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Consolidated Financial Results for the First Quarter Ended June 30, 2018 [Japanese GAAP]

August 9, 2018

Company name : Kumagai Gumi Co., Ltd.
 Stock exchange listings : Tokyo Stock Exchange, 1st Section
 Securities code : 1861 URL : <http://www.kumagaigumi.co.jp/>
 Representative : Yasunori Sakurano, President
 Contact : Chihiro Nosaka, General Manager, Accounting Department, Administration Division
 Tel. 03-3235-8606
 Date of filing of quarterly securities report : August 9, 2018
 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 First Quarter Ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(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	%
FY2018 1st Quarter	80,238	4.9	2,034	(23.7)	2,055	(25.8)	1,397	(35.6)
FY2017 1st Quarter	76,469	3.7	2,667	(32.7)	2,770	(30.1)	2,169	(15.2)

(Note) Comprehensive income FY2018 1st Quarter 1,529 million yen (39.2%) FY2017 1st Quarter 2,516 million yen 10.5%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2018 1st Quarter	29.94	—
FY2017 1st Quarter	58.11	—

※ The company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. Basic earnings per share for FY2017 1st Quarter were calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of FY2017.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018 1st Quarter	323,690	123,684	38.2	2,650.03
FY2017	333,665	126,374	37.9	2,707.51

(Reference) Owner's equity FY2018 1st Quarter 123,684 million yen FY2017 126,374 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
FY2017	—	—	—	90.00	90.00
FY2018	—	—	—	—	—
FY2018 (forecast)	—	—	—	100.00	100.00

(Note) Revision to the latest forecasts of cash dividends announced : None

3. Forecast of Consolidated Operating Results for FY2018 (April 1, 2018 – March 31, 2019)

(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
FY2018	400,000	6.9	24,000	4.2	24,000	5.8	16,500	4.5	353.52

(Note) Revision to the latest forecasts of consolidated operating results announced : None

※ 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)
- ② Number of treasury stocks at the end of the period
- ③ Average number of shares outstanding during the period
(quarterly cumulative total)

FY2018 Q1	46,805,660	FY2017	46,805,660
FY2018 Q1	132,650	FY2017	130,029
FY2018 Q1	46,674,198	FY2017 Q1	37,336,788

- ※ The company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. Average number of shares outstanding during the period for FY2017 1st Quarter were calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of FY2017.

※ “Kessan Tanshin” is not subject to the quarterly review.

※ 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 First Quarter Ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(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	%
FY2018 1st Quarter	64,545	8.5	1,632	(22.0)	2,344	(18.5)	1,842	(26.0)
FY2017 1st Quarter	59,465	0.9	2,093	(41.4)	2,876	(31.9)	2,490	(15.2)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2018 1st Quarter	39.38	—
FY2017 1st Quarter	66.51	—

※ The company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. Basic earnings per share for FY2017 1st Quarter were calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of FY2017.

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018 1st Quarter	271,066	98,299	36.3	2,101.30
FY2017	280,092	100,439	35.9	2,146.90

(Reference) Owner's equity FY2018 1st Quarter 98,299 million yen FY2017 100,439 million yen

2. Forecast of Nonconsolidated Operating Results for FY2018 (April 1, 2018 – March 31, 2019)

(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
FY2018	320,000	8.6	20,700	13.7	14,300	11.2	305.68

(Note) Revision to the latest forecasts of nonconsolidated operating results announced : None

1. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 1st Quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	108,536	123,486
Notes receivable, accounts receivable from completed construction contracts and other	139,287	114,808
Costs on uncompleted construction contracts	6,905	7,238
Other	19,488	18,582
Allowance for doubtful accounts	(151)	(107)
Total current assets	274,066	264,008
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,919	5,906
Land	10,524	10,791
Other, net	3,060	3,129
Total property, plant and equipment	19,504	19,828
Intangible assets	441	432
Investments and other assets		
Investment securities	24,382	24,828
Deferred tax assets	11,427	10,724
Other	3,981	4,015
Allowance for doubtful accounts	(271)	(267)
Total investments and other assets	39,520	39,301
Total non-current assets	59,466	59,562
Deferred assets		
Share issuance cost	132	119
Total deferred assets	132	119
Total assets	333,665	323,690

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 1st Quarter (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	76,043	64,781
Electronically recorded obligations – operating	29,297	30,540
Short-term loans payable	4,090	4,025
Advances received on uncompleted construction contracts	21,527	21,455
Deposits received	20,700	27,304
Provision for warranties for completed construction	433	448
Provision for loss on construction contracts	438	389
Provision for contingent loss	11,341	10,855
Provision for bonuses	3,911	1,815
Other	10,059	10,190
Total current liabilities	177,845	171,808
Non-current liabilities		
Long-term loans payable	10,389	10,244
Net defined benefit liability	16,677	16,665
Other	2,378	1,287
Total non-current liabilities	29,444	28,197
Total liabilities	207,290	200,005
Net assets		
Shareholders' equity		
Capital stock	30,108	30,108
Capital surplus	25,157	25,157
Retained earnings	68,540	65,727
Treasury shares	(189)	(198)
Total shareholders' equity	123,616	120,794
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,699	2,949
Foreign currency translation adjustment	516	384
Remeasurements of defined benefit plans	(457)	(443)
Total accumulated other comprehensive income	2,758	2,890
Total net assets	126,374	123,684
Total liabilities and net assets	333,665	323,690

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

(millions of yen)

	FY2017 1st Quarter (Apr 1, 2017—June 30, 2017)	FY2018 1st Quarter (Apr 1, 2018—June 30, 2018)
Net sales of completed construction contracts	76,469	80,238
Cost of sales of completed construction contracts	69,922	73,630
Gross profit on completed construction contracts	6,547	6,608
Selling, general and administrative expenses	3,879	4,573
Operating income	2,667	2,034
Non-operating income		
Interest income	7	12
Dividend income	61	171
Foreign exchange gains	—	2
Reversal of allowance for doubtful accounts	30	45
Reversal of provision for contingent loss	46	—
Other	32	30
Total non-operating income	178	263
Non-operating expenses		
Interest expenses	64	56
Foreign exchange losses	1	—
Commission for syndicate loan	—	159
Amortization of share issuance cost	—	12
Other	10	13
Total non-operating expenses	75	243
Ordinary income	2,770	2,055
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of memberships	—	0
Total extraordinary income	2	2
Extraordinary losses		
Loss on retirement of non-current assets	34	1
Loss on reduction of non-current assets	—	0
Other	4	0
Total extraordinary losses	38	1
Profit before income taxes	2,735	2,055
Income taxes – current	93	70
Income taxes – deferred	471	587
Total income taxes	565	658
Profit	2,169	1,397
Profit attributable to owners of parent	2,169	1,397

Quarterly consolidated statement of comprehensive income (Cumulative total)

(millions of yen)

	FY2017 1st Quarter (Apr 1, 2017—June 30, 2017)	FY2018 1st Quarter (Apr 1, 2018—June 30, 2018)
Profit	2,169	1,397
Other comprehensive income		
Valuation difference on available-for-sale securities	285	249
Foreign currency translation adjustment	48	(132)
Remeasurements of defined benefit plans, net of tax	8	14
Share of other comprehensive income of entities accounted for using equity method	4	1
Total other comprehensive income	346	132
Comprehensive income	2,516	1,529
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,516	1,529
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, 2018)	Current 1st Quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	91,364	101,340
Notes receivable, accounts receivable from completed construction contracts and other	112,795	95,203
Costs on uncompleted construction contracts	5,988	6,164
Other	20,698	19,028
Allowance for doubtful accounts	(127)	(89)
Total current assets	230,720	221,647
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,407	2,353
Land	7,677	7,900
Other, net	1,052	1,161
Total property, plant and equipment	11,136	11,414
Intangible assets	266	269
Investments and other assets		
Investment securities	11,781	12,279
Deferred tax assets	9,262	8,662
Other	16,873	16,751
Allowance for doubtful accounts	(80)	(78)
Total investments and other assets	37,836	37,614
Total non-current assets	49,239	49,298
Deferred assets		
Share issuance cost	132	119
Total deferred assets	132	119
Total assets	280,092	271,066

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 1st Quarter (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	58,182	50,164
Electronically recorded obligations – operating	29,297	30,540
Short-term loans payable	3,851	3,791
Lease obligations	19	21
Advances received on uncompleted construction contracts	20,051	18,605
Deposits received	19,136	24,499
Provision for warranties for completed construction	341	358
Provision for loss on construction contracts	293	257
Provision for contingent loss	11,324	10,838
Provision for bonuses	2,477	1,151
Other	8,661	7,741
Total current liabilities	153,638	147,968
Non-current liabilities		
Long-term loans payable	10,328	10,188
Lease obligations	49	54
Provision for retirement benefits	13,397	13,415
Other	2,239	1,138
Total non-current liabilities	26,015	24,798
Total liabilities	179,653	172,766
Net assets		
Shareholders' equity		
Capital stock	30,108	30,108
Capital surplus	25,157	25,157
Retained earnings	42,613	40,245
Treasury shares	(65)	(75)
Total shareholders' equity	97,813	95,436
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,625	2,863
Total valuation and translation adjustments	2,625	2,863
Total net assets	100,439	98,299
Total liabilities and net assets	280,092	271,066

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

(millions of yen)

	FY2017 1st Quarter (Apr 1, 2017—June 30, 2017)	FY2018 1st Quarter (Apr 1, 2018—June 30, 2018)
Net sales of completed construction contracts	59,465	64,545
Cost of sales of completed construction contracts	54,631	59,571
Gross profit on completed construction contracts	4,833	4,974
Selling, general and administrative expenses	2,740	3,341
Operating income	2,093	1,632
Non-operating income		
Interest income	7	11
Dividend income	758	867
Foreign exchange gains	—	4
Other	90	65
Total non-operating income	856	949
Non-operating expenses		
Interest expenses	62	54
Foreign exchange losses	1	—
Commission for syndicate loan	—	159
Amortization of share issuance cost	—	12
Other	9	10
Total non-operating expenses	73	237
Ordinary income	2,876	2,344
Extraordinary income		
Gain on sales of memberships	—	0
Total extraordinary income	—	0
Extraordinary losses		
Compensation expenses	—	2
Loss on litigation	3	—
Loss on retirement of non-current assets	0	0
Total extraordinary losses	3	2
Profit before income taxes	2,872	2,342
Income taxes – current	△33	5
Income taxes – deferred	416	494
Total income taxes	382	500
Profit	2,490	1,842

3. Supplementary Information

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

(millions of yen)

	FY2017 1st Quarter Apr 1, 2017—June 30, 2017		FY2018 1st Quarter Apr 1, 2018—June 30, 2018		Change	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	%
Public	15,867	17.9	4,071	3.7	(11,795)	(74.3)
Private	15,739	17.7	66,854	60.2	51,114	324.8
Domestic	31,606	35.6	70,925	63.9	39,319	124.4
Overseas	7	0.0	—	—	(7)	(100.0)
Civil engineering	31,613	35.6	70,925	63.9	39,312	124.4
Public	10,092	11.4	2,874	2.6	(7,218)	(71.5)
Private	46,401	52.3	37,118	33.5	(9,283)	(20.0)
Domestic	56,494	63.7	39,993	36.1	(16,501)	(29.2)
Overseas	584	0.7	19	0.0	(565)	(96.7)
Building construction	57,078	64.4	40,012	36.1	(17,066)	(29.9)
Public	25,960	29.3	6,946	6.3	(19,013)	(73.2)
Private	62,140	70.0	103,972	93.7	41,831	67.3
Domestic	88,100	99.3	110,919	100.0	22,818	25.9
Overseas	591	0.7	19	0.0	(572)	(96.8)
Orders received—Total	88,692	100	110,938	100	22,245	25.1
Public	13,445	22.6	13,236	20.5	(209)	(1.6)
Private	8,795	14.8	10,259	15.9	1,464	16.6
Domestic	22,240	37.4	23,495	36.4	1,254	5.6
Overseas	22	0.0	3	0.0	(19)	(86.0)
Civil engineering	22,263	37.4	23,498	36.4	1,235	5.6
Public	5,677	9.5	5,259	8.1	(417)	(7.4)
Private	31,334	52.7	35,425	54.9	4,090	13.1
Domestic	37,011	62.2	40,684	63.0	3,672	9.9
Overseas	190	0.4	361	0.6	171	89.9
Building construction	37,202	62.6	41,046	63.6	3,844	10.3
Public	19,122	32.1	18,495	28.6	(627)	(3.3)
Private	40,129	67.5	45,684	70.8	5,554	13.8
Domestic	59,252	99.6	64,180	99.4	4,927	8.3
Overseas	212	0.4	364	0.6	151	71.5
Net sales—Total	59,465	100	64,545	100	5,079	8.5
Public	87,441	23.9	81,943	17.5	(5,498)	(6.3)
Private	73,060	20.0	139,730	29.7	66,670	91.3
Domestic	160,501	43.9	221,673	47.2	61,171	38.1
Overseas	20	0.0	10	0.0	(9)	(45.2)
Civil engineering	160,522	43.9	221,684	47.2	61,162	38.1
Public	33,554	9.2	29,409	6.2	(4,145)	(12.4)
Private	170,551	46.7	218,740	46.6	48,188	28.3
Domestic	204,106	55.9	248,149	52.8	44,043	21.6
Overseas	875	0.2	31	0.0	(843)	(96.4)
Building construction	204,981	56.1	248,180	52.8	43,199	21.1
Public	120,996	33.1	111,352	23.7	(9,643)	(8.0)
Private	243,611	66.7	358,470	76.3	114,858	47.1
Domestic	364,608	99.8	469,823	100.0	105,215	28.9
Overseas	895	0.2	42	0.0	(853)	(95.3)
Carried-forward—Total	365,503	100	469,865	100	104,362	28.6

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

FY2017 1st Quarter : Decreased by 0 million yen FY2018 1st Quarter : Increased by 3 million yen

(2) Financial Highlights

Consolidated

(100 millions of yen)

(Operating Results)

	A FY2017 1st Quarter	B FY2018 1st Quarter	B - A	
				%
Net sales	765	802	38	4.9
Gross profit	65	66	1	0.9
(Ratio)	8.6%	8.2%	(0.4%)	
SG&A expenses	39	46	7	
Operating income	27	20	(6)	(23.7)
(Ratio)	3.5%	2.5%	(1.0%)	
Non-operating income - net	1	0	(1)	
Ordinary income	28	21	(7)	(25.8)
Extraordinary income - net	(0)	0	0	
Profit before income taxes	27	21	(7)	(24.8)
Income taxes and others	6	7	1	
Profit attributable to owners of parent	22	14	(8)	(35.6)

(Forecasts of Operating Results for Full year)

	C FY2017 Result	D FY2018 (Forecasts)	D - C	
				%
	3,740	4,000	260	6.9
	402	430	28	6.9
	10.8%	10.8%	0.0%	
	172	190	18	
	230	240	10	4.2
	6.2%	6.0%	(0.2%)	
	(4)	0	4	
	227	240	13	5.8
	(6)	0	6	
	221	240	19	8.6
	63	75	12	
	158	165	7	4.5

Nonconsolidated

(Operating Results)

	A FY2017 1st Quarter	B FY2018 1st Quarter	B - A	
				%
Civil engineering	316	709	393	
Building construction	565	400	(165)	
Domestic	881	1,109	228	
Overseas	6	0	(6)	
Orders received	887	1,109	222	25.1
Civil engineering	222	235	13	
Building construction	370	407	37	
Domestic	593	642	49	
Overseas	2	4	2	
Net sales	595	645	51	8.5
Civil engineering	16	17	1	
(Ratio)	7.1%	7.3%	0.2%	
Building construction	32	32	(0)	
(Ratio)	8.8%	7.9%	(0.9%)	
Domestic	48	49	1	
(Ratio)	8.1%	7.7%	(0.4%)	
Overseas	0	0	0	
(Ratio)	8.0%	9.3%	1.3%	
Gross profit	48	50	1	2.9
(Ratio)	8.1%	7.7%	(0.4%)	
SG&A expenses	27	33	6	
Operating income	21	16	(5)	(22.0)
(Ratio)	3.5%	2.5%	(1.0%)	
Non-operating income - net	8	7	(1)	
Ordinary income	29	23	(5)	(18.5)
Extraordinary income - net	(0)	(0)	0	
Profit before income taxes	29	23	(5)	(18.5)
Income taxes and others	4	5	1	
Profit	25	18	(6)	(26.0)

(Forecasts of Operating Results for Full year)

	C FY2017 Result	D FY2018 (Forecasts)	D - C	
				%
	1,299	1,300	1	
	2,510	2,400	(110)	
	3,809	3,700	(109)	
	9	120	111	
	3,818	3,820	2	0.1
	1,068	1,100	32	
	1,868	2,050	182	
	2,936	3,150	214	
	10	50	40	
	2,946	3,200	254	8.6
	106	125	19	
	9.9%	11.4%	1.5%	
	199	220	21	
	10.6%	10.7%	0.1%	
	304	345	41	
	10.4%	11.0%	0.6%	
	1	5	4	
	12.8%	10.0%	(2.8%)	
	306	350	44	14.6
	10.4%	10.9%	0.5%	
	126	150	24	
	179	200	21	11.4
	6.1%	6.3%	0.2%	
	3	7	4	
	182	207	25	13.7
	(5)	0	5	
	177	207	30	16.8
	49	64	15	
	129	143	14	11.2