3	741	—
Orders received—Total	202,693	100	190,103	100	(12,589)	(6.2)
Public	40,565	20.9	37,396	18.9	(3,169)	(7.8)
Private	25,753	13.2	28,091	14.1	2,338	9.1
Domestic	66,319	34.1	65,488	33.0	(830)	(1.3)
Overseas	38	0.0	32	0.0	(5)	(15.5)
Civil engineering	66,357	34.1	65,520	33.0	(836)	(1.3)
Public	28,463	14.6	25,394	12.8	(3,069)	(10.8)
Private	99,271	51.0	106,441	53.7	7,170	7.2
Domestic	127,735	65.6	131,836	66.5	4,100	3.2
Overseas	601	0.3	1,017	0.5	415	69.2
Building construction	128,336	65.9	132,853	67.0	4,516	3.5
Public	69,029	35.5	62,790	31.7	(6,238)	(9.0)
Private	125,025	64.2	134,533	67.8	9,508	7.6
Domestic	194,054	99.7	197,324	99.5	3,270	1.7
Overseas	639	0.3	1,049	0.5	410	64.1
Net sales—Total	194,694	100	198,374	100	3,680	1.9
Public	89,296	29.1	80,635	25.5	(8,660)	(9.7)
Private	37,923	12.3	57,175	18.0	19,252	50.8
Domestic	127,219	41.4	137,810	43.5	10,591	8.3
Overseas	82	0.0	42	0.0	(39)	(48.2)
Civil engineering	127,302	41.4	137,853	43.5	10,551	8.3
Public	34,463	11.2	37,407	11.8	2,943	8.5
Private	144,084	46.9	141,103	44.5	(2,981)	(2.1)
Domestic	178,548	58.1	178,510	56.3	(37)	(0.0)
Overseas	1,351	0.5	667	0.2	(684)	(50.6)
Building construction	179,900	58.6	179,178	56.5	(722)	(0.4)
Public	123,759	40.3	118,042	37.3	(5,717)	(4.6)
Private	182,008	59.2	198,279	62.5	16,270	8.9
Domestic	305,768	99.5	316,321	99.8	10,553	3.5
Overseas	1,434	0.5	710	0.2	(723)	(50.5)
Carried-forward—Total	307,202	100	317,031	100	9,829	3.2

(Note) The carried-forward amount of overseas work has been translated at the closing rate.

FY2015 3rd Quarter : Increased by 6 million yen FY2016 3rd Quarter : Increased by 39 million yen

(2) Financial Highlights

Consolidated

(100 millions of yen)

(Operating Results)

	A FY2015 3rd Quarter	B FY2016 3rd Quarter	B - A	
				%
Net sales	2,502	2,475	(27)	(1.1)
Gross profit	270	295	25	9.1
(Ratio)	10.8%	11.9%	1.1%	
SG&A expenses	106	117	12	
Operating income	164	178	13	7.9
(Ratio)	6.6%	7.2%	0.6%	
Non-operating income - net	13	1	(12)	
Ordinary income	177	178	1	0.5
Extraordinary income - net	(16)	(6)	9	
Profit before income taxes	162	172	10	6.3
Income taxes and others	42	51	9	
Profit attributable to owners of parent	120	121	1	1.2

(Forecasts of Operating Results for Full year)

C FY2015 Result	D FY2016 Initial Forecast	E FY2016 Rvised Forecast	E - C		E - D	
				%		%
3,436	3,521	3,441	5	0.1	(80)	(2.3)
391	325	391	0	0.1	66	20.3
11.4%	9.2%	11.4%	0.0%		2.2%	
145	156	159	14		3	
245	169	232	(13)	(5.5)	63	37.3
7.1%	4.8%	6.7%	(0.4%)		1.9%	
12	(3)	1	(11)		4	
258	166	233	(25)	(9.6)	67	40.4
(87)	0	(11)	76		(11)	
171	166	222	51	30.1	56	33.7
50	42	70	20		28	
121	124	152	31	25.7	28	22.6

Nonconsolidated

(Operating Results)

	A FY2015 3rd Quarter	B FY2016 3rd Quarter	B - A	
				%
Civil engineering	741	644	(96)	
Building construction	1,287	1,251	(37)	
Domestic	2,028	1,895	(133)	
Overseas	(1)	6	7	
Orders received	2,027	1,901	(126)	(6.2)
Civil engineering	663	655	(8)	
Building construction	1,277	1,318	41	
Domestic	1,941	1,973	33	
Overseas	6	10	4	
Net sales	1,947	1,984	37	1.9
Civil engineering	78	76	(2)	
(Ratio)	11.8%	11.6%	(0.2%)	
Building construction	127	159	32	
(Ratio)	10.0%	12.1%	2.1%	
Domestic	206	235	30	
(Ratio)	10.6%	11.9%	1.3%	
Overseas	2	2	(1)	
(Ratio)	35.6%	16.2%	(19.4%)	
Gross profit	208	237	29	14.0
(Ratio)	10.7%	11.9%	1.2%	
SG&A expenses	75	84	10	
Operating income	133	152	19	14.6
(Ratio)	6.8%	7.7%	0.9%	
Non-operating income - net	20	7	(12)	
Ordinary income	153	160	7	4.7
Extraordinary income - net	(16)	(6)	11	
Profit before income taxes	136	154	18	13.0
Income taxes and others	30	44	13	
Profit	106	110	4	4.1

(Forecasts of Operating Results for Full year)

C FY2015 Result	D FY2016 Initial Forecast	E FY2016 Rvised Forecast	E - C		E - D	
				%		%
1,094	1,000	1,000	(94)		—	
1,842	2,000	2,000	158		—	
2,936	3,000	3,000	64		—	
(1)	15	15	16		—	
2,936	3,015	3,015	79	2.7	—	—
900	900	900	(0)		—	
1,764	1,850	1,800	36		(50)	
2,665	2,750	2,700	35		(50)	
10	15	12	2		(3)	
2,675	2,765	2,712	37	1.4	(53)	(1.9)
115	93	103	(12)		10	
12.8%	10.3%	11.4%	(1.4%)		1.1%	
185	151	206	21		55	
10.5%	8.2%	11.4%	0.9%		3.2%	
300	244	309	9		65	
11.3%	8.9%	11.4%	0.1%		2.5%	
3	1	2	(1)		1	
26.8%	6.7%	16.7%	(10.1%)		10.0%	
303	245	311	8	2.7	66	26.9
11.3%	8.9%	11.5%	0.2%		2.6%	
103	113	115	12		2	
199	132	196	(3)	(1.7)	64	48.5
7.5%	4.8%	7.2%	(0.3%)		2.4%	
21	4	7	(14)		3	
220	136	203	(17)	(7.8)	67	49.3
(83)	0	(10)	73		(10)	
137	136	193	56	41.0	57	41.9
33	31	60	27		29	
104	105	133	29	28.0	28	26.7