

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between the English translation and the Japanese original, the original version shall prevail.

(Securities Code: 1861)

June 3, 2019

To Our Shareholders

Yasunori Sakurano, President
Kumagai Gumi Co., Ltd.
Fukui Office: 3-2-1, Ote, Fukui-shi
Tokyo Head Office: 2-1, Tsukudocho,
Shinjuku-ku, Tokyo

CONVOCATION NOTICE OF THE 82ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams:

Notice is hereby given that the 82nd Ordinary General Meeting of Shareholders of Kumagai Gumi Co., Ltd. (the “Company”) will be held as set forth below. You are cordially invited to attend the meeting.

If you are not able to attend the meeting, you may exercise your voting rights in writing or via the Internet, etc. After examining the reference materials for the ordinary general meeting of shareholders set forth below, please exercise your voting rights no later than 5:30 p.m. on Wednesday, June 26, 2019.

Description

1. **Date and Time:** 10:00 a.m. on Thursday, June 27, 2019
2. **Place:** Tokyo Head Office of the Company, Main Conference Room
2-1, Tsukudocho, Shinjuku-ku, Tokyo
3. **Purpose:**
Matters to Be Reported: 1. Report on the contents of the Business Report, the contents of the consolidated financial statements, and the results of audit of the consolidated financial statements

- by the Accounting Auditors and the Audit & Supervisory Board, for the 82nd fiscal year (from April 1, 2018 to March 31, 2019)
2. Report on the contents of the nonconsolidated financial statements for the 82nd fiscal year (from April 1, 2018 to March 31, 2019)

Matters to Be Resolved:

- Proposal 1:** Dividends from surplus
- Proposal 2:** Appointment of eight (8) Directors
- Proposal 3:** Appointment of one (1) Audit & Supervisory Board Members
- Proposal 4:** Appointment of one (1) Substitute Audit & Supervisory Board Member

4. Guide to Exercising Voting Rights

- (1) Exercise of voting rights by postal mail

Indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us so that it reaches us by the above deadline for the voting.

- (2) Exercise of voting rights by electromagnetic methods (using the Internet, etc.)

Please access the website specified by the Company for exercising voting rights (<https://www.web54.net>) and enter your “Code for Exercising Voting Rights” and the “password” indicated in the enclosed Voting Form. Follow the instructions on the screen and enter your approval/disapproval for each proposal.

To exercise voting rights via the Internet, etc., please refer to the “Guide to Exercising Voting Rights via the Internet, etc.” on page 5.

If you exercise your voting rights both by sending the Voting Form and via the Internet, the vote made via the Internet, etc. shall be deemed effective.

[End of Notice]

-
- * Upon arrival at the meeting, please submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue.
 - * Among the statements to be provided upon this Convocation Notice, “the notes to the consolidated financial statements” and “the notes to nonconsolidated financial statements” are disclosed by being posted on the Company’s website (<https://www.kumagaigumi.co.jp/>) pursuant to laws and regulations and the provisions of the Articles of Incorporation and are therefore not included in the attachment to this Convocation Notice. Please note that the consolidated financial statements and nonconsolidated financial statements described in the attachment to this Convocation Notice are part of the consolidated financial statements and nonconsolidated financial statements audited by the Accounting Auditors and Audit & Supervisory Board Members upon preparing the Accounting Audit Report and Audit Report, respectively.

- * **If any modifications are made to the reference materials for the ordinary general meeting of shareholders, as well as the business report, nonconsolidated financial statements or consolidated financial statements, such modifications will be posted on the Company's website (<https://www.kumagaigumi.co.jp/>).**

Guide to Exercising Voting Rights

If you are attending the general meeting of shareholders:

Upon arrival at the meeting, please bring this Convocation Notice with you and submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue.

Date and time of the meeting: 10:00 a.m., Thursday, June 27, 2019

If you are not attending the general meeting of shareholders:

Exercise of voting rights in writing:

Please indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us

Voting deadline: The form must arrive by 5:30 p.m. Wednesday, June 26, 2019

Exercise of voting rights via the Internet, etc.:

Please enter your approval/disapproval for each proposal in accordance with the instructions on the screen upon reviewing the “Guide to Exercising Voting Rights via the Internet, etc.” (page 5) below.

Voting deadline: No later than 5:30 p.m. Wednesday, June 26, 2019

Guide to Exercising Voting Rights via the Internet, etc.

Voting rights may be exercised only through the following website specified by the Company for exercising voting rights.

Voting deadline:

No later than 17:30 on Wednesday, June 26, 2019

Voting website:

<https://www.web54.net>



Notes:

- If you exercise your voting rights redundantly by sending the Voting Form and via the Internet, etc., the votes submitted via the Internet, etc. will be deemed effective. Furthermore, if you exercise your voting rights more than once via the Internet, etc. or redundantly by personal computer, smartphone and by cellular phone, only your most recent exercise of voting rights will be accepted as effective.
- Handling of Password and Code for Exercising Voting Rights
 - (1) Passwords are important information to verify the identity of the person exercising voting rights as a shareholder. As is the case with personal seals and security codes, please do not disclose them to others.
 - (2) Your password will be invalidated if an incorrect password is entered for a certain number of times. If you wish to have your password reissued, please follow the procedures on the screen.
 - (3) The Code for Exercising Voting Rights provided in the Voting Form is effective only for this ordinary general meeting of shareholders.

Contact Information for Inquiries Regarding Exercising of Voting Rights via the Internet

- (1) **For inquiries regarding operation of personal computer, smartphone etc., to exercise voting rights via the internet, please contact:**
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Web Support
[Dedicated telephone line] (toll free) 0120-652-031 (9:00 a.m. to 9:00 p.m.)
- (2) **For other inquiries:**
Shareholders who hold an account with a securities company:
Please inquire with your securities company.
Shareholders who do not hold an account with a securities company:
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Administration Center
[Telephone] (toll free) 0120-782-031 (9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays and national holidays))

Use of Electronic Voting Platform (for institutional investors)

With respect to this ordinary general meeting of shareholders, institutional investors may exercise their voting rights electronically through the “Electronic Voting Platform” operated by ICJ Incorporated.

Reference Materials for Ordinary General Meeting of Shareholders

Proposal and Reference Matters

Proposal 1: Dividends from surplus

The basic policy of the Company with regards to the distribution of profits is to return profits to our shareholders appropriately and steadily while enhancing retained earnings to strengthen the management structure and increase operating revenue, by taking into consideration the operating results for the current business term, the outlook for the medium-to-long term performance as well as the management environment, etc.

In addition, the Company will endeavor to further improve our performance based on the “Medium-term Management Plan (FY2018-2020),” further focus on returning profits to our shareholders, and continue shareholder return aimed at a dividend payout ratio of 30%.

In accordance with the basic policy and the Medium-term Management Plan, the Company proposes to increase the year-end dividends for the 82nd fiscal year as follows:

- (1) Type of Distributed Assets
Cash
- (2) Matters Related to Allotment of Distributed Assets and Aggregate Amount Thereof
The Company proposes to make cash dividend payments of JPY 100 per share in respect of the common stock of the Company.
In this case, the total amount of dividend will amount to be JPY 4,676,883,400.
- (3) Effective Date of Dividends from Surplus
June 28, 2019

Proposal 2: Appointment of eight (8) Directors

The terms of office of all eight (8) Directors will expire at the closing of this ordinary general meeting of shareholders. Therefore, the Company proposes to appoint eight (8) Directors.

The candidates for Directors are as follows:

[Reference] List of candidates

Candidate No.	Name	Position	In charge of	Attendance at the meetings of Board of Directors
1	<u>Reappointment</u> Yasushi Higuchi	Chairperson		94% (17/18)
2	<u>Reappointment</u> Yasunori Sakurano	President Executive President		100% (18/18)
3	<u>Reappointment</u> Susumu Ogawa	Senior Managing Director Senior Managing Executive Officer	In charge of International Business In charge of Marketing	100% (18/18)
4	<u>Reappointment</u> Yoshihiko Kato	Senior Managing Director Senior Managing Executive Officer	General Manager of the Civil Engineering Management Division General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division	100% (18/18)
5	<u>Reappointment</u> Yoshiaki Ogawa	Senior Managing Director Senior Managing Executive Officer	General Manager of the Architectural Management Division	89% (16/18)
6	<u>Reappointment</u> Koji Hidaka	Managing Director Managing Executive Officer	General Manager of the Administration Division In charge of Discipline In charge of Personal Information Protection	100% (14/14) (since assumption of office in June 2018)
7	<u>Reappointment</u> Koichi Hironishi <u>Outside</u> <u>Independent Officer</u>	Director		89% (16/18)

8

Reappointment

Mikie Yumoto

Outside

Independent Officer

Director

100% (18/18)

Candidates for Directors

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
1	Yasushi Higuchi (Born on February 14, 1952)	April 1976 Joined the Company June 2003 Representative Director and President of K&E Co., Ltd. April 2008 Executive Officer of the Company April 2008 Branch Manager of the Tohoku Branch of the Company April 2011 Managing Executive Officer of the Company July 2011 Branch Manager of the Kansai Branch of the Company April 2012 Senior Managing Executive Officer of the Company April 2013 Executive Vice President of the Company April 2013 General Manager of the Architectural Management Division of the Company April 2013 General Manager of the Architectural Design Management Division of the Architectural Management Division of the Company June 2013 President of the Company June 2013 Executive President of the Company April 2018 Chairperson of the Company (current)	4,900 shares
<p><Reason for selecting him as a candidate for Director></p> <p>In addition to extensive business experience in the Architectural Management Division, Mr. Higuchi has abundant management experience, having held positions as the President of our subsidiary, K&E Co., Ltd., and the Branch Manager of the Tohoku Branch as well as the Kansai Branch. In addition, he has played a leading role for the Group as the Representative Director and President from June 2013 until March 2018 and has strived to improve the corporate value of the Company under the slogan of “Management by All.” The Company proposes that Mr. Higuchi’s appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
2	Yasunori Sakurano (Born on July 2, 1957)	April 1981 Joined the Company April 2010 General Manager of the Personnel Department of the Administration Division of the Company April 2011 Executive Officer of the Company April 2012 In charge of the Planning Office of the Company April 2012 In charge of the Public Relations Office of the Company April 2012 In charge of the CSR Promotion Office of the Company June 2012 Director of the Company July 2012 General Manager of the Planning Office of the Company April 2014 Managing Director of the Company April 2014 Managing Executive Officer of the Company April 2014 General Manager of the Management & Administration Division of the Company April 2014 Manager of the Corporate Planning Department of the Management & Administration Division of the Company April 2015 General Manager of the Corporate Planning Division of the Company April 2016 General Manager of the Diversity Promotion Office of Corporate Planning Division of the Company April 2017 Senior Managing Director of the Company April 2017 Senior Managing Executive Officer of the Company April 2018 President of the Company (current) April 2018 Executive President of the Company (current)	4,000 shares
<p><Reason for selecting him as a candidate for Director></p> <p>Mr. Sakurano, having held a number of senior positions such as the General Manager of the Personnel Department, the General Manager of the Planning Office and the General Manager of the Management & Administration Division since joining the Company and thereafter having assumed the position of the General Manager of the Corporate Planning Division from April 2015 until March 2018, has a record of playing a leading role in the business and capital alliance with Sumitomo Forestry Co., Ltd. and developing the Medium-term & Long-term Management Direction and the Medium-term Management Plan (FY2018-2020) of the Company. Furthermore, he has been leading the Group as the Representative Director and President from April 2018 and improving the long-term corporate value of the Company. The Company proposes that Mr. Sakurano's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
3	Susumu Ogawa (Born on August 29, 1957)	<p>April 2010 Manager of Public and Finance Institutions of Sumitomo Mitsui Banking Corporation</p> <p>April 2012 Senior Inspector of the Audit Department of Sumitomo Mitsui Banking Corporation</p> <p>June 2012 Executive Advisor of the Company</p> <p>July 2012 Managing Executive Officer of the Company</p> <p>July 2012 In charge of the Marketing of Architectural Management Division of the Company</p> <p>June 2013 Managing Director of the Company</p> <p>April 2014 Senior Managing Director of the Company (current)</p> <p>April 2014 Senior Managing Executive Officer of the Company (current)</p> <p>April 2014 In charge of New Business/ International Business/Domestic Architectural Marketing of the Company</p> <p>April 2015 In charge of International Business/Domestic Architectural Marketing of the Company</p> <p>April 2017 In charge of International Business, In charge of Marketing of the Company (current)</p>	2,200 shares
<p><Reason for selecting him as a candidate for Director></p> <p>After Mr. Ogawa joined The Sumitomo Bank, Limited (currently, Sumitomo Mitsui Banking Corporation), in addition to abundant overseas experience from being involved in international finance in the United States where he was dispatched, he has held a number of senior positions, such as the Manager of Public and Finance Institutions. Furthermore, after joining the Company, he has extensive business experience from being in charge of Marketing, in addition to the International Business. The Company proposes that Mr. Ogawa's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>			

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices		Number of Shares Owned by Candidate
4	Yoshihiko Kato (Born on August 24, 1958)	April 1982	Joined the Company	2,000 shares
		April 2013	Executive Officer of the Company	
		April 2013	Deputy General Branch Manager of the Tohoku Branch of the Company	
		April 2013	In charge of Earthquake Recovery at the Tohoku Branch of the Company	
		April 2014	Managing Executive Officer of the Company	
		April 2014	General Manager of the Civil Engineering Management Division of the Company (current)	
		June 2014	Managing Director of the Company	
		May 2016	General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company (current)	
		April 2017	Senior Managing Director of the Company (current)	
		April 2017	Senior Managing Executive Officer of the Company (current)	
<p><Reason for selecting him as a candidate for Director></p> <p>Mr. Kato has extensive knowledge and abundant business experience in the Civil Engineering Management Division, having been engaged in the Civil Engineering Management Division since joining the Company and having been involved in numerous excavation projects for tunnels, held a number of senior positions such as the General Manager of the Technical Center, East Japan Area of the Civil Engineering Management Division and the Tohoku Branch Deputy General Manager/In charge of Earthquake Recovery and thereafter assumed the position of the General Manager of the Civil Engineering Management Division. The Company proposes that Mr. Kato's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices		Number of Shares Owned by Candidate
5	Yoshiaki Ogawa (Born on June 19, 1958)	April 1982	Joined the Company	3,200 shares
		April 2011	Executive Officer of the Company	
		April 2011	General Manager of the Architectural Management Department of the Kansai Branch of the Company	
		April 2011	Architectural Management Manager of the Architectural Management Department of the Kansai Branch of the Company	
		April 2012	Deputy General Branch Manager of the Kansai Branch of the Company	
		April 2013	Managing Executive Officer of the Company	
		April 2013	Branch Manager of the Kansai Branch	
		April 2017	Senior Managing Executive Officer of the Company (current)	
		April 2017	General Manager of the Architectural Management Division of the Company (current)	
		June 2017	Senior Managing Director of the Company (current)	
<p><Reason for selecting him as a candidate for Director></p> <p>Mr. Ogawa has extensive knowledge and abundant business experience in the Architectural Management Division, having been engaged in the Architectural Management Division since joining the Company and having held a number of senior positions such as the Project Manager of large-scale construction work and the General Manager of the Architectural Management Department and thereafter having assumed the position of the General Manager of the Architectural Management Division. Furthermore, he has a record of conducting regional management as the Branch Manager of the Kansai Branch from April 2013 to March 2017. The Company proposes that Mr. Ogawa's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices		Number of Shares Owned by Candidate
6	Koji Hidaka (Born on May 24, 1958)	April 1981	Joined the Company	2,320 shares
		April 2012	Joint General Manager of the Administration Division of the Company	
		July 2012	General Manager of the Accounting Department of the Administration Division of the Company	
		April 2013	Executive Officer of the Company	
		April 2014	Joint General Manager of the Management & Administration Division of the Company	
		April 2014	General Manager of the Accounting Department of the Management & Administration Division of the Company	
		April 2015	General Manager of the Administration Division of the Company (current)	
		April 2016	In charge of Discipline at the Company (current)	
		April 2016	In charge of Personal Information Protection at the Company (current)	
		April 2017	Managing Executive Officer of the Company (current)	
		June 2018	Managing Director of the Company (current)	
<p><Reason for selecting him as a candidate for Director></p> <p>Mr. Hidaka has extensive knowledge and abundant business experience in the Administration Division, having held a number of senior positions such as the General Manager of the Planning Office and the General Manager of the Accounting Department since joining the Company and thereafter having assumed the position of the General Manager of the Administration Division. The Company proposes that Mr. Hidaka's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices		Number of Shares Owned by Candidate
7	<div data-bbox="316 315 600 383" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="316 392 547 427" style="border: 1px solid black; padding: 2px;">Independent Officer</div> Koichi Hironishi (Born on July 7, 1945)	April 1968	Joined FUJITSU LIMITED	1,100 shares
		April 2001	General Manager of the Consumer Transaction Division of FUJITSU LIMITED	
		June 2003	Representative Director and President of Fujitsu Advanced Solutions Limited	
		May 2005	Corporate Executive Officer of FUJITSU LIMITED	
		June 2008	Director and Vice President of FUJITSU LIMITED	
		June 2009	Representative Director and Vice President of FUJITSU LIMITED	
		April 2010	Representative Director of FUJITSU LIMITED	
		June 2010	Advisor of FUJITSU LIMITED (retired in June 2013)	
		June 2010	Representative Director and Chairman of FUJITSU FSAS INC. (retired in June 2012)	
		June 2015	Director of the Company (current)	
<p><Reason for selecting him as a candidate for Outside Director></p> <p>Mr. Hironishi has an abundant management experience, having held a number of senior positions such as the General Manager of the Consumer Transaction Division after joining FUJITSU LIMITED and assumed the position of the Representative Director of FUJITSU LIMITED and its group companies. The Company proposes that Mr. Hironishi's appointment as an Outside Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company base on his abundant experience and extensive knowledge accumulated from his past work.</p> <p><Matters concerning independence></p> <p>Mr. Hironishi satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 22 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.</p> <p>In the most recent fiscal year, the Company has not conducted any transaction with the any of the companies for which Mr. Hironishi had previously managed operations.</p>				

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
8	<div data-bbox="316 309 603 376" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="316 387 547 421" style="border: 1px solid black; padding: 2px;">Independent Officer</div> <p data-bbox="316 443 608 517">Mikie Yumoto (Born on August 5, 1947)</p>	<p data-bbox="695 309 1153 342">April 1971 Joined IBM Japan, Ltd.</p> <p data-bbox="695 353 1246 510">May 1981 Joined American Family Life Assurance Company of Columbus, Japan Branch (currently, Aflac Life Insurance Japan Ltd.)</p> <p data-bbox="695 521 1273 607">January 1995 Manager of the Human Resources Development Department of Aflac</p> <p data-bbox="695 618 1238 775">January 1997 Director of Aflac (In charge of Human Resources/ Education/Employees' Pension Fund/Health Insurance Association)</p> <p data-bbox="695 786 1246 931">January 1999 Executive Officer of Aflac (In charge of Human Resources/ Education /Employees' Pension Fund/Health Insurance Association)</p> <p data-bbox="695 943 1241 1032">January 2002 Executive Officer of Aflac (In charge of the Customer Service Division/Fee Division)</p> <p data-bbox="695 1043 1198 1099">January 2003 Advisor of Aflac (retired in December 2005)</p> <p data-bbox="695 1111 1198 1167">January 2006 Representative of Rischiare Consulting (current)</p> <p data-bbox="695 1178 1273 1205">June 2016 Director of the Company (current)</p>	1,100 shares
<p data-bbox="316 1216 1023 1249"><Reason for selecting her as a candidate for Outside Director></p> <p data-bbox="316 1261 1412 1641">Ms. Yumoto has business experience in hiring and educating numerous employees as the Manager of the Human Resources Development Department after joining American Family Life Assurance Company of Columbus, Japan Branch (currently, Aflac Life Insurance Japan Ltd.) as well as a record of participating in management as officer in charge of Human Resources. Furthermore, currently, she is working on issues such as diversity management, work-life balance, promoting female advancement through giving lectures at corporations and universities as the Representative of Rischiare Consulting. The Company proposes that Ms. Yumoto's appointment as an Outside Director continue based on its evaluation that she has appropriately fulfilled her role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company based on her abundant experience and extensive knowledge accumulated from her past work.</p> <p data-bbox="316 1675 730 1709"><Matters concerning independence></p> <p data-bbox="316 1720 1412 1843">Ms. Yumoto satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, she satisfies the Company's Criteria for Determination of Independence set forth on page 22 below and the Company has notified the Tokyo Stock Exchange that she is an independent officer.</p> <p data-bbox="316 1865 1412 1928">In the most recent fiscal year, the Company has not conducted any transaction with any of the companies for which Ms. Yumoto had previously managed operations.</p>			

- (Note)
1. There is no special interest between each candidate and the Company.
 2. Mr. Koichi Hironishi is currently the Outside Director of the Company, and as of the closing of this ordinary general meeting of shareholders, he will have been the Outside Director for four (4) years since assuming the position of the Outside Director.
 3. Ms. Mikie Yumoto is currently the Outside Director of the Company, and as of the closing of this ordinary general meeting of shareholders, she will have been the Outside Director for three (3) years since assuming the position of the Outside Director.
 4. The Company has entered into liability limitation agreements with Mr. Koichi Hironishi and Ms. Mikie Yumoto which limit the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act, and the Company plans to renew such agreements if they are reappointed.

Proposal 3: Appointment of one (1) Audit & Supervisory Board Member

Mr. Takashi Kakimi, Outside Audit & Supervisory Board Member, will resign at the closing of this ordinary general meeting of shareholders.

Therefore, the Company proposes to appoint one (1) Audit & Supervisory Board Member. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Candidates for Audit & Supervisory Board Members

Name (Date of Birth)	Brief Personal Record, Title in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
<div data-bbox="188 882 536 981" style="border: 1px solid black; padding: 2px;">Candidate for Outside Audit & Supervisory Board Member</div> <div data-bbox="188 994 400 1025" style="border: 1px solid black; padding: 2px;">New Appointment</div> <div data-bbox="188 1039 419 1070" style="border: 1px solid black; padding: 2px;">Independent Officer</div> <p data-bbox="188 1093 464 1169">Yutaka Takehana (Born on May 18, 1949)</p>	<p data-bbox="639 882 1219 913">April 1973 Joined National Police Agency</p> <p data-bbox="639 920 1198 981">September 2001 Hiroshima Prefectural Police Chief</p> <p data-bbox="639 987 1262 1048">June 2003 Vice Governor of Tokyo (retired in July 2005)</p> <p data-bbox="639 1055 1241 1144">August 2005 Director-General of Community Safety Bureau of National Police Agency (retired in January 2007)</p> <p data-bbox="639 1151 1219 1240">March 2007 Advisor of Matsushita Electric Industrial Co. (currently, Panasonic Corporation)</p> <p data-bbox="639 1247 1219 1337">October 2007 Member of Tokyo Metropolitan Board of Education (retired in September 2015)</p> <p data-bbox="639 1344 1241 1433">April 2008 Executive Officer of Matsushita Electric Industrial Co. (currently, Panasonic Corporation)</p> <p data-bbox="639 1440 1246 1529">April 2009 Managing Executive Officer of Panasonic Corporation (retired in March 2013)</p> <p data-bbox="639 1536 1219 1597">June 2013 President & CEO of Tokyo Big Sight Inc. (retired in June 2017)</p> <p data-bbox="639 1603 1166 1693">June 2015 Outside Director of Sohgo Security Services Co., Ltd. (current)</p> <p data-bbox="639 1700 1198 1760">May 2017 Advisor of Meiji Yasuda Life Insurance Company (current)</p>	<p data-bbox="1299 904 1394 936">- shares</p>

<Reason for selecting him as a candidate for Outside Audit & Supervisory Board Member>

Mr. Takehana has abundant management experience, having held a number of senior positions in civil service, such as the Vice Governor of Tokyo and the Director-General of Community Safety Bureau of National Police Agency, and having assumed the position of the Managing Executive Officer of Panasonic Corporation and President & CEO of Tokyo Big Sight Inc. The Company proposes to newly appoint Mr. Takehana as an Outside Audit & Supervisory Board Member based on its judgment that the Company can expect to receive appropriate audits with respect to the management of the Company from an objective standpoint based on his abundant experience and extensive knowledge accumulated from his past work.

<Matters concerning independence>

Mr. Takehana satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 22 below and if he is appointed as Audit & Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that he becomes an independent officer.

Although Mr. Takehana is engaged in the management of operations at Meiji Yasuda Life Insurance Company with which the Company conducts business, the scale of transactions with the said company was 1% or less of the annual consolidated sales of either of the companies for the most recent fiscal year.

- (Note)
1. There is no special interest between the candidate and the Company.
 2. If Mr. Yutaka Takehana is appointed, the Company plans to enter into a liability limitation agreement which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act.

Proposal 4: Appointment of one (1) Substitute Audit & Supervisory Board Member
 In preparation for an event where that the number of Audit & Supervisory Board Members falls short of the number stipulated in laws and regulations, the Company proposes the appointment of one (1) Substitute Audit & Supervisory Board Member in advance. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Candidate for Substitute Audit & Supervisory Board Member

Name (Date of Birth)	Brief Personal Record, Title in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
<div style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for Outside Audit & Supervisory Board Member</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent Officer</div> Akira Maekawa (Born on October 9, 1972)	April 1999 Admitted to Bar of Japan April 1999 Joined Okamura Law Office February 2006 Financial Securities Inspector of the Kanto Local Finance Bureau of the Ministry of Finance January 2008 Joined Masuda & Partners Law Office August 2009 Established Maekawa Akira Law Office February 2011 Became Partner at IOTA Law Office (current) April 2016 Deputy Chairman of the Daiichi Tokyo Bar Association March 2018 Independent Board Director of Japan Investment Adviser Co., Ltd. (current) April 2018 Conciliation Commissioner of the Tokyo Summary Court (current)	- shares
<p><Reason for selecting him as a candidate for Substitute Outside Audit & Supervisory Board Member> In addition to professional expertise and abundant practical experience as an attorney-at-law, Mr. Maekawa has served with the Kanto Local Finance Bureau of the Ministry of Finance from February 2006 to January 2008 and has engaged in enhancement of the risk structures of financial institutions and facilitation of financial system as Financial Securities Inspector. The Company proposes to appoint Mr. Maekawa as a Substitute Outside Audit & Supervisory Board Member based on its judgment that the Company can expect to receive appropriate auditing of the management of the Company from an objective standpoint utilizing his abundant experience and legal knowledge accumulated from his past work. Although he has not previously been engaged in the management of a company except as an outside officer, the Company believes he will fulfill the duties of an Outside Audit & Supervisory Board Member appropriately due to the reasons stated above.</p> <p><Matters concerning independence> Mr. Maekawa satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 22 below and if he assumes the position of Outside Audit & Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that he becomes an independent officer. In the most recent fiscal year, the Company has not conducted any transaction with any of the law firms to which Mr. Maekawa previously belonged.</p>		

- (Note)
1. There is no special interest between the candidate and the Company.
 2. Mr. Akira Maekawa is to be appointed as substitute for Outside Audit & Supervisory Board Member.
 3. If Mr. Akira Maekawa is appointed, the Company plans to enter into a liability limitation agreement which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act.

(Reference)

<Company's Criteria for Determination of Independence>

In addition to the Independence Standards prescribed by the Tokyo Stock Exchange, the Company determines that any person falling under the following criteria is not independent.

- (1) A person who currently falls under any of (a) through (d) below:
 - (a) a major shareholder of the Company (a shareholder holding 10% or more voting rights in the Company) or a person who manages operations thereof;
 - (b) a person/entity whose annual trading amount with the Company is over 2% of the consolidated total sales of the most recent fiscal year of the Company and trading person/entity, respectively, or a person who manages operations thereof;
 - (c) a person/entity who has received donations from the Company in the amount of JPY 10 million or more on average for the past three (3) fiscal years or a person who manages operations thereof; or
 - (d) a legal professional, accounting professional, consultant or a person belonging to any of those associations who has received cash or other economic benefits from the Company, except for officer compensation, in the amount of JPY 10 million or more on average for the past three (3) fiscal years.

- (2) A person who fell under any of (a) through (d) above at any time during the past three (3) years.

[End]

(Attachment)

BUSINESS REPORT

(From April 1, 2018 to March 31, 2019)

1. Matters Regarding Current Status of Group

(1) Progress and Results of Operation

The Japanese economy during this consolidated fiscal year showed a standstill in recovery of corporate earnings in the midst of a high earning level; however, the economic condition continued to gradually recover, as the capital expenditures maintained an increased trend, and as the consumer spending firmly developed against the backdrop of steady improvement in the employment and income environment.

Although the movement in the residential construction remained largely unchanged, the good business environment in the construction industry continued as corporate construction investments slowly increased and public investment maintained a high level.

Under such circumstances, the Group is working together as the entire group to implement the “Kumagai Gumi Group Medium-term Management Plan (FY2018-2020) ~Strategies for Accelerating Growth~” formulated in March 2018, in which the pillars of strategy are: (i) maintaining and increasing contracted construction business, (ii) creating new and innovative businesses, and (iii) strategic alliances with other companies, and the Group is taking on the challenge of further growth.

With respect to the consolidated results for the Group during this consolidated fiscal year, the net sales increased by 4.0%, compared to the previous consolidated fiscal year, to JPY 389.0 billion. In regard to profit, the operating profit was JPY 26.4 billion and the ordinary profit was JPY 26.5 billion as a result of improvement in gross profit margin. Furthermore, the profit attributable to owners of parent was JPY 13.3 billion as a result of recording the extraordinary losses, including the provision for loss on anti-monopoly act.

The results of operations of the Company are as follows:

The orders received increased by 18.9%, compared to the previous fiscal year, to JPY 454.0 billion, due to an increase in both civil engineering work and building construction work. Among these orders received, the civil engineering work amounted to JPY 155.7 billion, and

the building construction work amounted to JPY 298.2 billion. As for the breakdown by orderer, 16.9% was from government agencies and 83.1% was from private business.

The net sales increased by 4.2%, compared to the previous fiscal year, to JPY 307.0 billion. Among these, the civil engineering work amounted to JPY 111.6 billion and the building construction work amounted to JPY 195.4 billion. As for the breakdown by orderer, 28.3% was from government agencies and 71.7% was from private business.

The amount carried forward to the following business year increased by 34.7%, compared to the previous fiscal year, to JPY 570.3 billion.

With respect to profit, the ordinary profit amounted to JPY 21.7 billion as a result of improvement in gross profit margin, etc., and the profit was JPY 14.1 billion.

The Company's status by division is as follows:

[Civil Engineering]

The orders received for civil engineering work increased by 19.9%, compared to the previous fiscal year, to JPY 155.7 billion.

Major contracts include: Japan Railway Construction, Transport and Technology Agency: Yotei Tunnel for Hokkaido Shinkansen (Arishima), etc. (Hokkaido); Monzen Clean Park Co., Ltd: (civil engineering) work of Monzen Clean Park Final Disposal Site (tentative name) (Ishikawa); Pacifico Energy Ako G.K.: construction work of Pacifico Energy Ako Mega-Solar Power Generation Plant (Hyogo); East Nippon Expressway Company Limited: renewal construction work of the expressway within Towada district on the Tohoku Expressway (Iwate) etc.

The net sales of completed construction contracts increased by 4.5%, compared to the previous fiscal year, to JPY 111.6 billion.

Major completed works include: East Nippon Expressway Company Limited: Yamagata Zao Tunnel construction work on the Tohoku Chuo Expressway (Yamagata); East Nippon Expressway Company Limited: Torinosu construction work on the Higashi Kanto Expressway (Ibaraki); Central Nippon Expressway Company Limited: Takayama construction work on the Chubu Odan Expressway (Shizuoka); East Nippon Expressway Company Limited: Kannondaira Tunnel construction work on the Joshin-etsu Expressway (Nigata), etc.

[Building Construction]

The orders received for building construction work increased by 18.4%, compared to the previous fiscal year, to JPY 298.2 billion.

Major contracts include: Tokyu Land Corporation, NIPPO Corporation, Taisei-Yuraku Real Estate Co., Ltd., JR West Properties Co., Ltd.: Koto-ku Toyosu 5 Chome Plan (tentative name) (Tokyo); Meijo University: new construction and other work of Meijo University Tempaku Campus Laboratory Building III, IV (tentative name) (Aichi); Tokushukai Healthcare Corporation Ltd.: relocation and new construction work of Sendai Tokushukai Hospital (tentative name) (Miyagi); Kumamoto Prefecture North Organization: planning and construction service relating to development business of new hospital of Kumamoto Prefecture North Organization (Kumamoto), etc.

The net sales of completed construction contracts increased by 4.1%, compared to the previous fiscal year, to JPY 195.4 billion.

Major completed works include: RW Kuki Special Purpose Company: new construction work of Redwood Kuki Distribution Center (tentative name) (Saitama); Mitsui Fudosan Residential Co., Ltd., Nomura Real Estate Development Co., Ltd., Mitsubishi Jisho Residence Co., Ltd., ITOCHU Property Development, Ltd., Toho Jisho Co., Ltd., Fujimi Jisyo Co. Ltd, Sodegaura Kogyo Co., Ltd.: Makuhari Shintoshin Wakaba Residential Area Plan (Block B7) (tentative name) (Chiba); IDEN CO.,LTD.: new construction work of Sakae Riken Kogyo Co., Ltd. Isezaki Plant (Gunma); G.K. AYG: Kiyamachi Sanjo Plan (tentative name) (Kyoto), etc.

(Reference) **Orders received, net sales and amount carried forward by division of Company**

(Units: in JPY millions)

Classification	Amount carried forward from previous fiscal year	Orders received for this fiscal year	Net sales of this fiscal year	Amount carried forward to following fiscal year
Civil Engineering	174,257	155,751	111,657	(218,351) 218,351
Building Construction	249,211	298,255	195,432	(352,034) 352,041
Total	423,469	454,007	307,090	(570,385) 570,393

(Note) The carried forward amount of overseas work included in the “amount carried forward to following fiscal year” is revised at the exchange rate at the end of the fiscal year to reflect the current situation of the exchange market.

The increased amount due to this revision is JPY 7 million, and the figures in parentheses are the amounts prior to the revision.

(2) Status of Capital Expenditures

The total amount of capital expenditures spent during this consolidated fiscal year was JPY 7.3 billion, which primarily consisted of purchase and renewal, etc., of buildings for business use, and machinery and equipment.

(3) Status of Funding

The Company has not procured funds through capital increase or bond issuance, etc., during this consolidated fiscal year.

(4) Issues to be Addressed

While the economies of emerging Asian countries are gradually recovering, the effect of fluctuation in the financial and capital market, including the slowdown of the Chinese economy and the heated trade disputes triggered by U.S. trade issues, pose a risk to the future of the Japanese economy; however, the economic condition is expected to continue to recover gradually, as the employment and income environment continue to improve and various measures come into effect.

The business environment in the construction industry is expected to continue to develop favorably, as corporate construction investment continues to increase against the backdrop of improvement in corporate earnings and measures taken with respect to growing areas, etc., and public investment is expected to increase as the “measures for preventing and mitigating disasters, national resilience,” etc., were incorporated in the initial budget for FY2019 as temporary/special budget measure in response to the increase in consumption tax. On the other hand, we need to continue to note the risks of continued shortage and high cost of construction engineers and technical personnel.

Under the current construction market, in addition to expansion of the disaster prevention/mitigation business to prepare for intensifying natural disasters as well as expansion of business relating to the measures for aging social infrastructure developed in the high economic growth period, a certain demand is expected in the medium term, such as the investments related to the Tokyo Olympics and Paralympics in 2020. However, public investment is expected to be reduced in the future due to contraction of domestic construction demand caused by the declining population and financial constraints. Accordingly, the construction market is expected to undergo qualitative and quantitative changes, such as decrease in new construction, increase in maintenance and renewal, and increase in PPP (Public Private Partnership)/PFI (Private Finance Initiative)/concessions.

Under such circumstances, the Group stipulated the Medium-term & Long-term Management Direction in November 2017 which aims to attain consolidated sales of JPY 500.0 billion and consolidated operating profit of JPY 50.0 billion in five (5) years' time, and based on this Direction, the Group formulated the above-mentioned "Kumagai Gumi Group Medium-term Management Plan (FY2018-2020) ~Strategies for Accelerating Growth~" in March 2018. The Group will work together to implement the Plan and aim for sustainable growth and improvement of corporate value.

Strategy (1): Maintain and Increase Contracted Construction Businesses

The Group will strengthen its proposal capability to increase the number of orders received, promote technology development to enhance productivity, and maintain and increase the earning power of its core business of contracted construction business.

Strategy (2): Create New and Innovative Businesses

Together with utilizing its expertise, experience, and technology, the Group will make effective investments and seek to create new revenue sources other than contracted construction business.

Strategy (3): Form Strategic Alliances with Other Companies

In addition to growth from its group partnership, the Group is aiming for an innovative type of growth through the synergistic creation and promotion of cooperation that surpasses its group framework.

Four target indicators during the plan period (FY2018-2020)

The Group aims to attain the four (4) target indicators during the plan period to achieve consolidated sales of JPY 500.0 billion and consolidated operating profit of JPY 50.0 billion in FY2022 set forth in the Medium-term & Long-term Management Direction.

Consolidated sales	JPY 460.0 billion
Consolidated operating profit	JPY 33.0 billion
ROE	12%
Dividend payout ratio	30%

Investment Plan

The Group will invest JPY 60.0 billion during the three (3) years of the plan period in growing areas to maintain and enhance competitiveness and diversify sources of earnings.

Domestic/overseas alliance	JPY 23.0 billion
Renewable energy/PFI, etc.	JPY 7.0 billion
Domestic real estate	JPY 21.0 billion
Overseas real estate	JPY 3.0 billion
Technology development, etc.	JPY 6.0 billion

Enhancing Our Approach to “ESG” Agenda

The Group will maximize corporate value as a company that contributes to society through its business activities, with construction at its core.

Cooperation with Sumitomo Forestry

The Group expects to generate synergies through promoting partnership in each area with Sumitomo Forestry Co., Ltd., with which the Company entered into a capital and business alliance agreement in November 2017 as part of the Medium-term & Long-term Management Direction.

Areas	MOCCA and greening-related construction business
	Renewable energy business
	Overseas business
	Peripheral business areas (healthcare, sale of developed products, etc.)
	Joint R&D (new construction method, members, robotics, etc.)

GAEART Co., Ltd., our subsidiary, was subject to onsite inspection by the Japan Fair Trade Commission (JFTC) on February 28, 2017, for alleged violation of the Antimonopoly Act concerning nation-wide sales prices of asphalt mixture. Ever since, GAEART Co., Ltd. has fully cooperated with investigation by the JFTC, but received a notice of hearing of opinions relating to a cease and desist order (draft) and payment order for surcharge (draft) under the Antimonopoly Act from the JFTC on March 6, 2019. GAEART Co., Ltd. will carefully examine the details of the action by the JFTC, and will determine its response as necessary, such as requesting a hearing if it has anything to assert.

The Group takes this incident seriously, and we will closely follow the future developments and commit to further enhance the compliance system of GAEART Co., Ltd. and the internal controls of the Group.

We would like to ask our shareholders for your continued understanding and kind support.

(5) Changes in Financial Conditions and Results of Operations

(i) Changes in Financial Conditions and Results of Operations of Group

Classification	Units	79th fiscal year (Fiscal year ended March 31, 2016)	80th fiscal year (Fiscal year ended March 31, 2017)	81st fiscal year (Fiscal year ended March 31, 2018)	82nd fiscal year (This consolidated fiscal year) (Fiscal year ended March 31, 2019)
Net sales	JPY million	343,647	344,706	374,019	389,058
Profit attributable to owners of parent	JPY million	12,092	16,433	15,783	13,312
Basic earnings per share	JPY	323.56	439.94	389.63	285.49
Total assets	JPY million	255,525	271,908	333,665	353,718
Net assets	JPY million	64,933	80,288	126,374	134,883

- (Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.
2. Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, basic earnings per share was calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of the 79th fiscal year (fiscal year ended March 31, 2016)

(ii) Changes in Financial Conditions and Results of Operations of Company

Classification	Units	79th fiscal year (Fiscal year ended March 31, 2016)	80th fiscal year (Fiscal year ended March 31, 2017)	81st fiscal year (Fiscal year ended March 31, 2018)	82nd fiscal year (This consolidated fiscal year) (Fiscal year ended March 31, 2019)
Orders received	JPY million	293,558	284,711	381,784	454,007
Net sales	JPY million	267,497	273,717	294,579	307,090
Profit	JPY million	10,392	13,986	12,864	14,156
Basic earnings per share	JPY	277.30	373.37	316.72	302.88
Total assets	JPY million	210,628	223,147	280,092	294,950
Net assets	JPY million	44,329	57,321	100,439	109,973

- (Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.
2. Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, basic earnings per share was calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of the 79th fiscal year (fiscal year ended March 31, 2016).

(6) Status of Material Parent Company and Subsidiaries

(i) Relationship with Parent Company

Not applicable.

(ii) Status of Material Subsidiaries

Name	Capital	Company's investment ratio	Principal business activities
GAEART Co., Ltd.	JPY 1,000 million	100.00%	Contracting of pavement work, civil engineering work, etc. and business related thereto
Technos Co., Ltd.	JPY 470 million	100.00%	Contracting of civil engineering work, design, production and sales of construction materials and equipment and business related thereto
K & E Co., Ltd.	JPY 300 million	100.00%	Contracting of renewal and reform work of building and related business thereto
Taiwan Kumagai Co., Ltd.	NTD 600 million	100.00%	Contracting of building construction work, etc. and business related thereto

There are seven (7) consolidated subsidiaries, including the above-mentioned four (4) material subsidiaries, and three (3) equity-method affiliates.

(7) Principal Business Activities

The Group engages mainly in construction business and related surrounding business thereof. As the principal group company, the Company has obtained the approval as a special construction business operator “(Toku-30) No. 1200” from the Minister of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act, and engages in civil engineering, building construction business and business related thereto.

(8) Principal Offices, etc.

(i) The Company

Fukui Office: 3-2-1, Ote, Fukui-shi
Tokyo Head Office: 2-1, Tsukudocho, Shinjuku-ku, Tokyo
Branches: Hokkaido Branch (Sapporo-shi, Hokkaido), Tohoku Branch (Sendai-shi, Miyagi), Metropolitan Branch (Shinjuku-ku, Tokyo), Nagoya Branch, Hokuriku Branch (Kanazawa-shi, Ishikawa), Kansai Branch (Osaka-shi, Osaka), Chushikoku Branch (Hiroshima-shi, Hiroshima), Shikoku Branch (Takamatsu-shi, Kagawa), Kyushu

Branch (Fukuoka-shi, Fukuoka), International Branch
(Shinjuku-ku, Tokyo)

Technical Research &
Development Institute: (Tsukuba-shi, Ibaraki)

Overseas Offices: China (Hong Kong), Taiwan, Vietnam, Sri Lanka,
Myanmar

(ii) Principal Subsidiaries

GAEART Co., Ltd. (Shinjuku-ku, Tokyo)

Technos Co., Ltd. (Toyokawa-shi, Aichi)

K & E Co., Ltd. (Shinjuku-ku, Tokyo)

Taiwan Kumagai Co., Ltd. (Taiwan)

(9) Status of Employees

(i) Status of Employees of Group

Number of employees	Changes from end of previous consolidated fiscal year
4,032 people	+140 people

(Note) The Number of employees is the number of persons actually working for the Company and group companies.

(ii) Status of Employees of Company

Number of employees	Changes from end of previous fiscal year	Average age	Average number of years of employment
2,497 people	+115 people	44.8 years old	19.8 years

(Note) The Number of employees is the number of persons actually working for the Company.

(10) Principal Lenders

Lenders	Borrowed amount (JPY million)
Sumitomo Mitsui Banking Corporation	3,000
Sumitomo Mitsui Trust Bank, Limited.	1,575
The Gunma Bank, Ltd.	1,350
MUFG Bank, Ltd.	1,225
THE HOKURIKU BANK, LTD.	1,150

(11) Other Significant Matters Concerning Current Status of Group

Not applicable.

2. Matters Regarding Shares of Company

(1) Total Number of Shares Authorized to be Issued

71,400,000 shares

(2) Total Number of Shares Issued

46,805,660 shares (including 36,826 shares as treasury shares)

(3) Number of Shareholders

38,474 (decrease by 6,736 shareholders, compared to the end of the previous fiscal year)

(4) Principal Shareholders (Top 10 Shareholders)

Name of shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Sumitomo Forestry Co., Ltd.	9,361	20.02
Japan Trustee Services Bank, Ltd. (Trust Account)	5,573	11.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,074	6.57
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,271	4.86
Kumagai Gumi Business Partner Shareholding Association	1,751	3.74
GOVERNMENT OF NORWAY	671	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 5)	630	1.35
Sumitomo Mitsui Banking Corporation	591	1.26
JP MORGAN CHASE BANK 385151	554	1.19
STATE STREET BANK AND TRUST COMPANY 505019	481	1.03

(Note) The “percentages of shares held” are calculated by excluding the treasury shares.

3. Matters Regarding Stock Acquisition Rights, etc. of Company

Not applicable.

4. Matters Regarding Officers

(1) Name, etc. of Directors and Audit & Supervisory Board Members

Title	Name	Assignment in Company and Status of Major Concurrent Offices
Chairperson	Yasushi Higuchi	
President (Representative Director)	Yasunori Sakurano	
Senior Managing Director	Susumu Ogawa	In charge of International Business, In charge of Marketing
Senior Managing Director	Yoshihiko Kato	General Manager of the Civil Engineering Management Division, General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division
Senior Managing Director	Yoshiaki Ogawa	General Manager of the Architectural Management Division
○ Managing Director	Koji Hidaka	General Manager of the Administration Division In charge of Discipline, In charge of Personal Information Protection
Director	Koichi Hironishi	
Director	Mikie Yumoto	
Full-Time Audit & Supervisory Board Member	Junji Konishi	
Audit & Supervisory Board Member	Takashi Kakimi	Attorney-at-law
Audit & Supervisory Board Member	Masaaki Ayukawa	Certified Public Accountant, Outside Director (Audit Supervisory Committee Member) of AUCNET INC.
○ Audit & Supervisory Board Member	Tatsuru Satoh	Executive Vice President and Executive Officer of Sumitomo Forestry Co., Ltd.

- (Note)
1. Directors, Mr. Koichi Hironishi and Ms. Mikie Yumoto are both Outside Directors.
 2. Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are both Outside Audit & Supervisory Board Members.
 3. Directors, Mr. Koichi Hironishi and Ms. Mikie Yumoto, and Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are registered as independent officers who are not likely to have any conflict of interests with the general shareholders pursuant to the rules of the Tokyo Stock Exchange.
 4. The Director and Audit & Supervisory Board Member with the circle (○) were newly appointed as a Director and an Audit & Supervisory Board Member, respectively, at the 81st ordinary general meeting of shareholders held on June 28, 2018.
 5. Audit & Supervisory Board Member, Mr. Masaaki Ayukawa is qualified as a certified public accountant and has considerable knowledge concerning finance and accounting.
 6. The Audit & Supervisory Board Member who retired during this fiscal year:

Full-Time Audit & Supervisory Board Member	Tsukasa Yoshikawa	(Resigned as of June 28, 2018)
--	-------------------	--------------------------------

The Company has introduced the Executive Officer System. The Executive Officers as of March 31, 2019 are as follows:

* Executive President	Yasunori Sakurano	Managing Executive Officer	Koji Okaichi
Executive Vice President	Masahiko Takashima	Executive Officer	Kunihiko Oshima
Executive Vice President	Satoshi Shibukawa	Executive Officer	Masamichi Kokuzawa
* Senior Managing Executive Officer	Susumu Ogawa	Executive Officer	Masao Kajiyama
* Senior Managing Executive Officer	Yoshihiko Kato	Executive Officer	Kunito Hoshi
* Senior Managing Executive Officer	Yoshiaki Ogawa	Executive Officer	Norio Sumiyoshi
* Managing Executive Officer	Koji Hidaka	Executive Officer	Hideyuki Tsukuda
Managing Executive Officer	Akira Yamazaki	Executive Officer	Hisato Nagata
Managing Executive Officer	Hiroshi Iida	Executive Officer	Takahiko Kashihara
Managing Executive Officer	Kenji Kishi	Executive Officer	Kazuhiko Kawamura
Managing Executive Officer	Shin Ueda	Executive Officer	Hiroyuki Watanabe
Managing Executive Officer	Masaki Ohno	Executive Officer	Masato Yamashita

- (Note) 1. Executive Officers marked with asterisks (*) are Executive Officers concurrently serving as Directors.
 2. Executive Officer, Mr. Masamichi Kokuzawa retired from his position as Executive Officer as of March 31, 2019.
 3. As of April 1, 2019, the position of Executive Officer has changed as follows:

Managing Executive Officer	Masao Kajiyama	○ Executive Officer	Yuzuru Hirano
----------------------------	----------------	---------------------	---------------

(Note) Executive Officers with circles (○) are newly appointed Executive Officers.

(2) Summary of Liability Limitation Agreement

The Company has entered into an agreement with all of the Outside Directors and Audit & Supervisory Board Members which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act. The amount of liabilities for damages under said agreement is limited to the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

(3) Total Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members

Directors:	Eight (8) persons	JPY 185 million	(Including two (2) Outside Directors : JPY 19 million)
Audit & Supervisory Board Members:	Five (5) persons	JPY 42 million	(Including two (2) Outside Audit & Supervisory Board Members : JPY 19 million)

(Note) The total amount of compensation includes JPY 13 million as provision for stock payments for Directors (excluding Outside Directors) recorded during this fiscal year.

(4) Matters Regarding Outside Officers

Directors, Mr. Koichi Hironishi and Ms. Mikie Yumoto are both Outside Directors.

Furthermore, Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are both Outside Audit & Supervisory Board Members.

(i) The Company's Relationship with Organization, etc. Where Outside Officers Hold Material Concurrent Office

Audit & Supervisory Board Member, Mr. Ayukawa is the Outside Director (Audit Supervisory Committee Member) of AUCNET INC. The Company has no material relationships with said company.

(ii) Status of Principal Activities

Director, Mr. Hironishi has attended sixteen (16) meetings out of eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on his abundant experience and extensive knowledge he acquired as a management executive of a different industry.

Director, Ms. Yumoto has attended all eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on her abundant experience and extensive knowledge she acquired by participating in management as a management executive in charge of human resources of a different industry.

Audit & Supervisory Board Member, Mr. Kakimi has attended all eighteen (18) meetings of the Board of Directors as well as all eleven (11) meetings of Audit & Supervisory Board, each held during this fiscal year, and has spoken, as necessary, mainly from a professional perspective as an attorney-at-law.

Audit & Supervisory Board Member, Mr. Ayukawa has attended seventeen (17) meetings out of eighteen (18) meetings of the Board of Directors as well as all eleven

(11) meetings of Audit & Supervisory Board, each held during this fiscal year, and has spoken, as necessary, mainly from a professional perspective as a certified public accountant.

5. Status of Accounting Auditor

(1) Name of Accounting Auditor

GYOSEI & CO.

(2) Amount of Compensation, etc., of Accounting Auditors for this Fiscal Year

(i) Amount of Compensation, etc. Relating to Services Set Forth in Article 2, Paragraph 1 of the Certified Public Accountant Act

JPY 52 million

(ii) Total Amount of Cash or Other Economic Benefits Payable from Company or Its Subsidiaries

JPY 72 million

- (Note)
1. Based on the “Practical Guidance Concerning Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board of the Company confirmed the audit hours by audit items, changes in audit compensations as well as the performance status to the audit plans of the prior periods, and as a result of considering the audit hours of this fiscal year and the appropriateness of the compensation amount, it gave the consent prescribed in Article 399, Paragraph 1 of the Companies Act with respect to the compensation, etc. of the Accounting Auditors.
 2. The audit contract between the Company and the Accounting Auditor does not separate the compensation for the audit under the Companies Act from the compensation for the audit under the Financial Instruments and Exchange Act. Accordingly, the amount stated in (i) above includes the amount of compensation, etc., for audit under the Financial Instruments and Exchange Act.
 3. Taiwan Kumagai Co., Ltd., a subsidiary of the Company, is audited by a certified public accountant other than the Accounting Auditor of the Company.

(3) Policy for Determination of Dismissal or Non-reappointment of Accounting Auditors

The Audit & Supervisory Board dismisses an Accounting Auditor pursuant to the Rules of the Audit & Supervisory Board and upon the unanimous consent of all Members of the Audit & Supervisory Board in the case where the Company decides that such Accounting Auditor falls under Article 340, Paragraph 1 of the Companies Act. In such case, the Audit & Supervisory Board Members designated by the Audit & Supervisory Board will explain the dismissal of such Accounting Auditor and the reason for such dismissal at the first general meeting of shareholders after such dismissal. Furthermore, when the Accounting Auditor is determined to pose problem as Accounting Auditor, a proposal of dismissal or non-reappointment will be submitted to the general meeting of shareholders pursuant to the resolution of the Audit & Supervisory Board.

6. Structure and Policy of Company

(1) Structure to Ensure that Duties of Directors Are Executed in Compliance with Laws, Regulations and Articles of Incorporation and Other Structures to Ensure Operations Are Appropriately Conducted

The details of the above-mentioned structures, which were resolved by the Board of Directors of the Company, are as follows:

Based on the understanding that it is essential to enhance the effectiveness of corporate governance in order to realize the “management philosophy” under which “we aim to be a corporate group that contributes to society through its business activities, with construction as its core,” the Company shall develop the following structures concerning internal control systems:

1. Structure to Ensure that Duties of Directors and Employees are Executed in Compliance with Laws, Regulations and Articles of Incorporation
 - (i) The Company shall establish and thoroughly implement the Code of Corporate Conduct for all of the Directors, Executive Officers (hereinafter collectively the “Officers”) and employees.
 - (ii) The Administration Division shall develop an overall compliance structure and provide guidance regarding legal issues, each division administering individual laws and regulations shall maintain and develop the legal compliance system and the Internal Audit Department shall develop a structure that audits the compliance status of the management of operations.
 - (iii) With respect to the procedures required for the Officers and employees to execute their duties, the Company shall establish internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures.
 - (iv) The Company shall establish a periodic educational/training system concerning legal compliance.
 - (v) The Company shall develop a structure where the top management, such as the Officers and Branch Managers, thoroughly inform the employees, on a daily basis, compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. in respect of business operations.
 - (vi) The Company shall establish an internal reporting system aiming to prevent misconduct or deterioration of a situation by ascertaining and correcting acts violating laws and wrongful acts at an early stage and to prevent the occurrence of acts violating laws by having the employees mutually checking and balancing each other.

- (vii) The Legal Compliance Audit Committee, an organization independent from the management, shall evaluate the compliance structure from an external perspective and report and make proposals to the management.
- (viii) The Company shall clearly state in the “Kumagai Gumi Code of Conduct” and “Compliance Program” that any relationships with anti-social forces shall be severed, take a resolute stance and firmly reject any unlawful demands from anti-social forces and thoroughly implement such code and program.

2. Structure for Storing and Managing Information Relating to Directors Executing their Duties

The Company shall develop and thoroughly implement internal rules in order to properly store and manage various information relating to the Directors executing their duties.

3. Rules and Other Structures for Managing Risk of Loss

- (i) In order to manage risks according to the contents of the risks, the risks assumed under business operations are classified into departments, and the department in charge shall prepare manuals, etc.
- (ii) In order to properly manage risks, the Company shall establish internal rules, such as Rules on Compliance, Rules on Decision Making Procedures and Rules on Internal Audits, and establish cross sectional company-wide committees for matters where multifaceted risks need to be considered.
- (iii) The Company shall develop a structure for the Directors to timely receive reports on important matters under risk management.

4. Structure to Ensure Efficient Execution of Duties by Directors

- (i) The Company shall adopt the Executive Officer System so that the Directors can execute their duties efficiently.
- (ii) With respect to material management issues, such as management strategy, the budget for each department, capital expenditures, the Board of Directors shall make decisions after the points in question and issues are clarified at the Management Meeting.
- (iii) The Company shall set up the Officer-Branch Manager Meetings in order to thoroughly implement and inform the Executive Officer and Branch Managers of the policies, etc. on addressing management strategies and management issues.

5. Structure to Ensure Operations are Appropriately Conducted within Group Consisting of Company and its Subsidiaries

- (i) The Company shall establish Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group

Companies and develop a structure that administers and supports the overall management of the group companies by, for example, obtaining the management status of the group companies, appropriately reporting and responding to risks and building a structure for executing duties efficiently.

- (ii) The Company shall establish the Group Management Promotion Committee from the perspective of group management and confirm the performance and consider the management issues of each of the group companies.
- (iii) The Company shall spread and thoroughly inform the group companies of the purport of the Company's Compliance Program so that they can conduct business operations in compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. Furthermore, the employees of the group companies may directly report to the Company's contact desk pursuant to the internal reporting system of the Company.
- (iv) The Company shall develop a structure so that the Company can provide guidance to the group companies to develop an appropriate internal control system.
- (v) The Company shall procure each group company to have a corporate auditor and establish Rules on Audits by Corporate Auditors of Group Companies in order for audits to be properly carried out. Furthermore, the Company shall prepare for situations where the Internal Audit Department of the Company audits the compliance status of the group companies in managing operations.

6. Matters Regarding Audits by Audit & Supervisory Board Members

(1) Matters Regarding Employee Assisting with Duties of Audit & Supervisory Board Member when Such Member Requests Assignment of Such Employee

When an Audit & Supervisory Board Member requests the assignment of an employee to assist with his/her duties, the Board of Directors shall assign, upon consultation with the Audit & Supervisory Board Member, such employee to assist with the duties of such Member.

(2) Matters Regarding Independence of Employee Set Forth in Preceding Paragraph from Directors and Ensuring Effectiveness of Audit & Supervisory Board Member's Instructions to Such Employee

When an employee is assigned to assist with the duties of an Audit & Supervisory Board Member, the prior consent of the Full-time Audit & Supervisory Board Member shall be obtained to make decisions on personnel related matters, such as the appointment and transfer of such employee. Furthermore, when such employee assists with the duties of the Audit & Supervisory Board Member, such duties shall be performed in accordance with the instructions and orders of the Audit & Supervisory Board Member.

(3) Structure Concerning Reporting by Directors and Employees of Company and its Subsidiaries and Corporate Auditors of Subsidiaries to Audit & Supervisory Board Member.

- (i) In the audits by the Audit & Supervisory Board Members, the Officers and employees of the Company and group companies and the corporate auditors of the group companies shall report on the status, etc. of the execution of the duties that they are in charge of. Furthermore, the Company shall develop a structure where the Audit & Supervisory Board Member of the Company can attend important meetings, such as the Board of Director's meetings and Management Meetings, obtain the status of the management of operations and request reports, as necessary, from the Officers and employees.
- (ii) The Company and the group companies shall prohibit any person set forth in the preceding paragraph who reported to the Audit & Supervisory Board Member from being treated unreasonably for such report.
- (iii) The necessary expenses and obligations arising from the Audit & Supervisory Board Member performing his/her duties shall be promptly handled after a request has been made by the Audit & Supervisory Board Member.

(4) Other Structures to Ensure that Audits by Audit & Supervisory Board Members are Conducted Effectively

In order to enhance the effectiveness of audits by the Audit & Supervisory Board Members, the Company shall develop a structure where the Audit & Supervisory Board Members confirm the results of the audit by the Accounting Auditor and the Internal Audit Department and exchange opinions with them.

(2) Summary of Operating Status of Structures to Ensure Operations Are Appropriately Conducted

With respect to the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation and other structures to ensure operations are appropriately conducted, a summary of the operating status for this fiscal year (from April 1, 2018 to March 31, 2019) is as follows:

1. Overall Internal Control

The Board of Directors of the Company consists of eight (8) Directors (seven (7) Directors until June 27, 2018), including two (2) Outside Directors, and the meetings of the Board of Directors were held eighteen (18) times with the attendance of four (4) Audit & Supervisory Board Members and the legality of the execution of the duties of the Directors is ensured. Furthermore, the Board of Directors appointed the Executive Officers and each Executive

Officer is performing his/her duties within the scope of his/her authority and responsibility under the instruction and supervision of the Representative Director.

In addition, the Management Meetings were held twenty-one (21) times and the Officer-Branch Manager Meetings were held four (4) times.

For executing duties, internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures, are established, and necessary procedures are implemented in accordance with the internal rules.

2. Compliance Structure

In order to enhance and practice management that complies with laws, the Company has established “Kumagai Gumi Code of Conduct” and “Compliance Program” and has implemented compliance training at the Head Office and all of the Branch Offices once every year. Furthermore, the Company has set up an internal reporting system that includes the group companies and established a reporting desk independent from the management.

Moreover, the Legal Compliance Audit Committee meets once every year for annual overview and meets from time to time for other individual cases and receives assessments independent from the management.

3. Risk Management Structure

The Company has established internal rules, such as Rules on Compliance, Rules on Decision Making Procedures and Rules on Internal Audit, in order to appropriately manage risks, and has established individual manuals, etc. for the risks assumed under business operations to manage risks according to their content. Furthermore, as a response to the occurrence of a large-scale disaster, etc., the Company has developed a business continuity plan and established the Crisis Management Committee.

In addition, in order to consider multifaceted risks, cross sectional company-wide committees, such as the Project Review Committee on Awarded Contracts, New Business Committee and International Business Promotion Committee, have been established.

4. Group Administration Structure

The Company has established Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group Companies and developed an administrative structure for overall group management. Furthermore, the Company held four (4) meetings of the Group Management Promotion Committee and

confirmed the performance and considered the management issues of individual group companies.

Furthermore, in addition to causing some of the group companies to participate in compliance training sessions, when a material compliance breach occurs at individual group companies, a report is made to the Board of Directors of the Company as necessary.

5. Audit Structure

The Audit & Supervisory Board Members shall obtain the status of the management of the operations of the Company and the group companies by attending important meetings, such as the meetings of the Board of Directors or Management Meetings, and through reports from the group companies, etc.

In addition, the Audit & Supervisory Board Members shall confirm the results of the audits audited by the Accounting Auditor and the Internal Audit Department and exchange opinions with the Representative Director, the Outside Directors, the Accounting Auditors, the Internal Audit Department, etc.

The Internal Audit Department shall conduct internal audits of the Company and group companies in accordance with annual plans.

(3) Basic Policy Concerning Control of Company

Not applicable.

Consolidated Balance Sheet

(As of March 31, 2019)

ASSETS		LIABILITIES	
	(JPY million)		(JPY million)
CURRENT ASSETS	287,949	CURRENT LIABILITIES	191,141
Cash and deposits	82,449	Notes payable, accounts payable for construction contracts and other	86,893
Notes receivable, accounts receivable from completed construction contracts and other	175,696	Electronically recorded obligations - operating	33,172
Costs on uncompleted construction contracts	7,300	Short-term loans payable	3,030
Accounts receivable - other	15,696	Income taxes payable	4,821
Other	6,998	Advances received on uncompleted construction contracts	14,739
Allowance for doubtful accounts	(191)	Deposits received	19,411
		Provision for warranties for completed construction	467
NON-CURRENT ASSETS	65,686	Provision for loss on construction contracts	626
PROPERTY, PLANT AND EQUIPMENT	24,836	Provision for contingent loss	10,736
Buildings and structures	6,746	Provision for loss on anti-monopoly act	3,933
Machinery, vehicles, tools, furniture and fixtures	2,554	Provision for bonuses	3,911
Land	14,587	Other	9,397
Leased assets	215	NON-CURRENT LIABILITIES	27,692
Construction in progress	730	Long-term loans payable	9,819
INTANGIBLE ASSETS	484	Provision for stock payments	42
INVESTMENTS AND OTHER ASSETS	40,365	Retirement benefit liability	16,499
Investment securities	24,438	Other	1,331
Long-term loans receivable	858	TOTAL LIABILITIES	218,834
Long-term non-operating accounts receivable	157	NET ASSETS	
Claims provable in bankruptcy, claims provable in rehabilitation and other	40	Shareholders' equity	132,481
Deferred tax assets	11,045	Capital stock	30,108
Other	4,014	Capital surplus	25,157
Allowance for doubtful accounts	(189)	Retained earnings	77,642
DEFERRED ASSETS	82	Treasury shares	(426)
Share issuance cost	82	Accumulated other comprehensive income	2,402
		Valuation difference on available-for-sale securities	2,501
		Foreign currency translation adjustment	349
		Remeasurements of defined benefit plans	(449)
		TOTAL NET ASSETS	134,883
TOTAL ASSETS	353,718	TOTAL LIABILITIES AND NET ASSETS	353,718

Consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

NET SALES	(JPY million)	(JPY million)
Net sales of completed construction contracts	389,058	389,058
COST OF SALES		
Cost of sales of completed construction contracts	343,527	<u>343,527</u>
Gross profit		
Gross profit on completed construction contracts	45,530	45,530
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
		<u>19,065</u>
Operating profit		26,464
NON-OPERATING INCOME		
Interest and dividend income	363	
Share of profit of entities accounted for using equity method	159	
Other	105	629
		<u>629</u>
NON-OPERATING EXPENSES		
Interest expenses	231	
Commission for syndicate loan	183	
Other	125	541
		<u>541</u>
Ordinary profit		26,553
EXTRAORDINARY INCOME		
Gain on sales of investment securities	73	
Gain on sales of non-current assets	32	
Other	0	106
		<u>106</u>
EXTRAORDINARY LOSSES		
Provision for loss on anti-monopoly act	3,933	
Provision for contingent loss	1,349	
Other	269	5,553
		<u>5,553</u>
Profit before income taxes		21,106
Income taxes – current	7,341	
Income taxes – deferred	452	7,793
		<u>7,793</u>
Profit		13,312
Profit attributable to owners of parent		13,312

Consolidated Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)
Balance at beginning of current period	30,108	25,157	68,540	(189)	123,616
Changes of items during period					
Dividends of surplus			(4,210)		(4,210)
Profit attributable to owners of parent			13,312		13,312
Purchase of treasury shares				(238)	(238)
Disposal of treasury shares		0		1	1
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	9,102	(237)	8,865
Balance at end of current period	30,108	25,157	77,642	(426)	132,481

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)
Balance at beginning of current period	2,699	516	(457)	2,758	126,374
Changes of items during period					
Dividends of surplus					(4,210)
Profit attributable to owners of parent					13,312
Purchase of treasury shares					(238)
Disposal of treasury shares					1
Net changes of items other than shareholders' equity	(197)	(167)	8	(356)	(356)
Total changes of items during period	(197)	(167)	8	(356)	8,508
Balance at end of current period	2,501	349	(449)	2,402	134,883

Nonconsolidated Balance Sheet

(As of March 31, 2019)

ASSETS		LIABILITIES	
	(JPY million)		(JPY million)
CURRENT ASSETS	241,106	CURRENT LIABILITIES	160,783
Cash and deposits	63,012	Notes payable - trade	4,820
Notes receivable - trade	3,581	Electronically recorded obligations - operating	33,174
Accounts receivable from completed construction contracts	145,560	Accounts payable for construction contracts	61,686
Costs on uncompleted construction contracts	5,943	Short-term loans payable	2,808
Accounts receivable - other	16,873	Lease obligations	20
Other	6,301	Income taxes payable	4,475
Allowance for doubtful accounts	(166)	Advances received on uncompleted construction contracts	13,487
NON-CURRENT ASSETS	53,761	Deposits received	17,803
PROPERTY, PLANT AND EQUIPMENT	16,256	Provision for warranties for completed construction	417
Buildings and structures	2,963	Provision for loss on construction contracts	450
Machinery and vehicles	560	Provision for contingent loss	10,719
Tools, furniture and fixtures	357	Provision for bonuses	2,614
Land	11,654	Other	8,305
Leased assets	66	NON-CURRENT LIABILITIES	24,193
Construction in progress	654	Long-term loans payable	9,780
INTANGIBLE ASSETS	337	Lease obligations	52
INVESTMENTS AND OTHER ASSETS	37,167	Provision for stock payments	42
Investment securities	12,308	Provision for retirement benefits	13,225
Shares of subsidiaries and associates	13,905	Other	1,092
Long-term loans receivable	1,160	TOTAL LIABILITIES	184,977
Long-term non-operating accounts receivable	64	NET ASSETS	
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	Shareholders' equity	107,524
Long-term prepaid expenses	66	Capital stock	30,108
Deferred tax assets	9,025	Capital surplus	25,157
Other	659	Legal capital surplus	16,767
Allowance for doubtful accounts	(22)	Other capital surplus	8,390
DEFERRED ASSETS	82	Retained earnings	52,559
Share issuance cost	82	Legal retained earnings	559
		Other retained earnings	52,000
		Retained earnings brought forward	52,000
		Treasury shares	(300)
		Valuation and translation adjustments	2,448
		Valuation difference on available-for-sale securities	2,448
		TOTAL NET ASSETS	109,973
TOTAL ASSETS	294,950	TOTAL LIABILITIES AND NET ASSETS	294,950

Nonconsolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

NET SALES	(JPY million)	(JPY million)
Net sales of completed construction contracts	307,090	307,090
COST OF SALES		
Cost of sales of completed construction contracts	271,691	<u>271,691</u>
Gross profit		
Gross profit on completed construction contracts	35,398	35,398
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
		<u>14,323</u>
Operating profit		
		21,075
NON-OPERATING INCOME		
Interest and dividend income	1,049	
Other	164	1,214
		<u>1,214</u>
NON-OPERATING EXPENSES		
Interest expenses	217	
Commission for syndicate loan	183	
Other	106	507
		<u>507</u>
Ordinary profit		
		21,782
EXTRAORDINARY INCOME		
Gain on sales of non-current assets	0	
Gain on sales of memberships	0	1
		<u>1</u>
EXTRAORDINARY LOSSES		
Provision for contingent loss	1,349	
Other	239	1,589
		<u>1,589</u>
Profit before income taxes		
		20,194
Income taxes – current	5,722	
Income taxes – deferred	314	6,037
		<u>6,037</u>
Profit		
		<u>14,156</u>

Nonconsolidated Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)
Balance at beginning of current period	30,108	16,767	8,390	25,157	559	42,054	42,613
Changes of items during period							
Dividends of surplus						(4,210)	(4,210)
Profit						14,156	14,156
Purchase of treasury shares							
Disposal of treasury shares			0	0			
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	0	0	-	9,946	9,946
Balance at end of current period	30,108	16,767	8,390	25,157	559	52,000	52,559

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)
Balance at beginning of current period	(65)	97,813	2,625	2,625	100,439
Changes of items during period					
Dividends of surplus		(4,210)			(4,210)
Profit		14,156			14,156
Purchase of treasury shares	(236)	(236)			(236)
Disposal of treasury shares	1	1			1
Net changes of items other than shareholders' equity			(176)	(176)	(176)
Total changes of items during period	(235)	9,711	(176)	(176)	9,534
Balance at end of current period	(300)	107,524	2,448	2,448	109,973

[Translation]

Accounting Auditor's Audit Report Relating to the Consolidated Financial Statements

Independent Auditor's Audit Report

May 9, 2019

The Board of Directors
Kumagai Gumi Co., Ltd.

GYOSEI & CO.
Naruhito Minami
Certified Public Accountant
Designated Partner
Engagement Partner

Tetsuo Noguchi
Certified Public Accountant
Designated Partner
Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Kumagai Gumi Co., Ltd. (the "Company") applicable to this fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[End]

[Translation]

Accounting Auditor's Audit Report

Independent Auditor's Audit Report

May 9, 2019

The Board of Directors
Kumagai Gumi Co., Ltd.

GYOSEI & CO.

Naruhito Minami
Certified Public Accountant
Designated Partner
Engagement Partner

Tetsuo Noguchi
Certified Public Accountant
Designated Partner
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying nonconsolidated financial statements, which comprise the nonconsolidated balance sheet, the nonconsolidated statement of income, the nonconsolidated statement of changes in equity, the notes to the nonconsolidated financial statements and the related supplementary schedules of Kumagai Gumi Co., Ltd. (the "Company") applicable to the 82nd fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the nonconsolidated financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements and

the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the nonconsolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements and the related supplementary schedules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 82nd fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[End]

[Translation]

The Audit & Supervisory Board's Audit Report

Audit Report

The Audit & Supervisory Board prepared this Audit Report upon deliberations based on the Audit Report prepared by each Audit & Supervisory Board Member concerning the performance of duties of the Directors of the Company during the 82nd fiscal year from April 1, 2018 to March 31, 2019 and hereby reports as follows:

1. Auditing Method by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof

(1) The Audit & Supervisory Board established auditing policy, assignment of duties, etc. and received reports from each Audit & Supervisory Board Member on the implementation status and results of audits and further received reports from the Directors, etc. and the Accounting Auditors on the status of the execution of their duties and when necessary, requested explanations regarding such reports.

(2) In compliance with the Standards of Audit by Audit & Supervisory Board Members established by the Audit & Supervisory Board and in accordance with the auditing policy and the assigned duties, and by communicating with the Directors, the Audit Office, other employees, etc., each Audit & Supervisory Board Member strived to collect information and arrange an environment for auditing and implemented auditing using the following methods:

- A. The Audit & Supervisory Board Members attended the Board of Directors meetings and other important meetings, received from the Directors, employees, etc. reports on the matters regarding the status of the performance of their duties and, when necessary, requested explanations regarding such reports, inspected important authorized documents and associated information and examined the business and financial position of the Head Office and major offices. Furthermore, as for the subsidiaries of the Company, the Audit & Supervisory Board Member has communicated and shared information with the directors and corporate auditors, etc. of the subsidiaries and, when necessary, received reports from the subsidiaries regarding their businesses.
- B. With respect to the content of the resolution of the Board of Directors concerning the development of the structure prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act necessary to ensure the business operation of the group, consisting of the Company and its subsidiaries, are appropriate,

including the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation as described in the business report, and the structure developed based on such resolution (an internal control system), the Audit & Supervisory Board Members, in compliance with the Standards of Audit relating to Internal Control Systems established by the Board of Directors, received periodic reports from the Directors, employees, etc. on the construction and operation status thereof and, when necessary, requested explanations regarding such reports and expressed its opinions.

C. The Audit & Supervisory Board Members monitored and examined whether the Accounting Auditors maintained their independence and carried out audits in an appropriate manner. The Audit & Supervisory Board Members received from the Accounting Auditors reports on the performance of their duties and, when necessary, requested explanations regarding those reports. The Audit & Supervisory Board Members also received notification from the Accounting Auditors that the “Structure to ensure that the duties of the independent auditors are appropriately executed” (as enumerated in each Item of Article 131 of the Company Calculation Regulations) is being developed in accordance with the “Standards for Quality Control of Audits” (Business Accounting Council on October 28, 2005), etc. When necessary, the Audit & Supervisory Board Members requested explanations on such notification.

Based on the foregoing method, for this fiscal year, the Audit & Supervisory Board Members reviewed the Business Report and supplementary schedules, nonconsolidated financial statements (the nonconsolidated balance sheet, nonconsolidated statement of income, nonconsolidated statement of changes in equity and notes to the nonconsolidated financial statements) and supplementary schedules thereto as well as the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements).

2. Audit Results

(1) Audit Results on Business Report, etc.

- A. In our opinion, the Business Report and the supplementary schedules fairly represent the Company’s condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
- B. With regard to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the execution of duties

of the Directors.

C. In our opinion, the content of the resolutions of the Board of Directors regarding the internal control systems is appropriate.

We have not found anything to be pointed out on the description regarding the internal control systems set out in the Business Report or on the performance of duties of the Directors.

As stated in the Business Report, with respect to the case of the alleged violation of the Antimonopoly Act by GAEART Co., Ltd., our subsidiary, the Audit & Supervisory Board will closely follow the future developments and audit the efforts toward the further enhancement of the compliance system of GAEART Co., Ltd. and the internal controls of the Group.

(2) Results of Audit of Nonconsolidated Financial Statements and Supplementary Schedules thereto

In our opinion, the method and results of the audit employed and rendered by GYOSEI & CO., the Accounting Auditors, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the method and results of the audit employed and rendered by GYOSEI & CO., the Accounting Auditors, are fair and reasonable.

May 9, 2019

Kumagai Gumi Co., Ltd., Audit & Supervisory Board
Full-time Audit & Supervisory Board Member, Junji Konishi
Outside Audit & Supervisory Board Member, Takashi Kakimi
Outside Audit & Supervisory Board Member, Masaaki Ayukawa
Audit & Supervisory Board Member, Tatsuru Satoh

[End of Document]