



CONSOLIDATED FINANCIAL STATEMENTS
together with
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

as of March 31,2012

KUMAGAI GUMI CO., LTD.
TOKYO, JAPAN

Consolidated Balance Sheet

March 31, 2012

	(JPY million)	(US\$ thousand)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	37,736	460,195
Notes receivable, accounts receivable from completed construction contracts and other	105,988	1,292,537
Allowance for doubtful accounts	(1,070)	(13,049)
Inventories	5,968	72,780
Deferred tax assets	1,549	18,890
Other	12,841	156,598
	<u>163,012</u>	<u>1,987,951</u>
INVESTMENTS AND OTHER ASSETS:		
Investment securities	9,032	110,146
Stocks of unconsolidated subsidiaries and affiliates	1,567	19,110
Long-term loans receivable	1,031	12,573
Long-term loans receivable from unconsolidated subsidiaries and affiliates	405	4,939
Long-term non-operating accounts receivable	5,303	64,671
Claims provable in bankruptcy, claims provable in rehabilitation and other	985	12,012
Deferred tax assets	8,499	103,646
Other	2,582	31,488
Allowance for doubtful accounts	(5,693)	(69,427)
	<u>23,711</u>	<u>289,158</u>
PROPERTY AND EQUIPMENT		
Land	10,250	125,000
Buildings	13,513	164,793
Machinery and equipment	13,662	166,610
Leased assets	167	2,037
Construction in progress	8	98
	<u>37,600</u>	<u>458,538</u>
Accumulated depreciation	(23,754)	(289,684)
	<u>13,846</u>	<u>168,854</u>
TOTAL ASSETS	<u>200,569</u>	<u>2,445,963</u>

	(JPY million)	(US\$ thousand)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term loans payable	18,199	221,939
Notes and accounts payable, trade	84,031	1,024,768
Advances received on uncompleted construction contracts	7,610	92,805
Accrued expenses	1,038	12,659
Income taxes payable	371	4,524
Deposits received from employees	1,844	22,488
Provision for loss on construction contracts	682	8,317
Other	14,877	181,427
	<u>128,652</u>	<u>1,568,927</u>
LONG-TERM LIABILITIES:		
Long-term loans payable	7,428	90,585
Provision for retirement benefits	19,000	231,707
Other	100	1,220
	<u>26,528</u>	<u>323,512</u>
NET ASSETS:		
Shareholders' equity:		
Capital stock ;		
Authorized - 753,200,000 shares		
Issued - 224,744,607 shares	13,341	162,695
Capital surplus	7,880	96,098
Retained earnings	22,438	273,634
Treasury stock		
- 3,152,681 shares	(530)	(6,463)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,231	15,012
Foreign currency translation adjustment	(423)	(5,159)
Minority interests	1,452	17,707
Total net assets	<u>45,389</u>	<u>553,524</u>
	<u>200,569</u>	<u>2,445,963</u>

Consolidated Statement of Income and Statement of Comprehensive Income

For the year ended March 31, 2012

Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
NET SALES:		
Completed construction contracts	257,582	3,141,244
COST OF SALES:		
Completed construction contracts	243,197	2,965,817
Gross profit	14,385	175,427
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>11,931</u>	<u>145,500</u>
Operating Income	2,454	29,927
OTHER INCOME (EXPENSE):		
Interest and dividends income	116	1,415
Interest expenses	(745)	(9,085)
Other, net	<u>1,009</u>	<u>12,304</u>
Income before income taxes	2,834	34,561
Income taxes		
Current	624	7,610
Deferred	<u>564</u>	<u>6,878</u>
Income before minority interests	1,646	20,073
Minority interests in income	<u>52</u>	<u>634</u>
NET INCOME	<u><u>1,594</u></u>	<u><u>19,439</u></u>
	<u>(JPY)</u>	<u>(US\$)</u>
PER SHARE OF COMMON STOCK		
Basic net income	¥8.80	\$0.11
Diluted net income	¥4.26	\$0.05

Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Income before minority interests	1,646	20,073
Other comprehensive income		
Valuation difference on available-for-sale securities	945	11,524
Foreign currency translation adjustment	(139)	(1,695)
Share of other comprehensive income of associates accounted for using equity method	<u>(17)</u>	<u>(207)</u>
	789	9,622
Comprehensive income	<u>2,435</u>	<u>29,695</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,383	29,061
Comprehensive income attributable to minority interests	52	634

Consolidated Statement of Cash Flows

For the year ended March 31, 2012

	(JPY million)	(US\$ thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income taxes and minority interests	2,834	34,561
Depreciation and amortization	1,002	12,220
Increase (decrease) in allowance for doubtful accounts	(1,717)	(20,939)
Increase (decrease) in provision for retirement benefits	149	1,817
Interest and dividends income	(116)	(1,415)
Interest expenses	745	9,085
Foreign exchange losses (gains)	49	598
Equity in (earnings) losses of affiliates	255	3,110
Loss (gain) on valuation of short-term and long term investment securities	39	476
Loss on retirement of noncurrent assets	19	232
Loss (gain) on sales of noncurrent assets	(10)	(122)
Decrease (increase) in notes and accounts receivable-trade	(23,387)	(285,207)
Decrease (increase) in costs on uncompleted construction contracts	(414)	(5,049)
Increase (decrease) in notes and accounts payable-trade	20,048	244,488
Increase (decrease) in advances received on uncompleted construction contracts	2,385	29,085
Increase (decrease) in other assets	1,496	18,244
Other, net	(897)	(10,940)
Sub-total	2,480	30,244
Interest and dividends income received	125	1,524
Interest expenses paid	(699)	(8,524)
Income taxes paid	(589)	(7,183)
Net cash provided by operating activities	1,317	16,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(355)	(4,329)
Proceeds from sales of property, plant and equipment	5	61
Purchase of short-term and long term investment securities	(415)	(5,061)
Payments of loans receivable	(226)	(2,756)
Collection of loans receivable	285	3,476
Other, net	179	2,182
Net cash used in investing activities	(527)	(6,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(4,109)	(50,110)
Proceeds from long-term loans payable	5,860	71,463
Repayment of long term loans payable	(4,572)	(55,756)
Other, net	(41)	(499)
Net cash used in financing activities	(2,862)	(34,902)
EFFECT ON EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(158)	(1,927)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,230)	(27,195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	39,964	487,366
CASH AND CASH EQUIVALENTS AT END OF PERIOD	37,734	460,171

Notes to the Consolidated Financial Statements

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Kumagai Gumi Co.,Ltd.(the Company) and its consolidated subsidiaries (the Companies) prepared their financial statements in accordance with accounting principles and practices generally accepted in Japan.

The accompanying consolidated financial statements of the Companies are translations of the consolidated financial statements prepared by the Company in accordance with the Japanese Financial Instruments and Exchange Law and audited by Gyosei & Co..

In consideration of the purpose of the consolidated financial statements, most of their footnotes have been omitted.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers of these statements outside Japan.

- Consolidation

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

The consolidated financial statements include the accounts of the Company, seven of its consolidated subsidiaries and three of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2012.

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

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2012
Technos Co., Ltd.	31 Mar. 2012
K&E Co., Ltd.	31 Mar. 2012
Techno-Space Creates Co., Ltd.	31 Mar. 2012
FATEC Co., Ltd.	31 Mar. 2012
Technical Support Co., Ltd.	31 Mar. 2012
Taiwan Kumagai Co., Ltd.	31 Dec. 2011

All significant intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates that are not accounted for applying the equity method are stated at cost.

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

2. UNITED STATES DOLLAR AMOUNTS

The United States dollar amounts included in the accompanying consolidated financial statements are presented solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of JPY82=US\$1, which was the approximate exchange rate at March 31, 2012.

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.