

KUMAGAI GUMI

Annual Report 2001



THE COMPANY

A CENTURY OF PROGRESS

Kumagai Gumi traces its roots back to 1898 when Santaro Kumagai founded the company and embarked on constructing the stonework for the Shukununo Hydroelectric Plant in Fukui Prefecture. January 1998 marked the 100th anniversary of Kumagai Gumi's inception. Throughout those 100 years, the company has participated in a diverse array of projects, often with unprecedented challenges that required technological innovation. Kumagai Gumi, through its deeds, has established a place as one of Japan's leading general contractors.

RESEARCH AND DEVELOPMENT UNDERPINS TECHNOLOGICAL PROWESS

Kumagai Gumi's Institute of Construction Technology, which is located in Tsukuba north of Tokyo, engages in wide-ranging research activities. Equipped with state-of-the-art facilities including seismic simulation equipment, wave tanks and environmental laboratories, the institute strives to develop more effective ways of meeting changing customer needs. A core tenet of R&D is enhancing quality and safety while realizing lower costs and shorter construction periods.

STRENGTHS AT HOME

Kumagai Gumi is one of Japan's largest construction and engineering firms. In this capacity, the company has played a key role in the creation, expansion and improvement of the nation's infrastructure. The company's contributions range from the fields of transportation and power generation to living, working and leisure environments. Building on this long record of service to society, Kumagai Gumi is providing customers with reliable, high-quality construction services at a reasonable cost.

A SOLID OVERSEAS PRESENCE

Kumagai Gumi has remained committed to overseas operations. The company has chalked up a list of achievements at myriad projects worldwide. Undersea tunnels, roads, dams, hotels, renovation of historic structures, and landmark office towers in locations including Hong Kong, Taipei and Bangkok attest to Kumagai Gumi's devotion to quality and social contributions. Most major cities in Asia, the focal area of the company's overseas operation, have benefited from the company's construction expertise.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	(¥ million)		(US\$ thousand)
	2001	2000	2001
FOR THE YEAR:			
Net sales	¥ 793,406	¥ 799,066	\$ 6,450,452
Net loss	(2,654)	(4,620)	(21,578)
AT YEAR-END:			
Total assets	¥1,219,213	¥1,620,405	\$ 9,912,298
Shareholders' equity	13,381	11,877	108,784
PER SHARE OF COMMON STOCK (¥ AND US\$):			
Net loss	¥(4.05)	¥(6.78)	\$(0.03)

Note: Conversion into U.S. dollars has been made at the exchange rate of ¥123=US\$1 solely for convenience. Refer to Notes to the Financial Statements.

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PRESIDENT'S MESSAGE

OVERVIEW OF FISCAL 2001, ENDED MARCH 31, 2001

Japan's economy saw sluggish growth in fiscal 2001. Private-sector capital investment continued to grow, driven primarily by business investment in growth areas related to information technology. Public investment was weak, however and rising unemployment and declining income once again held down consumer spending. The second half of the fiscal year was characterized by a slowdown in the U.S. economy, resulting in a decrease in exports and stock prices.

In the construction industry, private sector capital expenditures in the manufacturing field, mainly for production facilities, were bullish, but housing investment and public works spending was weak. A decline in public works projects and the deteriorating financial base of local governments had an adverse effect on our operating environment.

To overcome these challenges and secure competitive strength over the long-term, we drafted the New Corporate Innovation Plan in September 2000. Under this plan, we have addressed our most pressing issue: to fundamentally improve our financial position. At the same time, we worked to restructure our construction business.

OUTLINE OF THE NEW CORPORATE INNOVATION PLAN

Japan's economy is expected to remain stagnant due to anticipated slow growth in corporate earnings and to a decline in exports prompted by downturns in overseas economies. In this context, we have overhauled our existing Mid-Term Corporate Innovation Plan, first announced in October 1997. Amid a rapidly changing business environment, we have devised the New Corporate Innovation Plan to improve balance sheet strength and ensure competitiveness over the long term. The main objectives of the New Corporate Innovation Plan are listed below.

- 1) Overhaul Kumagai Gumi's business structure and enhance competitiveness through selection and focus.
- 2) Build a stronger, leaner management structure
- 3) Improve Kumagai Gumi's financial position through a one-time write-down of non-performing assets.

In fiscal 2001, the first year of the New Corporate Innovation Plan, we have significantly improved our financial position with considerable backing from shareholders and financial institutions. We reduced capital by ¥65 billion, received a ¥430 billion debt waiver, and raised ¥20 billion through a private placement of shares.

Consolidated net sales for the year fell 0.7% to ¥793 billion. Nevertheless, the company pressed forward with a far-reaching cost cutting drive that improved its bottom line. As a result, selling, general and administrative expenses were reduced from ¥60 billion in fiscal 2000 to ¥46 billion, offsetting a decline in total earnings from completed construction projects. Consequently, operating income rose 2.6% to ¥17.7 billion, on a par with the corresponding figure for the previous fiscal year. Net loss for the current period was ¥2.6 billion, due to a one-time write down of certain assets, listed under other net expenses, in accordance with the New Corporate Innovation Plan.

To realign our business structure and increase competitiveness, we have divested companies that are unlikely to generate new business and thus benefit the entire group, as well as those that are unlikely to remain profitable.

We have implemented far-reaching organizational reforms with the aim of creating a streamlined, efficient organization. In addition, we have appointed corporate executive officers in a move to bolster our competitiveness. At the same time, we separated strategic decision-making and the execution of operations, accelerated decision-making by enhancing strategic thinking and agility, strengthened operational execution and clarified areas of responsibility. On the international front, we seek to build on our achievements throughout Asia in the construction of high-rise commercial buildings, underground railways, roads and dams.

In May 2001, as part of a consortium of companies, we accepted an order for the construction of an underground railway in Delhi, India. With the commencement of this project, we will be undertaking simultaneous construction of underground railways in the international cities of Tokyo, Osaka, Yokohama, Nagoya, Fukuoka, Hong Kong, Taipei, Singapore, and Bangkok. We look to aggressively pursue and develop projects and orders throughout the Asian region.

In recent years, the Japanese economy has undergone a major transformation, as exemplified by globalization and society's increasing dependence on information technology. In this environment, we are committed to implementing our New Corporate Innovation Plan and to adapting to structural changes in the construction industry in order to achieve a turnaround in performance as rapidly as possible. Kumagai Gumi continues to regard customer satisfaction as of paramount importance and will always put quality and its customers first.



July, 2001

Kazutoshi Torikai
President



OPERATING HIGHLIGHTS

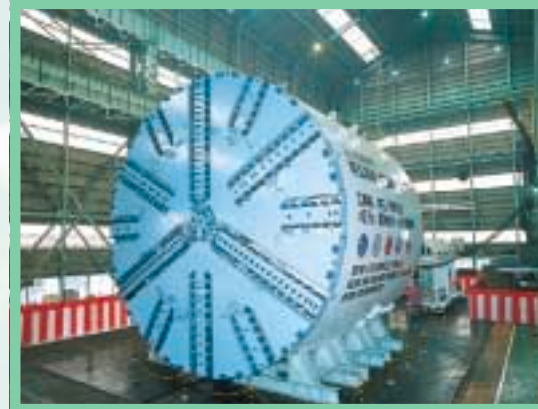


TOMATOH-ATSUMA POWER STATION

The construction of three 7,000 ton coal silos at Hokkaido Electric Power Co., Inc.'s 700 megawatt Tomatoh-Atsuma Power Station presented a unique challenge: Kumagai Gumi lowered construction costs by incorporating fly ash produced at existing power plants into building materials for the project. To meet this challenge, Kumagai Gumi adopted a method of soil stabilization called the fly ash cement deep mixing method, a technique that had never before been used in Japan. Kumagai Gumi was also able to shorten the construction time and reduce the amount of work at elevated levels by using a technique called slip forming, in which the outer wall of the silo is constructed by pouring wet concrete into steel forms, and lifting the forms once the concrete has hardened. At the same time, an 80-ton steel-frame roof was jacked up as the concrete structure rose. The application of slip forming in the construction of coal silos was recognized as an outstanding contribution to the progress of civil engineering techniques. In 2000, Kumagai Gumi was awarded a technical prize by the Hokkaido Branch of the Japan Society of Civil Engineers.

SAITAMA RAPID-TRANSIT RAILWAY TOTSUKA TUNNEL

Kumagai Gumi completed the construction of the Saitama Rapid-Transit Railway Totsuka Tunnel, a multi-track shield tunnel, in record time. This shield tunnel was constructed using the latest technologies, including aqueduct laying machinery, segmented carriage lifts, earth recycling equipment, cutting machinery and semi-automated, half-segment transport and assembly equipment. As a result, construction progressed at a maximum rate of 285.6 meters per month during the first phase of construction.



TOKYO METROPOLITAN SUBWAY ROUTE NO. 12 IIDABASHI STATION

The Oedo Line, Tokyo's first circular subway route, consists of a loop connecting areas in the city center and a line extending outward to the northwest of the city. The subway went into full operation on December 12, 2000. At Iidabashi Station, Kumagai Gumi employed a Triple Circular-Face Shield for the first time in the world. The slurry-face shield was used for 275 meters of the 321.5-meter-long underground station. With this method, three circular cutters, or shields, are placed side-by-side on slightly different planes so they overlap. This greatly reduces the cross-section of the tunnel while still opening up sufficient space for two tracks and a central platform.

TOKUYAMA DAM

The Tokuyama Dam is an earthfill dam built from dumped earth and rock. The core of the dam is made of earth and clay and the outer wall is composed of rock and sand filter.

The dam is located in an earthquake-prone area and as such, has been designed with safety foremost in mind, taking into account the seismic history of the region and the dam's size. Kumagai Gumi has also performed seismic displacement analysis to determine the dam's resistance to earthquakes and has verified that it can withstand sizable seismic activity.

Various measures have been taken during construction to protect the flora and fauna of the local environment. Steps have included the transplant of flora and the provision of bird-houses, shelters for small animals and drainage ditches.





SENDAI MEDIATHEQUE

Sendai Mediatheque, a multi-media arts center, selected as a winner from a total of 235 entries in the 1995 International Public Design Competition, has received worldwide recognition for its unprecedented architectural design and structure. The elements of the design include tubes suggestive of seaweed swaying in the ocean, razor-thin flat slabs and a clear glass-layered façade to the building. By combining craftsmanship with cutting-edge technology, Kumagai Gumi has transcended existing paradigms and created a new form of architecture.



FUKUI PREFECTURAL DINOSAUR MUSEUM

Kumagai Gumi was involved in the construction of the Fukui Prefectural Dinosaur Museum, in the prefecture which is home to approximately 90% of Japan's dinosaur fossil finds. One wing of the building was built by a joint venture, which included Kumagai Gumi, while the Dinosaur Hall was constructed by a different joint venture. The museum was built with the expectation of becoming an internationally acclaimed center for dinosaur fossil research. The architectural concept by Kisho Kurokawa stresses harmony with the surrounding natural environment. The building is designed to blend into the hilly landscape of the museum grounds. The building's north façade is 110 meters wide and 9.5 meters high and features a wave-like, curved surface. An exposed concrete finish and traditional Echizen tiles together form a layered structure that invokes an earthen appearance in keeping with the traditions of the area.



JOETSU CITY MUNICIPAL PLAZA

Joetsu City in Niigata Prefecture has utilized a project finance initiative scheme to finance its municipal plaza project. Joetsu Public Service Co., Ltd. (SPC), a joint venture formed by Kumagai and Nippon Kanzaï Co., Ltd. Group, was chosen from a group of seven competing bidders to manage the affairs of the plaza. SPC will be responsible for the plaza's design, construction, renewal, management and investment for the next twenty years. Under the project finance scheme, Joetsu City will pay service fees to SPC over the next twenty years, and funds for the project will be derived from these payments.

Every aspect of the design and construction of the plaza reflects harmony with the environment. A study was conducted to analyze every feature of the existing structure to allow for maximum reuse of materials. Kumagai Gumi has carefully considered the efficient use of natural resources, application of eco-materials and solar energy generation for the plaza's tower sign. Minimizing air pollution was an important issue during construction. To this end, Kumagai Gumi recovered freon gas and conducted rock wool spraying in sealed environments. SPC will provide optimal maintenance services over the next twenty years. Kumagai Gumi has formulated a mid- and long-term plan for maintenance and repair aimed at reducing life-cycle costs.

NTT DOCOMO NAGANO BUILDING

The NTT DoCoMo Building in Nagano is a multimedia nerve center for the transmission of a wide variety of information. It is equipped to handle increases in mobile phone subscriptions and future innovations in the fields of voice and Internet communications. The building features seismic viscous dampers to ensure safety in the event of an earthquake and can adequately withstand a magnitude 7 inland quake. External walls, floor height, and maximum load-bearing fabrications were designed to allow space for communication equipment in the event of an emergency as well as to facilitate flexible installation of additional equipment.

The reverse driver engineering method was used in the construction of this building. Beam and slab work on the underground and first floors was done using the full-length suspension method. Column and laser techniques as well as modularized aluminum curtain walls were also used to produce a high-tech building in a very short time frame.





KOWLOON DEVELOPMENT BUILDING, HONG KONG (STAGE 1)

Due to the rapid increase in the population of Hong Kong in recent years, both public and private sectors have promoted large-scale residential development projects. Kumagai Gumi formed a joint venture with Hip Hing Construction Co., Ltd., a leading Hong Kong construction firm, to construct six 42-story condominium buildings. Each building has three underground parking garages to accommodate a total of 1,288 condominium units. This project comprises Stage 1 of the Kowloon Metropolitan Transit Railway Station development project. The project will be completed in seven stages and covers a total development area of approximately 14 hectares. Kumagai Gumi plans to construct 4,600 condominium units and commercial facilities with a total floorspace of 126,000 square meters, eight office buildings and four hotels with a total of 2,400 rooms.

HAM THUAN DAM AND HYDROELECTRIC POWER PLANT

Vietnam is now undergoing rapid economic advancement as promoted by the *Doi Moi* economic renewal program. Currently, the most pressing issue is the creation of electrical power systems. Kumagai Gumi has been contracted by Electricity of Vietnam, the agency for Vietnam's Ministry of Science, Technology and Environment, to construct the Ham Thuan Dam and Hydroelectric Power Plant. This large-scale engineering project is the forerunner of several other water resource development projects planned in areas along the Donai River and as a result, has been in the public spotlight since its inception.



DELHI SUBWAY MC1A PROJECT

In May 2001 Kumagai Gumi was contracted to design and construct a subway in Delhi, India. This undertaking, the MC1A Project, calls for the construction of an 11-kilometer long subway running through the center of the city from Delhi University in the north to the Central Secretariat Building in the south. Kumagai Gumi and its partners will design and construct a four-station, 4.5-kilometer segment of the line in the northern section of the city. Delhi, India's capital, is the largest city in the north of the country and is populated by more than 10 million people. In recent years, the number of automobiles has increased sharply, causing serious traffic congestion and air pollution. The subway is expected to significantly alleviate these problems.

TAIPEI FINANCIAL CENTER

In February 1999, Kumagai Gumi obtained the contract for the Taipei Financial Center after an international competition for this job. With 101 stories and a height of 508m, the building requires the use of extremely advanced construction techniques. One challenge is the need to excavate massive amounts of earth from the site, which requires strengthening to support the building's weight. The lower floors will be constructed by the top down method, and the upper floors in the conventional manner from the bottom up. With only 40 months for the completion of the entire project, an exacting construction plan utilizing sophisticated process management software is being scrupulously followed.



FINANCIAL SECTION

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CONSOLIDATED BALANCE SHEETS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries
March 31, 2001 and 2000

ASSETS	(¥ million)		(US\$ thousand)
	2001	2000	2001
CURRENT ASSETS:			
Cash and cash equivalents (Note 2)	¥ 73,593	¥ 88,696	\$ 598,318
Time deposits (Note 2)	1,588	13,281	12,907
Marketable securities (Notes 2 and 4)	1,393	26,834	11,323
Notes and accounts receivable, trade	195,776	224,346	1,591,675
Allowance for doubtful accounts	(2,282)	(1,786)	(18,554)
Inventories (Notes 2 and 5)	317,210	405,789	2,578,943
Other current assets	79,736	154,000	648,269
	<u>667,014</u>	<u>911,160</u>	<u>5,422,881</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 4)	37,976	107,016	308,751
Investments in unconsolidated subsidiaries and affiliates (Note 4)	4,926	6,900	40,052
Long-term loans receivable	46,098	44,700	374,778
Long-term loans to unconsolidated subsidiaries and affiliates	199	16,424	1,620
Long-term receivable	102,695	—	834,920
Claims to companies in bankruptcy, reorganization, etc.	141,885	108,930	1,153,537
Other	82,100	94,297	667,466
Allowance for doubtful accounts	(158,097)	(79,194)	(1,285,339)
	<u>257,782</u>	<u>299,073</u>	<u>2,095,785</u>
PROPERTY AND EQUIPMENT (Note 2):			
Land	172,989	210,901	1,406,412
Buildings	159,529	173,136	1,296,988
Machinery and equipment	29,935	30,706	243,374
Construction in progress	5,127	5,243	41,680
	<u>367,580</u>	<u>419,986</u>	<u>2,988,454</u>
Accumulated depreciation	(73,163)	(71,739)	(594,822)
	<u>294,417</u>	<u>348,247</u>	<u>2,393,632</u>
Foreign currency statements translation adjustments (Note 2)	—	61,925	—
	<u>¥1,219,213</u>	<u>¥1,620,405</u>	<u>\$ 9,912,298</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	(¥ million)		(US\$ thousand)
	2001	2000	2001
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 28,290	¥ 576,948	\$ 230,001
Current portion of long-term debt (Note 6)	3,144	110,241	25,562
Notes and accounts payable, trade	221,032	224,281	1,797,011
Advances received on uncompleted contracts (Note 9)	165,908	208,227	1,348,842
Accrued expenses	6,092	8,242	49,530
Accrued income taxes (Notes 2 and 12)	946	674	7,689
Employees' savings deposits	4,049	7,323	32,918
Other current liabilities	50,603	47,051	411,404
	<u>480,064</u>	<u>1,182,987</u>	<u>3,902,957</u>
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	614,068	369,970	4,992,427
Accrued severance indemnities (Notes 2 and 10)	3,094	12,584	25,156
Other long-term liabilities	104,382	35,929	848,630
	<u>721,544</u>	<u>418,483</u>	<u>5,866,213</u>
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	4,224	7,058	34,344
CONTINGENT LIABILITIES (Note 16)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized — 1,300,000,000 shares			
Issued:			
— 668,232,523 shares (2001)	33,412	—	271,639
— 680,727,047 shares (2000)	—	82,086	—
Additional paid-in capital	120,444	51,770	979,221
Deficit (Note 2)	(124,630)	(121,979)	(1,013,253)
Unrealized gain on available-for-sale securities	4,718	—	38,355
Foreign currency statements translation adjustments (Note 2)	(20,563)	—	(167,175)
	<u>13,381</u>	<u>11,877</u>	<u>108,787</u>
Treasury stock, at cost	0	0	(3)
	<u>13,381</u>	<u>11,877</u>	<u>108,784</u>
	<u>¥1,219,213</u>	<u>¥1,620,405</u>	<u>\$ 9,912,298</u>

CONSOLIDATED STATEMENTS OF INCOME

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	(¥ million)		(US\$ thousand)
	2001	2000	2001
NET SALES (Notes 2 and 15):			
Contracts completed	¥741,938	¥749,683	\$6,032,012
Sales of real estate and other	51,468	49,383	418,440
	<u>793,406</u>	<u>799,066</u>	<u>6,450,452</u>
COST OF SALES (Notes 2 and 15):			
Cost of construction	686,751	678,990	5,583,338
Cost of real estate and other	42,947	42,583	349,166
	<u>729,698</u>	<u>721,573</u>	<u>5,932,504</u>
Gross profit	63,708	77,493	517,948
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
Operating income	46,000	60,228	373,981
	<u>17,708</u>	<u>17,265</u>	<u>143,967</u>
OTHER INCOME (EXPENSE):			
Interest and dividend income	3,566	4,861	28,990
Interest expense	(21,484)	(23,328)	(174,663)
Equity in losses of affiliates	(127)	(297)	(1,033)
Other, net (Note 11)	13,786	(18,390)	112,078
Profit (loss) before income taxes	<u>13,449</u>	<u>(19,889)</u>	<u>109,339</u>
Income taxes (Notes 2 and 12):			
Current	1,214	1,307	9,866
Deferred	16,472	(15,624)	133,925
Loss after income taxes	(4,237)	(5,572)	(34,452)
Minority interest in consolidated subsidiaries	1,583	952	12,874
Net loss	<u>¥ (2,654)</u>	<u>¥ (4,620)</u>	<u>\$ (21,578)</u>
	(¥)		(US\$)
PER SHARE OF COMMON STOCK (Note 14):			
Net loss	¥(4.05)	¥(6.78)	\$(0.03)

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Common stock	Additional paid-in capital	Deficit	Unrealized gain on available- for-sale securities	Foreign currency statements translation adjustments	Treasury stock
Decrease by increase of equity method company						
(¥ million)						
Balance at March 31, 1999	¥ 82,086	¥ 51,770	¥(108,339)	¥ -	¥ -	¥ (0)
Tax effect adjustment for prior years			27,038			
Surplus at beginning of year of subsidiaries newly consolidated			1,870			
Surplus at beginning of investments newly accounted by equity method			2,511			
Deficit at beginning of year of subsidiaries eliminated from consolidation			(1,562)			
Deficit at beginning of year of subsidiaries newly consolidated			(36,441)			
Deficit at beginning of year of investments newly accounted for by equity method			(2,433)			
Net loss for the year			(4,620)			
Bonuses to directors and corporate auditors			(3)			
Treasury stock sold						14
Treasury stock purchased						(14)
Balance at March 31, 2000	¥ 82,086	¥ 51,770	¥(121,979)	¥ -	¥ -	¥ (0)
Surplus at beginning of year of subsidiaries eliminated from consolidation			5			
Net loss for the year			(2,654)			
Bonuses to directors and corporate auditors			(2)			
Decrease of capital	(65,067)	65,067				
Increase of capital	16,393	3,607				
Net change during the year				4,718	(20,563)	
Treasury stock sold						15
Treasury stock purchased						(15)
Balance at March 31, 2001	<u>¥ 33,412</u>	<u>¥120,444</u>	<u>¥(124,630)</u>	<u>¥4,718</u>	<u>¥(20,563)</u>	<u>¥ (0)</u>



	(US\$ thousand)					
Balance at March 31, 2000	\$ 667,363	\$420,895	\$ (991,705)	\$ -	\$ -	\$ (1)
Surplus at beginning of year of subsidiaries eliminated from consolidation			44			
Net loss for the year			(21,578)			
Bonuses to directors and corporate auditors			(14)			
Decrease of capital	(529,004)	529,004				
Increase of capital	133,280	29,322				
Net change during the year				38,355	(167,175)	
Treasury stock sold						119
Treasury stock purchased						(121)
Balance at March 31, 2001	<u>\$ 271,639</u>	<u>\$979,221</u>	<u>\$(1,013,253)</u>	<u>\$38,355</u>	<u>\$(167,175)</u>	<u>\$ (3)</u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	(¥ million)		(US\$ thousand)
	2001	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before income taxes and minority interest	¥ 13,449	¥ (19,890)	\$ 109,339
Depreciation and amortization	9,535	8,665	77,517
Gain from discharge of debt	(430,000)	-	(3,495,935)
Increase (decrease) in provision for allowance for doubtful accounts	85,571	(1,565)	695,695
Loss from bad debt	1,636	-	13,299
Increase in provision for the settlement of development projects	62,034	3,060	504,344
Decrease in provision for retirement allowance	(9,488)	(9,929)	(77,137)
Interest and dividends revenue	(3,566)	(4,861)	(28,990)
Interest expenses	21,484	23,328	174,663
Exchange losses	775	986	6,299
Losses on investments accounted for by equity method	127	298	1,033
Loss on valuation of marketable and investment securities	4,988	3,331	40,556
Loss on disposal of investment in subsidiaries and affiliates	96,574	-	785,151
Gains on sale of marketable and investment securities, net	(3,775)	(8,290)	(30,688)
Loss on disposal of fixed assets	389	0	3,166
Loss on valuation of fixed assets	14,334	-	116,533
(Loss) gain on sale of property and equipment, net	34,493	(78)	280,435
Decrease in notes and accounts receivable	28,570	38,120	232,274
Decrease in cost of uncompleted construction contracts	50,191	36,696	408,059
Decrease in inventories	38,223	20,019	310,762
Decrease in notes and accounts payable	(3,248)	(14,905)	(26,409)
Decrease in advances received on uncompleted contracts	(42,320)	(39,995)	(344,062)
Other, net	(11,114)	(7,751)	(90,357)
Sub total	(41,138)	27,239	(334,453)
Interest and dividends received	4,540	4,190	36,909
Interest paid	(23,526)	(23,058)	(191,271)
Income tax paid	(827)	(1,436)	(6,722)
Net cash (used in) provided by operating activities	(60,951)	6,935	(495,537)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disbursements for acquisitions of marketable and investment securities	(1,491)	(30,009)	(12,124)
Proceeds from sale of marketable and investment securities	4,315	33,637	35,085
Disbursements for acquisitions of property and equipment	(14,849)	(27,936)	(120,723)
Proceeds from sale of property and equipment	31,839	2,708	258,850
Proceeds from sale of investments in consolidated subsidiaries	-	1,966	-
Disbursements for loans	(46,866)	(29,507)	(381,021)
Proceeds from collection of loans	3,406	36,616	27,695
Other, net	10,928	(11,149)	88,842
Net cash used in investing activities	(12,718)	(23,674)	(103,396)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term borrowings, net	121,245	95,762	985,731
Proceeds from long-term debt	80,824	107,243	657,103
Disbursements for repayment of long-term debt	(165,304)	(91,100)	(1,343,933)
Disbursements for repayments for bonds	-	(70,000)	-
Proceeds from issuing stock	20,000	-	162,602
Other, net	0	(8,683)	(2)
Net cash provided by financing activities	56,765	33,222	461,501
Translation differences of cash and cash equivalents	1,801	(3,355)	14,641
Increase (decrease) in cash and cash equivalents	(15,103)	13,128	(122,791)
Cash and cash equivalents at beginning of year	88,696	71,350	721,109
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	-	4,218	-
Cash and cash equivalents at end of year	¥ 73,593	¥ 88,696	\$ 598,318

The accompanying notes are an integral part of this statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of KUMAGAI GUMI CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with generally accepted accounting principles and practices in Japan. In preparing the consolidated financial statements for purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers of these statements outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information for the Annual Report.

– Consolidation

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

The consolidated financial statements include the accounts of the Company, fifty-two of its consolidated subsidiaries and eleven of its affiliates accounted for applying the equity method as at and for the year end March 31, 2001.

In fiscal 2001, changes in the scope of consolidation were as follows.

	No. of companies
* Newly consolidated company	1: KG Land Corporation
* Companies excluded from consolidation	-10: Kumagai Gumi U.K. Limited KBS UK Limited and 8 other companies
* Companies excluded from the equity method	-2: Kitagawa Komuten and 1 other company
Total	-11

The major subsidiaries which are consolidated with the company are listed below:

Company Name	Fiscal Year End
GAEART Kumagai Co., Ltd.	31 Mar. 2001
Sampo Techno Construction Co., Ltd.	31 Mar. 2001
KG Fudosan Service Co., Ltd.	31 Mar. 2001
KG Fudosan Lease Co., Ltd.	31 Mar. 2001
KG Real Property Co., Ltd.	31 Mar. 2001
KG Real Estate Co., Ltd.	31 Mar. 2001
Kuroiso Kanko Kaihatsu Co., Ltd.	31 Mar. 2001
Kumagai Technos Co., Ltd.	31 Mar. 2001
Takao Jigyokaihatsu Co., Ltd.	30 Sep. 2000
Kumagai International USA Corporation and its 6 subsidiaries	31 Dec. 2000
KG Crowne Corporation	31 Dec. 2000
Bishops KT Ltd.	31 Dec. 2000
Kumagai Australia Finance Ltd.	31 Dec. 2000
Kumagai Australia Pty. Ltd. and its 2 subsidiaries	31 Dec. 2000
Couer de Lion Holdings Pty. Ltd.	31 Dec. 2000
Kumagai International Limited	31 Dec. 2000
Taiwan Kumagai Co., Ltd.	31 Dec. 2000
Kumagai Gumi (Malaysia) SDN. BHD.	31 Dec. 2000
Thai Kumagai Co., Ltd.	31 Dec. 2000
P.T. KADI International	31 Dec. 2000
Beijing Amusement Park Co., Ltd.	31 Dec. 2000

All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in other unconsolidated subsidiaries and affiliates accounted for applying the equity method are stated at cost.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Recognition of net sales and related costs

Net sales from and the related costs of construction contracts were recorded mainly by the completed-contract method. The percentage of completion method is applied for certain projects whose construction period is more than one year and whose total contract value is more than ¥3 billion. During the construction period, cost of un-completed contracts other than those where the percentage of completion method is applicable is included in inventories and advances received on such contracts are stated in current liabilities.

(b) Foreign currency translations

Prior to April 1, 2000, short-term receivables and payables in foreign currencies are translated into Japanese yen at the current rates of exchange at each balance sheet date. Long-term receivables and payables in foreign currencies are translated into Japanese yen at the historical rates of exchange. Investments in overseas subsidiaries and affiliates in foreign currencies are translated into Japanese yen at the historical rates of exchange. Overseas accumulated construction cost in progress in foreign currencies (included in inventories) is translated into Japanese yen at the monthly rates of exchange.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term receivables and payables in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Other applicable rates of exchange are the same as before.

(c) Foreign currency financial statements

The balance sheet accounts and revenue and expense accounts of the consolidated overseas subsidiaries and overseas affiliates accounted for on the equity method are translated into Japanese yen at the current rates of exchange at each balance sheet date except as to shareholders' equity, which is translated at the historical rates of exchange at dates of acquisition.

Retained earnings of the consolidated overseas subsidiaries and overseas affiliates accounted for by the equity method at the end of every year are translated at the historical rates of exchange. Differences arising from such translation are included in "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

Effective April 1, 2000, differences arising from such translation are shown in "shareholders' equity" in accordance with the revised accounting standard for foreign currency translation, however, it was reported as an asset in prior years.

(d) Cash and cash equivalents

Cash and cash equivalents include an overnight bank deposit and time deposits, all of which have original maturities of three months or less.

(e) Time deposits

Time deposits have original maturities of more than three months through one year.

(f) Marketable and investment securities

Prior to April 1, 2000, marketable and quoted investment securities (other than investments in the securities of companies in which the company has a controlling interest) are stated at the lower of cost or market, cost being determined by the moving average method. Other securities are stated at cost.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments which requires marketable and investment securities to be classified in three categories, such as trading, held-to-maturity and available-for-sale. The Company and its consolidated subsidiaries listed all the securities as available-for-sale which are stated at fair value, with unrealized gains and losses net of taxes under shareholders' equity. Cost of sales is determined by the moving average method.

(g) Inventories

Inventories other than materials and supplies are stated at accumulated construction cost for each project. Selling, general and administrative expenses are excluded from such cost. Materials and supplies are stated at cost determined by the moving average method.

(h) Property, equipment and depreciation

Property and equipment, including significant renewals and additions, are carried at cost. The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the declining-balance method at rates based on estimated useful lives of the assets, according to general class, type of construction and use.

(i) Accrued severance indemnities and pension plan

Employees (excluding directors and corporate auditors) whose service with the Company and its consolidated domestic subsidiaries is terminated are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to rank and length of time served in each rank until the termination occurs.

Prior to April 1, 2000, accrued severance indemnities are stated at 40 per cent of the amounts which would be required, if all employees voluntarily terminated their employment at the balance sheet date, less amounts covered by the pension plan mentioned below. The liabilities are not funded. In addition to the lump-sum indemnities, the Company has a contributory funded pension plan and a consolidated domestic subsidiary has both contributory and non-contributory funded pension plans covering substantially all employees who retire with one year or more of service. For employees retiring with one year or more and less than 15 years of service, the benefits are payable only in a lump-sum amount. Contributions to the funds charged to current income include charges for current service and amortization of prior service costs.

Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for the employees' retirement benefits and accounted for the liability for retirement benefit based on projected benefits obligations and plan assets at each balance sheet date.

(j) Income taxes

Income taxes are accounted for by the asset and liability method.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

(k) Appropriations of retained earnings and disposition of deficit

Appropriations of retained earnings and disposition of deficit are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

3. UNITED STATES DOLLAR AMOUNTS

The United States dollar amounts included in the accompanying consolidated financial statements are presented solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥123=US\$1, which was the approximate exchange rate at March 31, 2001. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into United States dollars at that rate.

4. MARKETABLE AND INVESTMENT SECURITIES

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments, including marketable and investment securities. (See Note 2.(f))

The breakdown of available-for-sale securities as of March 31, 2001 is as follows:

March 31, 2001	Cost	Fair value (Carrying amount) (¥ million)	Difference
Marketable equity securities	¥24,311	¥32,379	¥8,068
Debentures	1,502	1,553	51
Fund trust and other	137	133	(4)
Total	¥25,950	¥34,065	¥8,115

March 31, 2001	Cost	Fair value (Carrying amount) (US\$ thousand)	Difference
Marketable equity securities	\$196,218	\$261,333	\$65,115
Debentures	12,123	12,531	408
Fund trust and other	1,103	1,076	(27)
Total	\$209,444	\$274,940	\$65,496

The breakdown of marketable and investment securities as of March 31, 2000 is as follows:

March 31, 2000	Cost (Carrying amount)	Market value (¥ million)	Difference
Current			
Marketable equity securities	¥26,778	¥31,656	¥4,878
Debentures	—	—	—
Fund trust and other	—	—	—
Sub total	¥26,778	¥31,656	¥4,878
Non-current			
Marketable equity securities	¥ 3,809	¥ 5,162	¥1,353
Debentures	1,503	1,609	106
Fund trust and other	299	205	(94)
Sub total	5,611	6,976	1,365
	¥32,389	¥38,632	¥6,243

5. INVENTORIES

Inventories comprised the following:

March 31, 2001 and 2000	2001 (¥ million)	2000	2001 (US\$ thousand)
Cost of uncompleted contracts	¥195,160	¥245,351	\$1,586,667
Real estate for sale	28,962	68,330	235,467
Development projects in progress	91,862	90,638	746,849
Materials and supplies	1,226	1,470	9,960
	¥317,210	¥405,789	\$2,578,943

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) The Company and its consolidated subsidiaries' short-term borrowings comprised the following:

<i>March 31, 2001 and 2000</i>	2001	2000	2001
	(¥ million)		(US\$ thousand)
Short-term loans, principally from banks and insurance companies	¥28,290	¥576,948	\$230,001

Short-term bank loans are represented generally by 30–180 day notes issued by the Company and its consolidated subsidiaries to banks and bore interest at annual rates ranging from 1.24 per cent to 7.91 per cent at March 31, 2001 and at annual rates ranging from 0.69 per cent to 8.2 per cent at March 31, 2000.

(b) Long-term debt comprised the following:

<i>March 31, 2001 and 2000</i>	2001	2000	2001
	(¥ million)		(US\$ thousand)
Loans, principally from banks and insurance companies, due 2001 to 2019, with interest ranging from 0.36 per cent to 9.85 per cent.	¥617,212	¥480,211	\$5,017,989
Less: Portion due within one year	3,144	110,241	25,562
	¥614,068	¥369,970	\$4,992,427

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2001 were as follows:

<i>Years ending March 31</i>	(¥ million)	(US\$ thousand)
2002	¥ 3,144	\$ 25,562
2003	3,231	26,271
2004	2,521	20,498
2005	2,481	20,172
2006 and thereafter	<u>605,835</u>	<u>4,925,486</u>
	<u>¥617,212</u>	<u>\$5,017,989</u>

7. LEASES

The lease payments under noncancelable financing leases are principally accounted for as rental expenses, and no asset or liability (other than a short-term liability for accrued rent payable) relating to the lease is recorded.

8. PLEDGED ASSETS

Assets pledged as collateral for short-term borrowings and long-term debt were as follows:

<i>March 31, 2001</i>	(¥ million)	(US\$ thousand)
Assets pledged as collateral:		
Notes receivable	¥ 13,056	\$ 106,143
Inventories	61,231	497,811
Investment securities	25,770	209,513
Land	105,525	857,928
Buildings	58,788	477,952
Other investments	1,048	8,523
	<u>¥265,418</u>	<u>\$2,157,870</u>
Liabilities secured thereby:		
Short-term borrowings and long-term debt	¥257,290	\$2,091,789

9. ADVANCES RECEIVED ON UNCOMPLETED CONTRACTS

As is the customary practice in Japan, the Company receives progress payments from customers in accordance with the terms of the respective construction contracts.

10. ACCRUED SEVERANCE INDEMNITIES AND PENSION EXPENSES FOR EMPLOYEES

The liability (asset) for employees' retirement benefits and the components of net periodic benefit costs were as follows:

(1) The liability (asset) for employees' retirement benefits

As of March 31, 2001

	(¥ million)	(US\$ thousand)
Projected benefit obligation	¥(107,921)	\$(877,410)
Fair value of plan assets	56,386	458,425
Unrecognized prior service cost	46,399	377,230
Unrecognized actuarial loss	2,109	17,147
Net liability	<u>¥ (3,027)</u>	<u>\$ (24,608)</u>

(2) The components of net periodic benefit costs

For the year ended March 31, 2001

	(¥ million)	(US\$ thousand)
Service cost	¥ 3,550	\$ 28,860
Interest cost	5,285	42,971
Expected return on plan assets	(3,215)	(26,138)
Amortization of transitional obligation	3,314	26,945
Amortization due to prior service cost	(1,576)	(12,817)
Net periodic benefit cost	<u>¥ 7,358</u>	<u>\$ 59,821</u>

(3) Assumptions used for the year ended March 31, 2001

Discount rate	3.5% to 4.5%
Expected rate of return on plan assets	4.0%
Amortization period of prior service cost	15 years
Recognition period of actuarial gain/loss	5 to 12 years
Amortization period of transitional obligation	15 years

11. OTHER, NET IN OTHER INCOME (EXPENSES)

Other, net in other income (expenses) comprised the following:

March 31, 2001 and 2000

	2001	2000	2001
	(¥ million)		(US\$ thousand)
Gain from discharge of debt	¥ 430,000	¥ –	\$3,495,935
(Loss) gain on disposal of property and equipment, net	(34,883)	316	(283,601)
Loss on valuation of inventories	(43,842)	(17,550)	(356,442)
Loss on valuation of fixed assets	(14,334)	–	(116,533)
Loss from bad debt	(17,106)	(261)	(139,075)
Provision for allowance for the settlement of development projects	(102,581)	(1,600)	(833,993)
Provision for allowance for doubtful accounts	(93,913)	(374)	(763,523)
Loss on valuation of marketable and investment securities	(4,988)	(3,331)	(40,556)
Write-off of investments	(96,574)	–	(785,151)
Gain on sale of marketable and investment securities, net	3,777	8,318	30,704
Foreign exchange gain (loss), net	1,793	(1,174)	14,576
Other, net	(13,563)	(2,734)	(110,263)
	<u>¥ 13,786</u>	<u>¥(18,390)</u>	<u>\$ 112,078</u>

12. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to Japanese corporate, inhabitant and enterprise taxes, based on income, at a combined statutory tax rate of approximately 42 per cent for the years ended March 31, 2001 and 2000.

13. BUSINESS SEGMENT INFORMATION

(a) Industry segment information

The Company and its consolidated subsidiaries are primarily engaged in the following two major segments:

Construction Civil engineering construction, architectural construction, etc.

Real estate and other Resale and rental of land, houses and buildings; financing, etc.

March 31, 2001 and 2000	Construction		Real estate and other		Elimination		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	(¥ million)							
Net Sales:								
Customers	¥741,938	¥749,683	¥ 51,468	¥ 49,383	¥ -	¥ -	¥ 793,406	¥ 799,066
Intersegment or transfer	1,859	2,460	1,546	1,121	(3,405)	(3,581)	-	-
	¥743,797	¥752,143	¥ 53,014	¥ 50,504	¥ (3,405)	¥ (3,581)	¥ 793,406	¥ 799,066
Operating expenses	¥728,069	¥734,810	¥ 49,510	¥ 50,610	¥ (1,881)	¥ (3,619)	¥ 775,698	¥ 781,800
Operating income	¥ 15,728	¥ 17,333	¥ 3,505	¥ (105)	¥ (1,524)	¥ 38	¥ 17,708	¥ 17,265
Identifiable assets	¥866,820	¥920,644	¥402,412	¥541,352	¥(161,820)	¥(82,594)	¥1,104,412	¥1,379,402
Depreciation and amortization	¥ 3,703	¥ 2,696	¥ 5,831	¥ 5,967	¥ -	¥ -	¥ 9,535	¥ 8,664
Capital expenditure	¥ 2,658	¥ 2,807	¥ 2,611	¥ 19,256	¥ -	¥ -	¥ 5,269	¥ 22,064

(US\$ thousand)

Net Sales:				
Customers	\$6,032,012	\$ 418,440	\$ -	\$ 6,450,452
Intersegment or transfer	15,116	12,570	(27,686)	-
	\$6,047,128	\$ 431,010	\$ (27,686)	\$ 6,450,452
Operating expenses	\$5,919,262	\$ 402,518	\$ (15,294)	\$ 6,306,485
Operating income	\$ 127,867	\$ 28,492	\$ (12,391)	\$ 143,967
Identifiable assets	\$7,047,313	\$3,271,644	\$(1,315,606)	\$(9,003,352)
Depreciation and amortization	\$ 30,109	\$ 47,408	\$ -	\$ 77,517
Capital expenditure	\$ 21,608	\$ 21,231	\$ -	\$ 42,838

(b) Geographic information

March 31, 2001 and 2000	Domestic		Overseas		Elimination		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	(¥ million)							
Net Sales:								
Customers	¥721,947	¥ 760,747	¥ 71,458	¥ 38,319	¥ -	¥ -	¥ 793,406	¥ 799,066
Intersegment or transfer	-	-	208	19	¥ (208)	(19)	-	-
	¥721,947	¥ 760,747	¥ 71,667	¥ 38,338	¥ (208)	¥ (19)	¥ 793,406	¥ 799,066
Operating expenses	¥707,061	¥ 744,415	¥ 68,844	¥ 37,431	¥ (208)	¥ (46)	¥ 775,698	¥ 781,800
Operating income	¥ 14,887	¥ 16,332	¥ 2,822	¥ 907	¥ (1)	¥ 26	¥ 17,708	¥ 17,265
Identifiable assets	¥969,202	¥1,130,814	¥161,432	¥258,321	¥(2,322)	¥(9,733)	¥1,107,412	¥1,379,402

	(US\$ thousand)			
Net Sales:				
Customers	\$5,869,490		\$ 580,963	\$ -
Intersegment or transfer	-		1,695	(1,695)
	\$5,869,490		\$ 582,658	\$ (1,695)
Operating expenses	\$5,748,461		\$ 559,711	\$ (1,687)
Operating income	\$ 121,029		\$ 22,946	\$ (8)
Identifiable assets	\$7,879,693		\$1,312,457	\$(188,798)

The following reconciles identifiable assets to total assets:

	2001	2000	2001
	(¥ million)		(US\$ thousand)
Identifiable assets	¥1,107,412	¥1,379,402	\$9,003,352
Corporate assets	111,800	241,003	908,946
Total assets	¥1,219,213	¥1,620,405	\$9,912,297

14. PER SHARE DATA

The numbers of shares used in computing net income per share for the years ended March 31, 2001 and 2000 were as follows:

March 31, 2001 and 2000	Number of shares (thousand)
2000	680,727
2001	668,233

15. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Purchases from and sales to unconsolidated subsidiaries and affiliates for the respective periods were as follows:

March 31, 2001 and 2000	2001	2000	2001
	(¥ million)		(US\$ thousand)
Purchases	¥16,256	¥11,628	\$132,161
Sales	1,489	1,329	12,106

16. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries were contingently liable for guarantees of debt of customers, unconsolidated subsidiaries and affiliates, in the amount of ¥14,708 million (US\$119,581 thousand) at March 31, 2001. The guarantees are in respect of loans relating to purchases and development of land for civil engineering and architectural construction projects.

REPORT OF THE INDEPENDENT PUBLIC ACCOUNTANTS (CONSOLIDATED)

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

We have examined the consolidated balance sheets of Kumagai Gumi Co., Ltd. and its consolidated subsidiaries at March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended March 31, 2001, expressed in Japanese yen. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kumagai Gumi Co., Ltd. and its consolidated subsidiaries at March 31, 2001 and 2000, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2001, in conformity with generally accepted accounting principles and practices in Japan applied on a consistent basis.

As described in Note 2 to the consolidated financial statements, Kumagai Gumi Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for foreign currency transactions, financial instruments and retirement benefits in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The United States dollar amounts shown in the financial statements referred to above have been translated solely for convenience. We have reviewed this translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 3.

M. Serizawa & Co

Tokyo, Japan
June 28, 2001

M. Serizawa & Co.
Certified Public Accountants
Shin-Yurakucho Bldg., 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan

NON-CONSOLIDATED BALANCE SHEETS

Kumagai Gumi Co., Ltd. (Company Only)
March 31, 2001 and 2000

ASSETS	¥ million)		(US\$ thousand)
	2001	2000	2001
CURRENT ASSETS:			
Cash and cash equivalents (Note 2)	¥ 51,186	¥ 71,633	\$ 416,151
Time deposits (Note 2)	520	12,133	4,230
Marketable securities (Note 2)	1,339	26,433	10,889
Notes and accounts receivable, trade	166,038	197,789	1,349,901
Allowance for doubtful accounts	(1,280)	(1,704)	(10,406)
Inventories (Notes 2 and 4)	277,412	366,332	2,255,381
Other current assets	66,965	139,451	544,428
	<u>562,180</u>	<u>812,067</u>	<u>4,570,574</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 2)	37,724	106,530	306,698
Investments in subsidiaries and affiliates (Note 2)	112,743	301,041	916,608
Long-term loans receivable	12,037	44,201	97,864
Long-term loans to subsidiaries and affiliates	60,191	70,498	489,361
Long-term receivable	186,968	–	1,520,067
Claims to companies in bankruptcy, reorganization, etc.	186,473	114,177	1,516,037
Other	47,381	72,042	385,209
Allowance for doubtful accounts	(256,457)	(93,349)	(2,085,015)
	<u>387,060</u>	<u>615,140</u>	<u>3,146,829</u>
PROPERTY AND EQUIPMENT (Note 2):			
Land	41,988	68,367	341,368
Buildings	39,395	45,528	320,284
Machinery and equipment	14,703	15,907	119,535
Construction in progress	348	516	2,830
	<u>96,434</u>	<u>130,318</u>	<u>784,017</u>
Accumulated depreciation	(25,714)	(26,930)	(209,063)
	<u>70,720</u>	<u>103,388</u>	<u>574,954</u>
	<u>¥1,019,960</u>	<u>¥1,530,595</u>	<u>\$ 8,292,357</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	(¥ million)		(US\$ thousand)
	2001	2000	2001
CURRENT LIABILITIES:			
Short-term borrowings	¥ 10,910	¥ 499,061	\$ 88,699
Current portion of long-term debt	2,948	110,138	23,967
Notes and accounts payable, trade	196,766	200,108	1,599,721
Advances received on uncompleted contracts (Note 7)	159,667	201,897	1,298,105
Accrued expenses	2,744	3,865	22,311
Accrued income taxes (Notes 2 and 9)	308	310	2,504
Employees' savings deposits	4,048	7,221	32,912
Other current liabilities	36,217	37,744	294,448
	<u>413,608</u>	<u>1,060,344</u>	<u>3,362,667</u>
LONG-TERM LIABILITIES:			
Long-term debt	551,248	279,841	4,481,689
Accrued severance indemnities (Note 2)	1,109	10,249	9,021
Other long-term liabilities	15,641	13,786	127,161
	<u>567,998</u>	<u>303,876</u>	<u>4,617,871</u>
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized — 1,300,000,000 shares			
Issued:			
— 668,232,523 shares (2001)	33,412	—	271,639
— 680,727,047 shares (2000)	—	82,086	—
Additional paid-in capital	120,444	51,770	979,221
Retained earnings (Deficit) (Notes 2 and 10)	(120,232)	32,519	(977,494)
Unrealized gain on available-for-sale securities	4,730	—	38,453
	<u>38,354</u>	<u>166,375</u>	<u>311,819</u>
	<u>¥1,019,960</u>	<u>¥1,530,595</u>	<u>\$8,292,357</u>

NON-CONSOLIDATED STATEMENTS OF INCOME

Kumagai Gumi Co., Ltd. (Company Only)
Years ended March 31, 2001 and 2000

	(¥ million)		(US\$ thousand)
	2001	2000	2001
NET SALES (Note 2):			
Contracts completed	¥663,660	¥674,079	\$5,395,606
Sales of real estate	18,245	17,347	148,335
	<u>681,905</u>	<u>691,426</u>	<u>5,543,941</u>
COST OF SALES (Note 2):			
Cost of construction	613,930	608,506	4,991,301
Cost of real estate	15,774	17,738	128,242
	<u>629,704</u>	<u>626,244</u>	<u>5,119,543</u>
Gross profit	52,201	65,182	424,398
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	35,466	47,564	288,342
Operating income	<u>16,735</u>	<u>17,618</u>	<u>136,056</u>
OTHER INCOME (EXPENSE):			
Interest and dividend income	3,534	4,836	28,730
Interest expense	(16,181)	(18,608)	(131,555)
Other, net (Note 8)	(135,258)	(16,787)	(1,099,660)
	<u>(131,170)</u>	<u>(12,941)</u>	<u>(1,066,429)</u>
Loss before income taxes			
Income taxes (Notes 2 and 9):			
Current	471	652	3,825
Deferred	21,110	(16,348)	171,623
	<u>21,581</u>	<u>(15,696)</u>	<u>175,448</u>
Net income (loss)	<u>¥(152,751)</u>	<u>¥ 2,755</u>	<u>\$(1,241,877)</u>
		(¥)	(US\$)
PER SHARE OF COMMON STOCK (Note 10):			
Net income (loss)	¥(233.51)	¥4.04	\$(1.90)
Cash dividends applicable to the period	—	—	—

The accompanying notes are an integral part of this statement.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Kumagai Gumi Co., Ltd. (Company Only)
Years ended March 31, 2001 and 2000

	Number of shares of common stock (thousand)	Common stock	Additional paid-in capital (¥ million)	Retained earnings	Unrealized gain on available- for-sale securities
Balance at March 31, 1999	680,727	¥82,086	¥ 51,770	¥ 1,432	¥ -
Net income for the year				2,755	
Adjustment for interperiod tax allocation in prior years				28,332	
Balance at March 31, 2000	680,727	82,086	51,770	32,519	-
Decrease of capital	(340,363)	(65,067)	65,067		
Increase of capital	327,869	16,393	3,607		
Net change during the year					4,730
Net loss for the year				(152,751)	
Balance at March 31, 2001	668,233	¥33,412	¥120,444	¥(120,232)	¥4,730

	(thousand)	(US\$ thousand)			
Balance at March 31, 2000	680,727	\$ 667,363	\$420,896	\$ 264,383	\$ -
Decrease of capital	(340,363)	(529,004)	529,004		
Increase of capital	327,869	133,280	29,321		
Net change during the year					38,453
Net loss for the year				(1,241,877)	
Balance at March 31, 2001	668,233	\$ 271,639	\$979,221	\$ (977,494)	\$38,453

The accompanying notes are an integral part of this statement.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Kumagai Gumi Co., Ltd. (Company Only)
Years ended March 31, 2001 and 2000

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements of KUMAGAI GUMI CO., LTD. (the "Company") have been prepared in accordance with generally accepted accounting principles and practices in Japan. Non-consolidated statements of shareholders' equity have been prepared for the purpose of this Annual Report to supply additional information. In preparing the non-consolidated financial statements for the purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers of these statements outside Japan. In addition, the notes to the non-consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information for this Annual Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Recognition of net sales and related costs

Net sales from and the related costs of construction contracts were recorded mainly by the completed-contract method. The percentage of completion method is applied for certain projects whose construction period is more than one year and whose total contract value is more than ¥3 billion. During the construction period, cost of uncompleted contracts other than those where the percentage of completion method is applicable is included in inventories and advances received on such contracts are stated in current liabilities.

(b) Foreign currency translations

Prior to April 1, 2000, short-term receivables and payables in foreign currencies are translated into Japanese yen at the current rates of exchange at each balance sheet date. Long-term receivables and payables in foreign currencies are translated into Japanese yen at the historical rates of exchange. Investments in overseas subsidiaries and affiliates in foreign currencies are translated into Japanese yen at the historical rates of exchange. Overseas accumulated construction cost in progress in foreign currencies (included in inventories) is translated into Japanese yen at the monthly rates of exchange.

Effective April 1, 2000, the Company adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term receivables and payables in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Other applicable rates of exchange were the same as before.

(c) Cash and cash equivalents

Cash and cash equivalents include time deposits which have original maturities of three months or less.

(d) Time deposits

Time deposits have original maturities of more than three months through one year.

(e) Marketable and investment securities

Prior to April 1, 2000, marketable and quoted investment securities (other than investments in the securities of companies in which the Company has a controlling interest) are stated at the lower of cost or market, cost being determined by the moving average method. Other securities are stated at cost.

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments which requires marketable and investment securities to be classified in three categories, such as trading, held-to-maturity and available-for-sale. The Company listed all the securities as available-for-sale which are stated at fair value, with unrealized gains and losses net of taxes under shareholders' equity section. Cost of sales is determined by the moving average method.

(f) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

(g) Inventories

Inventories other than materials and supplies are stated at accumulated construction cost for each project. Selling, general and administrative expenses are excluded from such cost. Materials and supplies are stated at cost determined by the moving average method.

(h) Property, equipment and depreciation

Property and equipment, including significant renewals and additions, are carried at cost. The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the declining balance method at rates based on estimated useful lives of the assets, according to general class, type of construction and use.

(i) Accrued severance indemnities and pension plan

Employees (excluding directors and corporate auditors) whose service with the Company is terminated are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to rank and length of time served in each rank until the termination occurs.

Prior to April 1, 2000, accrued severance indemnities are stated at 40 per cent of the amounts which would be required, if all employees voluntarily terminated their employment at the balance sheet date, less amounts covered by the pension plan mentioned below. The liabilities are not funded. In addition to the lump-sum indemnities, the Company had a contributory funded pension plan, covering substantially all employees who retired at the age limit of 60 with 15 years or more of service. For employees retiring with one year or more and less than 15 years of service, the benefits are payable only in a lump-sum amount. Contributions to the funds charged to current income include charges for current service and amortization of prior service costs.

Effective April 1, 2000, the Company adopted the new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefit based on projected benefits obligations and plan assets at each balance sheet date.

(j) Income taxes

Income taxes are accounted for by the asset and liability method.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

(k) Appropriations of retained earnings and disposition of deficit

Appropriations of retained earnings and disposition of deficit are accounted for and reflected in the accompanying non-consolidated financial statements when approved by the shareholders.

3. UNITED STATES DOLLAR AMOUNTS

The United States dollar amounts included in the accompanying non-consolidated financial statements are presented solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥123=US\$1, which was the approximate exchange rate at March 31, 2001. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into United States dollars at that rate.

4. INVENTORIES

Inventories comprised the following:

<i>March 31, 2001 and 2000</i>	2001	2000	2001
	(¥ million)		(US\$ thousand)
Cost of uncompleted contracts	¥186,656	¥237,783	\$1,517,527
Real estate for sale	27,608	66,332	224,455
Development projects in progress	62,327	61,172	506,726
Materials and supplies	821	1,045	6,673
	¥277,412	¥366,332	\$2,255,381

5. LEASES

The lease payments under noncancelable financing leases are accounted for as rental expenses, and no asset or liability (other than a short-term liability for accrued rent payable) relating to the lease is recorded.

6. PLEDGED ASSETS

Assets pledged as collateral for short-term borrowings and long-term debt were as follows:

<i>March 31, 2001</i>	(¥ million)	(US\$ thousand)
Assets pledged as collateral:		
Notes receivable	¥ 13,055	\$ 106,142
Inventories	54,668	444,454
Investment securities	22,257	180,952
Investments in subsidiaries and affiliates	4,513	36,691
Land	34,088	277,134
Buildings	6,099	49,582
Other	1,048	8,524
	¥135,728	\$1,103,479
Liabilities secured thereby:		
Short-term borrowings and long-term debt	¥159,460	\$1,296,426

7. ADVANCES RECEIVED ON UNCOMPLETED CONTRACTS

As is the customary practice in Japan, the Company receives progress payments from customers in accordance with the terms of the respective construction contracts.

8. OTHER, NET IN OTHER INCOME (EXPENSES)

Other, net in other income (expenses) comprised the following:

March 31, 2001 and 2000

	2001	2000	2001
	(¥ million)		(US\$ thousand)
Gain from discharge of debt	¥ 430,000	¥ –	\$ 3,495,935
(Loss) gain on disposal of property and equipment, net	(17,448)	3,116	(141,851)
Loss on valuation of marketable and investments securities	(4,687)	(3,317)	(38,106)
Gain on sale of marketable and investment securities, net	3,719	8,824	30,232
Loss on valuation of inventories	(43,842)	(17,444)	(356,442)
Loss on valuation of fixed assets	(14,334)	–	(116,533)
Provision for allowance for doubtful accounts	(185,964)	(2,657)	(1,511,902)
Loss on valuation of investments in subsidiaries and affiliates	(150,019)	–	(1,219,669)
Write-off of investments in subsidiaries and affiliates	(28,116)	–	(228,582)
Write-off of investment securities	(93,357)	–	(759,000)
Foreign exchange gain (loss), net	708	(741)	5,754
Other, net	(31,918)	(4,568)	(259,496)
	<u>¥(135,258)</u>	<u>¥(16,787)</u>	<u>\$ (1,099,660)</u>

9. INCOME TAXES

The Company is subject to Japanese corporate, inhabitant and enterprise taxes, based on income, at a combined statutory tax rate of approximately 42 per cent for the years ended March 31, 2001 and 2000.

10. SHARE-HOLDERS' EQUITY AND PER SHARE DATA

The Japanese Commercial Code provides that an amount equivalent to at least 10 per cent of the amount to be disbursed as a distribution of net profit, including dividends and bonuses to directors and corporate auditors, with respect to each fiscal period be appropriated to a legal reserve until such reserve equals 25 per cent of the stated capital. The Commercial Code also provides that the legal reserve is not available for dividends, but may be used to reduce a capital deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. Dividends may be approved by the shareholders' meeting after the end of each fiscal period. In accordance with the Commercial Code, these dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of each fiscal year but are recorded at the time they are approved. However, dividends per share shown in the accompanying non-consolidated statements of income are included in the periods to which they are applicable.

Under the Commercial Code, at least 50 per cent of the issue price of new shares (including shares to be issued upon conversion of bonds and exercise of warrants), with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital have been credited to additional paid-in capital.

The numbers of shares used in computing net income per share for the years ended March 31, 2001 and 2000 were as follows:

<i>March 31, 2001 and 2000</i>	Number of shares (thousand)
2000	680,727
2001	668,232

**11. CONTINGENT
LIABILITIES**

The Company was contingently liable for guarantees of debt of customers, subsidiaries and affiliates, in the amount of ¥20,539 million (US\$166,984 thousand) at March 31, 2001. The guarantees are in respect of loans relating to purchases and development of land for civil engineering and architectural construction projects.

REPORT OF THE INDEPENDENT PUBLIC ACCOUNTANTS (NON-CONSOLIDATED)

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

We have examined the non-consolidated balance sheets of Kumagai Gumi Co., Ltd. at March 31, 2001 and 2000, and the related non-consolidated statements of income and shareholders' equity for each of the two years in the period ended March 31, 2001, expressed in Japanese yen. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Kumagai Gumi Co., Ltd. at March 31, 2001 and 2000, and the results of its operations for each of the two years in the period ended March 31, 2001, in conformity with generally accepted accounting principles and practices in Japan applied on a consistent basis.

As described in Note 2 to the non-consolidated financial statements, Kumagai Gumi Co., Ltd. has adopted new accounting standards for foreign currency transactions, financial instruments and retirement benefits in the preparation of its financial statements for the year ended March 31, 2001.

The United States dollar amounts shown in the financial statements referred to above have been translated solely for convenience. We have reviewed this translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 3.

M. Serizawa & Co.

Tokyo, Japan
June 28, 2001

M. Serizawa & Co.
Certified Public Accountants
Shin-Yurakucho Bldg., 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan

GLOBAL DIRECTORY

HEAD OFFICE:

2-1, Tsukudo-cho, Shinjuku-ku
Tokyo 162-8557, Japan
Telephone: 81-3-3260-2111
Facsimile: 81-3-3235-3308
(Overseas Division)

OVERSEAS OFFICES

AND BRANCHES:

INTERNATIONAL ENGINEERING CENTRE

210 Middle Road Unit #07-04 to 07-08
IOI PLAZA, Singapore 188944
Telephone: 65-883-0650
Facsimile: 65-883-0653

HONG KONG BRANCH

22nd Floor
No. 625 King's Road
North Point, Hong Kong
Telephone: 852-2203-0888
Facsimile: 852-2203-0555

MALAYSIA BRANCH

Level 8, Menara Chan
138 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Telephone: 60-3-2166-3211
Facsimile: 60-3-2167-2373

THAILAND BRANCH

5th Floor, Chaiyo Building
91/1 Rama IX Rd
Huay Kwang, Huay Kwang
Bangkok 10320, Thailand
Telephone: 66-2-643-9434
Facsimile: 66-2-643-9438

TAIWAN BRANCH

Room No. 1408, 12th Floor
International Trade Building 205
Section 1, Tun Hua South Road
Taipei, Taiwan, Republic of China
Telephone: 886-2-2721-0427
Facsimile: 886-2-2741-2476

INDONESIA BRANCH

3A Fl., Setiabudi 2 Bldg. Suite
3A05 Jl. H.R. Rasuna Said Kav.
62, Kuningan, Jakarta 12920
Indonesia
Telephone: 62-21-525-0900
Facsimile: 62-21-525-0708

SINGAPORE BRANCH

210 Middle Road
#07-01/03 IOI Plaza
Singapore
Telephone: 65-338-5352
Facsimile: 65-337-5082

PHILIPPINES BRANCH

7th Floor, Sage House Condo.
110 Herrera Street
Legaspi Village, Makati City
Philippines
Telephone: 63-2-815-4660
Facsimile: 63-2-818-1756

SHANGHAI BRANCH

0710 New Caohejing Tower
509 Cao Bao Road
Shanghai 200233
People's Republic of China
Telephone: 86-21-6485-2498
Facsimile: 86-21-6485-1487

SRI LANKA BRANCH

2nd Floor, Nanda Investments
Bldg.
No. 25 2/1
C.W.W. Kannangara Mawatha
Colombo 7, Sri Lanka
Telephone: 94-1-685045
Facsimile: 94-1-698070

VIETNAM BRANCH

Unit 205-207, 2nd Floor,
V-Tower, 649 Kim Ma Street
Ba Dinh District
Hanoi, Vietnam
Telephone: 84-4-7661501
Facsimile: 84-4-7661506

LONDON BRANCH

Crosby Court, 38 Bishopsgate,
London EC2N 4AJ, U.K.
Telephone: 44-20-7815-0600
Facsimile: 44-20-7815-0804(G3)
44-20-7626-2750(G4)

AUSTRALIA BRANCH

Suite 903, Level 9
135 King Street
Sydney NSW 2000
Australia
Telephone: 61-2-9221-2333
Facsimile: 61-2-9221-2197

PAPUA NEW GUINEA BRANCH

Level 1, Suite 5, Garden City
Angau Drive, Boroko, NCD
Papua New Guinea
Telephone: 675-3253688
Facsimile: 675-3250629

NEW YORK BRANCH

1177 Avenue of the
Americas, 15th Floor
New York, NY 10036, U.S.A.
Telephone: 1-212-391-8500
Facsimile: 1-212-391-8550

TURKEY BRANCH

Halti Ziya Turkkan Sokak,
Famas Plaza A Block Kat: 10/36,
80270 Okmaydani, Istanbul
Turkey
Telephone: 90-212-320-4835~6
Facsimile: 90-212-320-4837

PRINCIPAL SUBSIDIARIES AND AFFILIATES:

GAEART Kumagai Co., Ltd.

Head Office: Tokyo, Japan
President: Tokio Arai
Capital: ¥1,000,000,000
(US\$8,071,025)

Major Activities:

Construction and pavement of
roads and airports, other civil
engineering work and
architecture

Sampo Techno Construction Co., Ltd.

Head Office: Toyokawa
Aichi, Japan
President: Takayuki Ando
Capital: ¥20,000,000
(US\$161,420)

Major Activities:

Construction of underground
diaphragm walls and noise-
less vibration-free piles

K&E Co., Ltd.

Head Office: Tokyo, Japan
President: Akira Yamashita
Capital: ¥100,000,000
(US\$807,102)

Major Activities:

Consulting and reform of
building business
Installation of building equipments

Kumagai Technos Co., Ltd.

Head Office: Toyokawa
Aichi, Japan
President: Minoru Shiga
Capital: ¥450,000,000
(US\$3,631,961)
Major Activities:
Production and sale of
construction machinery and
materials

Tetsudo Sharyo Kogyo Co., Ltd.

Head Office: Tokyo, Japan
President: Koichi Neo
Capital: ¥48,000,000
(US\$387,409)
Major Activities:
Production and sale of pollu-
tion control machinery

Kumagai Tochi Tatemono Co., Ltd.

Head Office: Tokyo, Japan
President: Nobuhiro Komatsu
Capital: ¥60,000,000
(US\$484,261)
Major Activities:
Real estate and housing
business

Saitama Chiiki Kaihatsu Kohsha Co., Ltd.

Head Office: Konan
Saitama, Japan
President: Akira Higasa
Capital: ¥40,000,000
(US\$322,841)
Major Activities:
Golf course operations

Kuroiso Kanko Kaihatsu Co., Ltd.

Head Office: Kuroiso
Tochigi, Japan
President: Akira Higasa
Capital: ¥142,000,000
(US\$1,146,085)
Major Activities:
Real estate and housing
business

Archi Alpha Design Co., Ltd.

Head Office: Tokyo, Japan
President: Kouichiro Kataonami
Capital: ¥30,000,000
(US\$242,130)
Major Activities:
Planning and design of
architecture

Kumagai International Limited

Head Office: Hong Kong
President: Katsuhito Arai
Vice President: Seiichi Sato
Capital: HK\$370,000,000
(US\$47,451,958)
Major Activities:
Real estate business and
financing to Kumagai
Gumi group

P.T. KADI International

Head Office: Jakarta, Indonesia
Vice President: Norio Kanzaki
Capital: Rp207,500,000
(US\$20,264)
Major Activities:
Construction business in
Indonesia

Taiwan Kumagai Co., Ltd.

Head Office: Taipei, Taiwan
Chairman: He Lien Lin
President: Shizuo Tashiro
Capital: NT\$31,200,000
(US\$953,836)
Major Activities:
Construction business in
Taiwan

Summa Kumagai, Inc.

Head Office: Manila, Philippines
Chairman: Claudio B. Altura
President: Claudio B. Altura
Capital: P18,000,000
(US\$365,110)
Major Activities:
Construction business in the
Philippines

Thai Kumagai Co., Ltd.

Head Office: Bangkok, Thailand
President: Hideki Sakaeda
Capital: B30,000,000
(US\$670,702)
Major Activities:
Construction business in
Thailand

Kumagai Australia Pty. Ltd.

Head Office: Sydney
NSW, Australia
Director: Shigeru Tashiro
Capital: A\$268,649,333
(US\$131,961,240)
Major Activities:
Real estate and construction
business in Australia

Kumagai International USA Corporation

Head Office: Dallas, TX, U.S.A.
President: Akihiko Soga
Capital: US\$573,558,700
Major Activities:
Real estate business in U.S.

KG Crowne Corporation

Head Office: New York, NY, U.S.A.
President: Kazuo Kimata
Capital: US\$95,170,526
Major Activities:
Investment, management and
operation of hotel

(As of August 31, 2001)

Conversion into U.S. dollars
at the rate of
¥123.90=US\$1.00
US\$1.00=Rp10,239.66942
=HK\$7.79736=NT\$32.71002
=P49.30009=A\$2.03582
=£0.69953=B44.72924
(As of March 30, 2001)

MAJOR CONTRACTS

Contracts awarded in fiscal 2001

CIVIL ENGINEERING

- Tunnel Construction Project, Sector SJ11(4) to SJ31 (Outer Perimeter)
Owner: Metropolitan Expressway Public Corporation
- Reclamation Work for Airport Island (Phase 1)
Owner: Central Japan International Airport Co., Ltd.
- Tunnel Construction: Kakegawa No.2, Tomei Expressway No.2
Owner: Japan Highway Public Corporation Shizuoka Construction Bureau
- Pinglin Tunnel W/B Main Tunnel (st. 31.611-34.000) Upper Half Excavation
Owner: RSEA Engineering Corp. (Ministry of Transportation and Communication)
- Otaki Dam (Phase 5)
Owner: Ministry of Land, Infrastructure and Transport

ARCHITECTURE

- Yusen Dogenzaka Building Construction Project (provisional name)
Owner: Tosen Real Estate Co., Ltd.
- NTT DoCoMo Tokai, Inc., Shizuoka Building (provisional name)
Owner: NTT DoCoMo Tokai, Inc
- Oi 1-chome Building Construction Project (provisional name)
Owner: Sumitomo Realty & Development Co., Ltd.
- Zephyr Yotsugi, Xanadu21 Construction Project
Owner: Zephyr Co., Ltd.
- Yokosuka Telecom Research Park Inc., YRP Building No.5 Construction Project (provisional name)
Owner: Keihin Electric Express Railway Co., Ltd.

Contracts completed in fiscal 2001

CIVIL ENGINEERING

- Otaki Dam (Phase 4)
Owner: Ministry of Land, Infrastructure and Transport
- Tokyo Metropolitan Subway Route No. 12, Iidabashi Station (Provisional) Section Construction Project
Owner: Tokyo Metropolitan Subway Construction Company
- Contract No.5/wsd/96 Aqueducts between Tai Po and Butterfly Valley
Owner: Hong Kong Government, Water Supplies Department
- The Metropolitan Area Outer Discharge Channel Tunnel Contract No.1
Owner: Ministry of Land, Infrastructure and Transport
- Renovation and other construction: Niigata Race Course
Owner: Japan Racing Association

ARCHITECTURE

- Basement and Superstructure Works for Airport Railway, Property Developments First Development Package at Kowloon
Owner: Union Charm Development Limited
- Construction of Redevelopment Building, Kitayono Station, South Exit, West Sector (provisional name)
Owner: Urban Redevelopment Association, Kitayono Station, South Exit, West Sector
- Dia Palace, Irumashi Station, front
Owner: DIA KENSETSU CO., LTD.
- Heiwado Al. Plaza, Tsuruga Store
Owner: HEIWADO CO., LTD.
- Sendai Mediatheque
Owner: City of Sendai Municipal Government

Contracts carried over to fiscal 2002

CIVIL ENGINEERING

- Kannagawa Pumped Storage Power Plant, Phase 1 (Headrace Tunnel Section)
Owner: The Tokyo Electric Power Co., Inc.
- Okitagawa General Development Lot 06-15-001-Z-001 Koyama Dam Project
Owner: Ibaraki Prefectural Government
- Matsumoto-Kofu Pipeline, Civil Engineering Sector D
Owner: TEIKOKU OIL CO., LTD.
- Daishouji-River Kutani Dam Comprehensive Development Project
Owner: Ishikawa Prefectural Government
- Takou Dam
Owner: Iwate Prefectural Government

ARCHITECTURE

- Taipei Financial Center Project
Owner: Taipei Financial Center Corporation
- Proposed Residential/Retail Development at Lot 266 in DD390, Castle Peak Road, Sham Tseng, NT Hong Kong
Owner: Salisburgh Company Limited
- Ishikawacho Station Eastern Front Development Project
Owner: Sumitomo Realty & Development Co., Ltd.
- New City Higashitotsuka Central District C Building Construction Project
Owner: Mitsui Fudosan Co., Ltd., Orix Real Estate Corporation and others
- Purification Building
Owner: Japan Nuclear Fuel Limited

CORPORATE DATA

Date Incorporated:
January 6, 1938
(Inaugurated in 1898)

Shareholders' Equity:
¥38,354 million
(US\$311,819 thousand)

(As of March 31, 2001)

Major Activities:

1. Engineering, architecture, and general construction
2. Design, manufacture,
and sale of construction machinery and equipment
3. Real estate and housing
4. Construction-related consulting services
5. Operation of hotels, health and medical facilities, sports facilities and recreation facilities

Number of Employees:

Civil Engineers	1,440
Architectural Engineers	2,123
Electrical Engineers	112
Mechanical Engineers	81
Administrative Staff	1,429
Others	30
Total	5,215

(As of March 31, 2001)

For further information, please contact the
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