



CONSOLIDATED FINANCIAL STATEMENTS
together with
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

as of March 31,2018

KUMAGAI GUMI CO., LTD.
TOKYO, JAPAN

Consolidated Balance Sheet

March 31, 2018

	(JPY million)	(US\$ thousand)
Assets		
Current assets		
Cash and deposits	¥ 108,536	\$ 1,023,925
Notes receivable, accounts receivable from completed construction contracts and other	139,287	1,314,028
Costs on uncompleted construction contracts	6,905	65,142
Deferred tax assets	6,021	56,802
Accounts receivable - other	12,178	114,887
Other	7,309	68,952
Allowance for doubtful accounts	(148)	(1,396)
Total Current Assets	280,088	2,642,340
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,094	161,264
Machinery, vehicles, tools, furniture and fixtures	16,374	154,472
Land	10,524	99,283
Leased assets	262	2,472
Construction in progress	618	5,830
Accumulated depreciation	(25,367)	(239,311)
Total property, plant and equipment	19,505	184,010
Intangible assets	441	4,160
Investments and other assets		
Investment securities	24,382	230,019
Long-term loans receivable	858	8,094
Long-term non-operating accounts receivable	235	2,217
Claims provable in bankruptcy, claims provable in rehabilitation and other	69	651
Deferred tax assets	5,406	51,000
Other	2,820	26,604
Allowance for doubtful accounts	(271)	(2,557)
Total investments and other assets	33,499	316,028
Total non-current assets	53,445	504,198
Deferred assets		
Share Issuance Cost	132	1,245
Total deferred assets	132	1,245
Total assets	¥ 333,665	\$ 3,147,783

	(JPY million)	(US\$ thousand)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	¥ 76,043	\$ 717,387
Electronically recorded obligations - operating	29,297	276,387
Short-term loans payable	4,090	38,585
Income taxes payable	2,871	27,085
Advances received on uncompleted construction contracts	21,527	203,085
Deposits received	20,700	195,283
Provision for warranties for completed construction	433	4,085
Provision for loss on construction contracts	438	4,132
Provision for contingent loss	11,341	106,991
Provision for bonuses	3,911	36,896
Other	7,196	67,886
Total current liabilities	<u>177,847</u>	<u>1,677,802</u>
Non-current liabilities		
Long-term loans payable	10,389	98,009
Net defined benefit liability	16,677	157,330
Other	2,378	22,434
Total non-current liabilities	<u>29,444</u>	<u>277,773</u>
Total liabilities	<u><u>207,291</u></u>	<u><u>1,955,575</u></u>
Net assets		
Shareholders' equity		
Capital stock	30,108	284,038
Capital surplus	25,157	237,330
Retained earnings	68,540	646,604
Treasury shares	(189)	(1,783)
Total shareholders' equity	<u>123,616</u>	<u>1,166,189</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,699	25,462
Foreign currency translation adjustment	516	4,868
Remeasurements of defined benefit plans	(457)	(4,311)
Total accumulated other comprehensive income	<u>2,758</u>	<u>26,019</u>
Total net assets	<u>126,374</u>	<u>1,192,208</u>
Total liabilities and net assets	<u><u>¥ 333,665</u></u>	<u><u>\$ 3,147,783</u></u>

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

For the year ended March 31, 2018

Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
Net sales of completed construction contracts	¥ 374,019	\$ 3,528,481
Cost of sales of completed construction contracts	<u>333,789</u>	<u>3,148,953</u>
Gross profit on completed construction contracts	40,230	379,528
Selling, general and administrative expenses	<u>17,189</u>	<u>162,160</u>
Operating profit	<u>23,041</u>	<u>217,368</u>
Non-operating income		
Interest income	38	358
Dividend income	106	1,000
Share of profit of entities accounted for using equity method	144	1,358
Compensation for damage income	85	802
Reversal of allowance for doubtful accounts	13	123
Other	<u>138</u>	<u>1,302</u>
Total non-operating income	<u>524</u>	<u>4,943</u>
Non-operating expenses		
Interest expenses	241	2,274
Foreign exchange losses	28	264
Commission for syndicate loan	223	2,104
Capital and business alliance expenses	236	2,226
Amortization of share issuance cost	16	151
Other	<u>139</u>	<u>1,311</u>
Total non-operating expenses	<u>883</u>	<u>8,330</u>
Ordinary profit	<u>22,682</u>	<u>213,981</u>
Extraordinary income		
Gain on sales of non-current assets	22	208
Gain on sales of memberships	39	368
Other	<u>3</u>	<u>28</u>
Total extraordinary income	<u>64</u>	<u>604</u>
Extraordinary losses		
Loss on sales of non-current assets	17	160
Loss on retirement of non-current assets	84	792
Loss on litigation	49	462
Provision for contingent loss	481	4,538
Other	<u>20</u>	<u>190</u>
Total extraordinary losses	<u>651</u>	<u>6,142</u>
Profit before income taxes	<u>22,095</u>	<u>208,443</u>
Income taxes - current	5,387	50,821
Income taxes - deferred	<u>925</u>	<u>8,726</u>
Total income taxes	<u>6,312</u>	<u>59,547</u>
Profit	<u>15,783</u>	<u>148,896</u>
Profit attributable to owners of parent	<u>¥ 15,783</u>	<u>\$ 148,896</u>

Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Profit	¥ 15,783	\$ 148,896
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,722)	(16,245)
Foreign currency translation adjustment	127	1,198
Remeasurements of defined benefit plans, net of tax	(83)	(783)
Share of other comprehensive income of entities accounted for using equity method	(7)	(66)
Total other comprehensive income	<u>(1,685)</u>	<u>(15,896)</u>
Comprehensive income	<u>¥ 14,098</u>	<u>\$ 133,000</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,098	133,000
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	(JPY million)	(US\$ thousand)
Cash flows from operating activities		
Profit before income taxes	¥ 22,095	\$ 208,443
Depreciation	1,735	16,368
Amortization of share issuance cost	16	151
Increase (decrease) in allowance for doubtful accounts	(13)	(123)
Increase (decrease) in provision for contingent loss	(2,575)	(24,292)
Increase (decrease) in net defined benefit liability	(1,746)	(16,472)
Interest and dividend income	(145)	(1,368)
Interest expenses	241	2,274
Foreign exchange losses (gains)	30	283
Share of loss (profit) of entities accounted for using equity method	(144)	(1,358)
Loss (gain) on sales of non-current assets	(4)	(38)
Loss on retirement of non-current assets	84	792
Decrease (increase) in notes and accounts receivable - trade	(14,814)	(139,755)
Decrease (increase) in costs on uncompleted construction contracts	209	1,972
Increase (decrease) in notes and accounts payable - trade	8,048	75,925
Increase (decrease) in advances received on uncompleted construction contracts	6,910	65,189
Decrease (increase) in other assets and other	(668)	(6,302)
Other, net	3,879	36,594
Subtotal	23,138	218,283
Interest and dividend income received	147	1,387
Interest expenses paid	(242)	(2,283)
Income taxes paid	(5,402)	(50,962)
Net cash provided by (used in) operating activities	17,641	166,425
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,763)	(35,500)
Proceeds from sales of property, plant and equipment	130	1,226
Purchase of investment securities	(240)	(2,264)
Purchase of shares of subsidiaries and associates	(10,271)	(96,896)
Payments of loans receivable	(52)	(491)
Collection of loans receivable	186	1,755
Other, net	(0)	0
Net cash provided by (used in) investing activities	(14,010)	(132,170)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(420)	(3,962)
Proceeds from long-term loans payable	8,884	83,811
Repayments of long-term loans payable	(9,407)	(88,745)
Proceeds from issuance of common shares	33,385	314,953
Proceeds from disposal of treasury shares	1,151	10,858
Cash dividends paid	(2,621)	(24,726)
Other, net	(116)	(1,095)
Net cash provided by (used in) financing activities	30,856	291,094
Effect of exchange rate change on cash and cash equivalents	119	1,123
Net increase (decrease) in cash and cash equivalents	34,606	326,472
Cash and cash equivalents at beginning of period	73,926	697,415
Cash and cash equivalents at end of period	¥ 108,532	\$ 1,023,887

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.

- 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, 2018.

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

Company Name	Fiscal Year-End
GAEART Co., Ltd.	31 Mar. 2018
Technos Co., Ltd.	31 Mar. 2018
K&E Co., Ltd.	31 Mar. 2018
Techno-Space Creates Co., Ltd.	31 Mar. 2018
FATEC Co., Ltd.	31 Mar. 2018
Technical Support Co., Ltd.	31 Mar. 2018
Taiwan Kumagai Co., Ltd.	31 Dec. 2017

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 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 JPY106=US\$1, which was the approximate exchange rate at March 31, 2018.

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.