



CONSOLIDATED FINANCIAL STATEMENTS
together with
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

as of March 31,2016

KUMAGAI GUMI CO., LTD.
TOKYO, JAPAN

Consolidated Balance Sheet

March 31, 2016

	(JPY million)	(US\$ thousand)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	72,422	640,903
Notes receivable, accounts receivable from completed construction contracts and other	115,388	1,021,133
Allowance for doubtful accounts	(187)	(1,655)
Inventories	4,424	39,150
Deferred tax assets	6,321	55,938
Other	16,654	147,381
	<u>215,022</u>	<u>1,902,850</u>
INVESTMENTS AND OTHER ASSETS:		
Investment securities	13,224	117,027
Stocks of unconsolidated subsidiaries and affiliates	1,852	16,389
Long-term loans receivable	652	5,770
Long-term loans receivable from unconsolidated subsidiaries and affiliates	415	3,673
Long-term non-operating accounts receivable	1,120	9,912
Claims provable in bankruptcy, claims provable in rehabilitation and other	258	2,283
Deferred tax assets	5,631	49,832
Other	2,891	25,583
Allowance for doubtful accounts	(1,284)	(11,363)
	<u>24,759</u>	<u>219,106</u>
PROPERTY AND EQUIPMENT		
Land	10,089	89,283
Buildings	15,385	136,150
Machinery and equipment	15,278	135,204
Leased assets	209	1,850
Construction in progress	110	973
	<u>41,071</u>	<u>363,460</u>
Accumulated depreciation	<u>(25,326)</u>	<u>(224,124)</u>
	<u>15,745</u>	<u>139,336</u>
TOTAL ASSETS	<u>255,526</u>	<u>2,261,292</u>

	(JPY million)	(US\$ thousand)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term loans payable	6,849	60,611
Notes and accounts payable, trade	92,112	815,150
Advances received on uncompleted construction contracts	13,884	122,867
Accrued expenses	3,922	34,708
Income taxes payable	4,691	41,513
Deposits received from employees	1,971	17,442
Provision for loss on construction contracts	180	1,593
Provision for contingent loss	15,132	133,912
Other	18,886	167,133
	<u>157,627</u>	<u>1,394,929</u>
LONG-TERM LIABILITIES:		
Long-term loans payable	10,972	97,097
Net defined benefit liability	21,816	193,062
Other	177	1,567
	<u>32,965</u>	<u>291,726</u>
NET ASSETS:		
Shareholders' equity:		
Capital stock ;		
Authorized - 714,000,000 shares		
Issued - 377,544,607 shares	13,341	118,062
Capital surplus	7,880	69,735
Retained earnings	40,443	357,901
Treasury stock		
- 3,856,532 shares	(659)	(5,832)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,851	34,080
Foreign currency translation adjustment	394	3,487
Remeasurements of defined benefit plans	(316)	(2,796)
 Total net assets	 <u>64,934</u>	 <u>574,637</u>
	<u>255,526</u>	<u>2,261,292</u>

Consolidated Statement of Income and Statement of Comprehensive Income

For the year ended March 31, 2016

Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
NET SALES:		
Completed construction contracts	343,648	3,041,133
COST OF SALES:		
Completed construction contracts	304,579	2,695,390
Gross profit	39,069	345,743
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>14,529</u>	<u>128,575</u>
Operating income	24,540	217,168
OTHER INCOME (EXPENSE):		
Interest and dividends income	135	1,195
Interest expenses	(351)	(3,106)
Provision for contingent loss	(9,368)	(82,903)
Other, net	<u>2,113</u>	<u>18,699</u>
Profit before income taxes	17,069	151,053
Income taxes		
Current	6,789	60,079
Deferred	<u>(1,812)</u>	<u>(16,035)</u>
Profit	<u>12,092</u>	<u>107,009</u>
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	<u>12,092</u>	<u>107,009</u>
	<u>(JPY)</u>	<u>(US\$)</u>
PER SHARE OF COMMON STOCK		
Basic profit	¥32.36	\$0.29

Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Profit	12,092	107,009
Other comprehensive income		
Valuation difference on available-for-sale securities	(243)	(2,150)
Foreign currency translation adjustment	(78)	(690)
Remeasurements of defined benefit plans	390	3,451
Share of other comprehensive income of associates accounted for using equity method	<u>(3)</u>	<u>(27)</u>
	66	584
Comprehensive income	<u>12,158</u>	<u>107,593</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,158	107,593
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statement of Cash Flows

For the year ended March 31, 2016

	(JPY million)	(US\$ thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income taxes	17,069	151,053
Depreciation and amortization	1,340	11,858
Increase (decrease) in allowance for doubtful accounts	(2,222)	(19,664)
Increase (decrease) in provision for contingent loss	7,836	69,345
Increase (decrease) in net defined benefit liability	(587)	(5,195)
Interest and dividends income	(135)	(1,195)
Interest expenses	351	3,106
Foreign exchange losses (gains)	52	460
Equity in (earnings) losses of affiliates	(57)	(504)
Loss (gain) on sales of investment securities	(871)	(7,708)
Decrease (increase) in notes and accounts receivable-trade	456	4,035
Decrease (increase) in costs on uncompleted construction contracts	676	5,982
Increase (decrease) in notes and accounts payable-trade	(15,185)	(134,381)
Increase (decrease) in advances received on uncompleted construction contracts	(826)	(7,310)
Increase (decrease) in other assets	676	5,982
Other, net	<u>2,856</u>	<u>25,278</u>
Sub-total	11,429	101,142
Interest and dividends income received	137	1,212
Interest expenses paid	(342)	(3,027)
Income taxes paid	<u>(6,990)</u>	<u>(61,858)</u>
Net cash provided by operating activities	4,234	37,469
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,130)	(18,850)
Proceeds from sales of property, plant and equipment	92	814
Purchase of investment securities	(564)	(4,991)
Proceeds from sale of investment securities	2,245	19,867
Payments of loans receivable	(68)	(602)
Collection of loans receivable	233	2,062
Other, net	<u>(256)</u>	<u>(2,265)</u>
Net cash used in investing activities	(448)	(3,965)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(883)	(7,814)
Proceeds from long-term loans payable	1,338	11,841
Repayment of long term loans payable	(2,572)	(22,761)
Cash dividends paid	(750)	(6,637)
Other, net	<u>(59)</u>	<u>(523)</u>
Net cash used in financing activities	(2,926)	(25,894)
EFFECT ON EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	<u>(141)</u>	<u>(1,247)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	719	6,363
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>71,703</u>	<u>634,540</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	72,422	640,903

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, 2016.

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

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2016
Technos Co., Ltd.	31 Mar. 2016
K&E Co., Ltd.	31 Mar. 2016
Techno-Space Creates Co., Ltd.	31 Mar. 2016
FATEC Co., Ltd.	31 Mar. 2016
Technical Support Co., Ltd.	31 Mar. 2016
Taiwan Kumagai Co., Ltd.	31 Dec. 2015

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 JPY113=US\$1, which was the approximate exchange rate at March 31, 2016.

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.