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(Securities Code: 1861)

June 7, 2016

To Our Shareholders

Yasushi Higuchi, President  
Kumagai Gumi Co., Ltd.  
Head Office: 2-6-8, Chuo, Fukui-shi  
Tokyo Head Office: 2-1, Tsukudo-cho,  
Shinjuku-ku, Tokyo

## CONVOCATION NOTICE OF THE 79TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams:

Notice is hereby given that the 79th Ordinary General Meeting of Shareholders of Kumagai Gumi Co., Ltd. (the “Company”) will be held as set forth below. You are cordially invited to attend the meeting.

If you are not able to attend the meeting, you may exercise your voting rights in writing or via the Internet, etc. After examining the reference materials for the ordinary general meeting of shareholders set forth below, please exercise your voting rights no later than 5:30 p.m. on Tuesday, June 28, 2016.

### Description

1. **Date and Time:** 10:00 a.m. on Wednesday, June 29, 2016
2. **Place:** Tokyo Head Office of the Company, Main Conference Room  
2-1, Tsukudo-cho, Shinjuku-ku, Tokyo
3. **Purpose:**  
**Matters to Be Reported:** 1. Report on the contents of the Business Report for the 79th fiscal year (from April 1, 2015 to March 31, 2016), on the contents of the consolidated financial statements and on

- the results of audit of the consolidated financial statements by the Accounting Auditors and the Audit & Supervisory Board
2. Report on the contents of the non-consolidated financial statements for the 79th fiscal year (from April 1, 2015 to March 31, 2016)

**Matters to Be Resolved:**

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

**4. Guide to Exercising Voting Rights**

- (1) Exercise of voting rights by postal mail

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

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

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

To exercise voting rights via the Internet, etc., please refer to the “Guide to Exercising Voting Rights via the Internet, etc.” on page 20.

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

[End of Notice]

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- \* Upon arrival at the meeting, please submit the Voting Form enclosed herewith to the reception at the entrance to the meeting place.
  - \* Among the statements to be provided upon this Convocation Notice, “the notes to the consolidated financial statements” and “the notes to non-consolidated financial statements” are disclosed by being posted on the Company’s website (<http://www.kumagaigumi.co.jp/>) pursuant to laws and regulations and the provisions of the Articles of Incorporation and are therefore not described in the attachment to this Convocation Notice. Please note that the consolidated financial statements and non-consolidated financial statements described in the attachment to

**this Convocation Notice are part of the consolidated financial statements and non-consolidated financial statements audited by the Accounting Auditors and Audit & Supervisory Board Members upon preparing the Accounting Audit Report and Audit Report, respectively.**

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

## Reference Materials for Ordinary General Meeting of Shareholders

### Proposal and Reference Matters

#### **Proposal 1:** Dividends from surplus

While striving to make stable distributions from a shareholder-oriented viewpoint and enhancing retained earnings to strengthen management foundation and expand operating revenue, upon careful consideration of the improved status of our earning capacity and the current business environment, the Company proposes to increase the amount of dividends with respect to the dividends for the 79th fiscal year as follows:

- (1) Type of Distributed Assets  
Cash
- (2) Matters Related to Allotment of Distributed Assets and Aggregate Amount Thereof  
The Company proposes to make cash dividend payments of JPY 4 per share in respect of the common stock of the Company.  
In this case, the total amount of dividend will amount to be JPY 1,499,000,612.
- (3) Effective Date of Dividends from Surplus  
June 30, 2016.

**Proposal 2:** Appointment of eight (8) Directors

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

The candidates for Directors are as follows:

**Candidates for Directors**

| Candidate No. | Name<br>(Date of Birth)                        | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices |   | Number of Shares Owned by Candidate |
|---------------|--|---|---|-------------------------------------|
| 1             | Yasushi Higuchi<br>(Born on February 14, 1952) | April 1976  | Joined the Company  | 38,000<br>shares                    |
|               |  | June 2003   | Representative Director and President of K&E Co., Ltd.  |                                     |
|               |  | April 2008  | Executive Officer of the Company  |                                     |
|               |  | April 2008  | Branch Manager of the Tohoku Branch of the Company  |                                     |
|               |  | April 2011  | Managing Executive Officer of the Company   |                                     |
|               |  | July 2011   | Branch Manager of the Kansai Branch of the Company  |                                     |
|               |  | April 2012  | Senior Managing Executive Officer of the Company  |                                     |
|               |  | April 2013  | Executive Vice President of the Company   |                                     |
|               |  | April 2013  | General Manager of the Architectural Management Division of the Company   |                                     |
|               |  | April 2013  | General Manager of the Architectural Design Management Division of the Architectural Management Division of the Company |                                     |
|               |  | June 2013   | President of the Company (current)  |                                     |

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|            |  | June 2013   | Executive President of the Company (current) |               |
|            | <p>&lt;Reason for selecting him/her as candidate for Director&gt;</p> <p>In addition to extensive business experience in the Architectural Management Division, Mr. Higuchi has an abundant management record, having held positions as the President of our subsidiary, K&amp;E Co., Ltd., and the Branch Manager of the Tohoku Branch as well as the Kansai Branch. In addition, he has played a leading role for the Group as the Representative Director and President since June 2013 and has strived to improve the corporate value of the Company under the slogan of "Management by All." The Company proposes that Mr. Higuchi's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the execution of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |   |  |               |
| 2          | Kazuo Ishigaki<br>(Born on April 30, 1952)   | April 1978  | Joined the Company                           | 47,000 shares |
| April 2006 |  | Executive Officer of the Company  |  |               |
| April 2006 |  | General Manager of the Civil Engineering Management Division of the Company                                   |  |               |
| April 2006 |  | Manager of the Business Strategy Promotion Office of the Civil Engineering Management Division of the Company |  |               |
| June 2006  |  | Director of the Company   |  |               |
| March 2007 |  | Manager of the Civil Engineering Division of the Metropolitan Branch of the Company                           |  |               |
| April 2007 |  | Managing Director of the Company  |  |               |
| April 2007 |  | Managing Executive Officer of the Company   |  |               |
| April 2008 |  | Joint General Manager of the Civil Engineering Management Division of the Company                             |  |               |

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|   |  | April 2008 | General Manager of the Marketing Department of the Civil Engineering Management Division of the Company   |  |
|   |  | April 2010 | In charge of the Railway Sales Department of the Civil Engineering Management Division of the Company     |  |
|   |  | April 2011 | General Manager of the Civil Engineering Management Division of the Company                               |  |
|   |  | April 2012 | Senior Managing Director of the Company   |  |
|   |  | April 2012 | Senior Managing Executive Officer of the Company  |  |
|   |  | April 2012 | General Manager of the Special Project Office of the Civil Engineering Management Division of the Company |  |
|   |  | April 2012 | In charge of Health and Safety of the Company (current)   |  |
|   |  | April 2012 | In charge of the Safety Management Division of the Company  |  |
|   |  | April 2014 | Director and Executive Vice President of the Company (current)  |  |
|   |  | April 2014 | Executive Vice President of the Company (current)   |  |
|   |  | April 2014 | In charge of Quality and Environment of the Company   |  |
| <p>&lt;Reason for selecting him/her as candidate for Director&gt;</p> <p>Mr. Ishigaki has extensive knowledge and abundant business experience in the Civil Engineering Management Division, having been engaged in the Civil Engineering Management Division since he joined the Company, held a number of senior positions such as Manager of the Civil Engineering Management Division and thereafter assumed the position</p> |  |            |   |  |

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|  | <p>of General Manager of the Civil Engineering Management Division. Furthermore, Mr. Ishigaki has held the position of Representative Director and Executive Vice President since June 2015 and has become a part of the management of the Group. The Company proposes that Mr. Ishigaki's appointment as a Director continue based on the its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the execution of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |   |   |               |
| 3  | <p>Susumu Ogawa<br/>(Born on August 29, 1957)</p>   | April 2010  | Manager of Public and Finance Institutions of Sumitomo Mitsui Banking Corporation | 16,000 shares |
| April 2012   |   | Senior Inspector of the Audit Department of Sumitomo Mitsui Banking Corporation                   |   |               |
| June 2012  |   | Executive Advisor of the Company  |   |               |
| July 2012  |   | Managing Executive Officer of the Company   |   |               |
| July 2012  |   | In charge of the Marketing of Architectural Management Division of the Company                    |   |               |
| June 2013  |   | Managing Director of the Company  |   |               |
| April 2014   |   | Senior Managing Director of the Company (current)   |   |               |
| April 2014   |   | Senior Managing Executive Officer of the Company (current)  |   |               |
| April 2014   |   | In charge of New Business/ International Business/Domestic Architectural Marketing of the Company |   |               |
| April 2015   |   | In charge of International Business/ Domestic Architectural Marketing of the Company (current)    |   |               |
| <p>&lt;Reason for selecting him/her as candidate for Director&gt;<br/>         After Mr. Ogawa joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation), in addition to abundant overseas experience from being involved in international</p> |   |   |   |               |



|   |   |   |                    |                          |
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|   | <p>finance in the United States where he was dispatched, he has held a number of senior positions, such as Manager of Public and Finance Institutions. Furthermore, after joining the Company, he has extensive business experience from being in charge of Domestic Architectural Marketing, in addition to International Business. The Company proposes that Mr. Ogawa's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the execution of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |   |                    |                          |
| 4   | <p>Toshiaki Hotta<br/>(Born on June 12, 1954)</p>   | April 1978  | Joined the Company | <p>28,000<br/>shares</p> |
| April 2010  |   | Executive Officer of the Company  |                    |                          |
| April 2010  |   | Branch Manager of the Nagoya Branch of the Company                                |                    |                          |
| April 2013  |   | Managing Executive Officer of the Company   |                    |                          |
| June 2013   |   | Managing Director of the Company  |                    |                          |
| April 2014  |   | Senior Managing Director of the Company (current)                                 |                    |                          |
| April 2014  |   | Senior Managing Executive Officer of the Company (current)                        |                    |                          |
| April 2014  |   | General Manager of the Architectural Management Division of the Company (current) |                    |                          |
| <p>&lt;Reason for selecting him/her as candidate for Director&gt;</p> <p>Mr. Hotta has extensive knowledge and abundant business experience in the Architectural Management Division, having been engaged in the Architectural Management Division since he joined the Company, held a number of senior positions such as Project Manager of large-scale construction work and General Manager of the Architectural Management Department and thereafter assumed the position of General Manager of the Architectural Management Division. Furthermore, he has a record of regional management as the Nagoya Branch Manager from April 2010 to March 2014. The Company proposes that Mr. Hotta's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the execution of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |   |   |                    |                          |

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| 5  | Yasunori Sakurano<br>(Born on July 2, 1957)   | April 1981 | Joined the Company  | 26,000<br>shares |
|  |   | April 2010 | General Manager of the Personnel Department of the Administration Division of the Company               |                  |
|  |   | April 2011 | Executive Officer of the Company  |                  |
|  |   | April 2012 | In charge of the Planning Office of the Company   |                  |
|  |   | April 2012 | In charge of the Public Relations Office of the Company   |                  |
|  |   | April 2012 | In charge of the CSR Promotion Office of the Company  |                  |
|  |   | June 2012  | Director of the Company   |                  |
|  |   | July 2012  | General Manager of the Planning Office of the Company   |                  |
|  |   | April 2014 | Managing Director of the Company (current)  |                  |
|  |   | April 2014 | Managing Executive Officer of the Company (current)   |                  |
|  |   | April 2014 | General Manager of the Management & Administration Division of the Company                              |                  |
|  |   | April 2014 | Manager of the Corporate Planning Department of the Management & Administration Division of the Company |                  |
|  |   | April 2015 | General Manager of the Corporate Planning Division of the Company (current)                             |                  |
| April 2016   | General Manager of the Diversity Promotion Office of Corporate Planning Division of the Company (current) |            |   |                  |
| <p>&lt;Reason for selecting him/her as candidate for Director&gt;</p> <p>Mr. Sakurano, having held a number of senior positions such as General Manager of the Personnel Department and General Manager of the Planning Office since he joined the</p> |   |            |   |                  |

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|  | <p>Company and thereafter assumed the position of General Manager of the Management &amp; Administration Division, has a record of playing a leading role in developing the Midterm Management Plan (Fiscal years 2015-2017) of the Company. Furthermore, he has held the position of General Manager of the Corporate Planning Division since April 2015 and strived to develop new business and improve the long-term corporate value of the Company with group growth strategies, etc. The Company proposes that Mr. Sakurano's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the execution of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |   |                    |                          |
| 6  | <p>Yoshihiko Kato<br/>(Born on August 24, 1958)</p>   | April 1982  | Joined the Company | <p>14,000<br/>shares</p> |
| April 2013   |   | Executive Officer of the Company  |                    |                          |
| April 2013   |   | Deputy General Branch Manager of the Tohoku Branch of the Company   |                    |                          |
| April 2013   |   | In charge of Earthquake Recovery at the Tohoku Branch of the Company  |                    |                          |
| April 2014   |   | Managing Executive Officer of the Company (current)   |                    |                          |
| April 2014   |   | General Manager of the Civil Engineering Management Division of the Company (current)   |                    |                          |
| June 2014  |   | Managing Director of the Company (current)  |                    |                          |
| May 2016   |   | General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company (current) |                    |                          |
| <p>&lt;Reason for selecting him/her as candidate for Director&gt;</p> <p>Mr. Kato has extensive knowledge and abundant business experience in the Civil Engineering Management Division, having been engaged in the Civil Engineering Management Division since he joined the Company and been involved in excavating work on numerous tunnel, held a number of senior positions such as General Manager of the Technical Center, East Japan</p> |   |   |                    |                          |

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|   | Area of the Civil Engineering Management Division and Tohoku Branch Deputy General Manager/In charge of Earthquake Recovery and thereafter assumed the position of General Manager of the Civil Engineering Management Division. The Company proposes that Mr. Kato's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the execution of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences. |            |   |              |
| 7   | Candidate for Outside Director<br><br>Independent<br><br>Koichi Hironishi<br>(Born on July 7, 1945)  | April 1968 | Joined FUJITSU LIMITED  | 1,000 shares |
|   |  | April 2001 | General Manager of the Consumer Transaction Division of FUJITSU LIMITED     |              |
|   |  | June 2003  | Representative Director and President of Fujitsu Advanced Solutions Limited |              |
|   |  | May 2005   | Corporate Executive Officer of FUJITSU LIMITED                              |              |
|   |  | June 2008  | Director and Vice President of FUJITSU LIMITED                              |              |
|   |  | June 2009  | Representative Director and Vice President of FUJITSU LIMITED               |              |
|   |  | April 2010 | Representative Director of FUJITSU LIMITED                                  |              |
|   |  | June 2010  | Retired from FUJITSU LIMITED  |              |
|   |  | June 2010  | Representative Director and Chairman of FUJITSU FSAS INC.                   |              |
|   |  | June 2012  | Retired from FUJITSU FSAS INC.  |              |
|   |  | June 2015  | Director of the Company (current)   |              |
| <p>&lt;Reason for selecting him/her as candidate for Outside Director&gt;</p> <p>Mr. Hironishi has an abundant management record, having held a number of senior positions such as General Manager of the Consumer Transaction Division after joining FUJITSU LIMITED and assumed the position of Representative Director of FUJITSU LIMITED and its group companies. The Company proposes that Mr. Hironishi's appointment as an Outside Director continue based on its evaluation that he has appropriately fulfilled his role as a</p> |  |            |   |              |

|   |   |  |   |          |
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|   | <p>Director by making important management decisions and supervising the execution of operations and its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company because of his abundant experience and extensive knowledge accumulated from his past performance.</p> <p>&lt;Matters concerning independence&gt;</p> <p>Mr. Hironishi satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 19 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.</p> |  |   |          |
| 8 | <p>Candidate for Outside Director</p> <p><u>New Appointment</u></p> <p><u>Independent</u></p> <p>Mikie Yumoto<br/>(Born on August 5, 1947)</p>  | <p>April 1971</p> <p>May 1981</p> <p>January 1995</p> <p>January 1997</p> <p>January 1999</p> <p>January 2002</p> <p>January 2003</p> <p>December 2005</p> | <p>Joined IBM Japan, Ltd.</p> <p>Joined American Family Life Assurance Company of Columbus, Japan Branch (abbrev. Aflac: American Family Life Assurance Company)</p> <p>Manager of Human Resources Development Department of Aflac</p> <p>Director of Aflac (In charge of Human Resources /Education/Employees' Pension Fund/Health Insurance Association)</p> <p>Executive Officer of Aflac (In charge of Human Resources/Education /Employees' Pension Fund/Health Insurance Association)</p> <p>Executive Officer of Aflac (In charge of the Customer Service Division/Fee Division)</p> <p>Advisor of Aflac</p> <p>Retired from Aflac</p> | - shares |

|  |  |                 |   |  |
|--|--|-----------------|---|--|
|  |  | January<br>2006 | Representative of Rischiare<br>Consulting (current) |  |
| <p>&lt;Reason for selecting him/her as candidate for Outside Director&gt;</p> <p>Ms. Yumoto has business experience in hiring and educating numerous employees as Manager of Human Resources Development Department after joining American Family Life Assurance Company of Columbus, Japan Branch (abbrev. Aflac: American Family Life Assurance Company) as well as a record of participating in management as officer in charge of Human Resources. Furthermore, currently, she is working on issues such as diversity management, work-life balance, promoting female advancement through giving lectures at corporations and universities as Representative of Rischiare Consulting. The Company proposes to newly appoint Ms. Yumoto as an Outside Director based on its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company because of her abundant experience and extensive knowledge accumulated from her past performance.</p> <p>&lt;Matters concerning independence&gt;</p> <p>Ms. Yumoto satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, she satisfies the Company's Criteria for Determination of Independence set forth on page 19 below and if she is elected as an Outside Director, the Company will notify the Tokyo Stock Exchange that she becomes an independent officer.</p> |  |                 |   |  |

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

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

The terms of office of Mr. Takashi Kakimi, Outside Audit & Supervisory Board Member, will expire at the closing of this ordinary general meeting of shareholders. Therefore, the Company proposes to appoint one (1) Audit & Supervisory Board Member. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

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

**Candidate for Audit & Supervisory Board Member**

| Name<br>(Date of Birth)   | Brief Personal Record, Title in the Company and Status of Major Concurrent Offices |   | Number of Shares Owned by Candidate |
|---|--|---|-------------------------------------|
| <p>Candidate for Outside Audit &amp; Supervisory Board Member</p> <p>Independent</p> <p>Takashi Kakimi</p> <p>(Born on December 27, 1942)</p>   | April 1965   | Joined the National Police Agency   | 18,000 shares                       |
|   | September 1993   | Director-General of the Criminal Investigation Bureau of the National Police Agency |                                     |
|   | September 1995   | President of National Police Academy  |                                     |
|   | April 1999   | Admitted to the Bar of Japan  |                                     |
|   | April 1999   | Joined Hibiya Law Office  |                                     |
|   | June 1999  | Corporate Auditor of Nippon COMSYS Corporation                                      |                                     |
|   | June 2001  | Corporate Auditor of Sumitomo Electric Industries, Ltd. (current)                   |                                     |
|   | September 2003   | Corporate Auditor of COMSYS Holdings Corporation                                    |                                     |
|   | October 2003   | Joined Shoyu Law Office (current)   |                                     |
|   | June 2008  | Audit & Supervisory Board Member of the Company (current)                           |                                     |
| <p>&lt;Reason for selecting him/her as candidate for Outside Audit &amp; Supervisory Board Member&gt;</p> <p>Mr. Kakimi has extensive practical experience, having held a number of senior positions such as Director-General of the Criminal Investigation Bureau and President of the National Police Academy after joining the National Police Agency, and after being admitted to the Bar of Japan, he has served as Outside Corporate Auditor of several listed companies in addition to engaging in services as an attorney-at-law. The Company proposes that Mr. Kakimi's appointment as an Outside Audit &amp; Supervisory Board Member continue based on its evaluation that the Company can expect to receive appropriate auditing of the management of the Company from objective standpoint utilizing his abundant experience accumulated from his past performance and legal knowledge. Although he has not previously been engaged in the</p> |  |   |                                     |

management of a company other than by serving as an outside officer, the Company believes he will fulfill the duties of an Outside Audit & Supervisory Board Member appropriately due to the reasons stated above.

<Matters concerning independence>

Mr. Kakimi satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 19 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.

- (Note)
1. There is no special interest between the candidate and the Company.
  2. Sumitomo Electric Industries, Ltd. ("Sumitomo Electric"), where Mr. Takashi Kakimi currently serves as Outside Corporate Auditor, received a surcharge payment order from the Japan Fair Trade Commission in January 2012 for engaging in acts violating the Anti-monopoly Act of Japan in regard to transactions for automobile wire harness related products, received a decision from the European Commission in July 2013 for engaging in acts violating the European Competition Act, and furthermore, was ordered to pay a penalty pursuant to the Anti-monopoly Act of China from the National Development and Reform Commission of China in August 2014. With respect to receiving orders for overhead power transmission line work for Tokyo Electric Power Company, Inc., Sumitomo Electric received a cease and desist order from the Japan Fair Trade Commission in December 2013 for engaging in acts violating the Anti-monopoly Act of Japan. Furthermore, with respect to transactions related to high voltage/special high voltage power cables, Sumitomo Electric was subject to a penalty from the European Commission in April 2014 for engaging in acts violating the European Competition Act. Although Mr. Kakimi was unaware of these facts until they were uncovered, he has regularly confirmed and expressed his opinion on compliance in terms of internal control systems and implementation of specific measures. Furthermore, after the issues were uncovered, he made statements on measures for compliance with competition laws and through implementation and establishment of such measures in order to eradicate violations of anti-monopoly acts and to prevent the recurrence of such violations.
  3. Mr. Takashi Kakimi is currently the Outside Audit & Supervisory Board Member of the Company and as of the closing of this ordinary general meeting of shareholders, he will have been the Outside Audit & Supervisory Board Member for eight (8) years since assuming the position of the Outside Audit & Supervisory Board Member.
  4. The Company has entered into a liability limitation agreement with Mr. Takashi Kakimi which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said act, and the Company plans to renew such agreement if he is reelected.



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

**Candidate for Substitute Audit & Supervisory Board Member**

| Name<br>(Date of Birth)  | Brief Personal Record, Title in the Company and Status of Major Concurrent Offices |   | Number of Shares Owned by Candidate |
|--|--|---|-------------------------------------|
| <p>Independent</p> <p>Akira Maekawa<br/>(Born on October 9, 1972)</p>  | April 1999   | Admitted to Bar of Japan  | - shares                            |
|  | April 1999   | Joined Okamura Law Office   |                                     |
|  | February 2006  | Financial Securities Inspector of the Kanto Local Finance Bureau of the Ministry of Finance |                                     |
|  | January 2008   | Joined Masuda & Partners Law Office   |                                     |
|  | August 2009  | Established Maekawa Akira Law Office  |                                     |
|  | February 2011  | Joined IOTA Law Office (current)  |                                     |
|  | April 2016   | Deputy Chairman of the Daiichi Tokyo Bar Association (current)                              |                                     |
| <p>&lt;Reason for selecting him/her as candidate for Substitute Audit &amp; Supervisory Board Member&gt;</p> <p>In addition to professional expertise and abundant practical experience as an attorney-at-law, Mr. Maekawa has served with the Kanto Local Finance Bureau of the Ministry of Finance from February 2006 to January 2008 and has engaged in enhancement of the risk structures of financial institutions and facilitation of financial system as Financial Securities Inspector. The Company proposes to appoint Mr. Maekawa as a Substitute Audit &amp; Supervisory Board Member based on its judgment that the Company can expect to receive appropriate auditing of the management of the Company from an objective standpoint utilizing his abundant experience accumulated from his past performance and legal knowledge. Although he has not previously been engaged in the management of a company, the Company believes he will fulfill the duties of an Outside Audit &amp; Supervisory Board Member appropriately due to the reasons stated above.</p> <p>&lt;Matters concerning independence&gt;</p> <p>Mr. Maekawa satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 19 below and if he assumes the position of Outside Audit &amp; Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that he becomes an independent officer.</p> |  |   |                                     |

(Note) 1. There is no special interest between the candidate and the Company.

2. Mr. Maekawa is to be appointed as substitute for Outside Audit & Supervisory Board Member.
3. If Mr. Maekawa is appointed, the Company plans to enter into a liability limitation agreement which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act.

**(Reference)**

<Company's Criteria for Determination of Independence>

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

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

[End]

## **Guide to Exercising Voting Rights via the Internet, etc.**

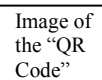
If you are exercising your voting rights via the Internet, etc., please acknowledge the following matters in advance.

### **1. Website for Exercising Voting Rights**

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

URL of the website for exercising voting rights: <http://www.web54.net>

\*The website for exercising voting rights may be accessed by scanning the “QR Code<sup>®</sup>” (shown to the right) with your cellular phone bar-code scanner. For details of this operation, please refer to your cellular phone instruction manual.

A small rectangular box containing the text "Image of the 'QR Code'" in a serif font.

(QR Code is a registered trademark of DENSO WAVE INCORPORATED)

### **2. Exercising Voting Rights**

- (1) To exercise voting rights via the Internet, please enter your “Code for Exercising Voting Rights” and “password” indicated in the enclosed Voting Form, follow the instruction on the screen and enter approval/disapproval for the respective proposals.
- (2) The deadline for exercising your voting rights is 5:30 p.m. on Tuesday, June 28, 2016, and we ask you to exercise your voting rights ahead of time.
- (3) If you exercise your voting rights twice both by sending the Voting Form and via the Internet, etc., the votes submitted via the Internet, etc. will be deemed effective. Furthermore, if you exercise your voting rights more than once via the Internet, etc. or both by personal computer and by cellular phone, only your most recent exercise of voting rights will be accepted as effective.
- (4) The fees incurred for internet service providers and communications operators upon using the website (i.e., connection fees) to exercise voting rights shall be borne by the shareholder.

### **3. Handling of Password and Code for Exercising Voting Rights**

- (1) Passwords are important information to verify the identity of the person exercising voting rights as a shareholder. As is the case with personal seals and security codes, please do not disclose them to others.
- (2) Your password will be invalidated if an incorrect password is entered for a certain number of times. If you wish to have your password reissued, please follow the

procedures on the screen.

- (3) The Code for Exercising Voting Rights described in the Voting Form is effective only for this ordinary general meeting of shareholders.

#### **4. System Requirements**

If you are exercising your voting rights via the Internet, please confirm the following with respect to the system that you are using:

- (1) If accessing website from a personal computer
- A. The screen resolution is greater than 800x600 dots (SVGA).
  - B. The following applications are installed:
    - (a) Web browser: Microsoft<sup>®</sup> Internet Explorer Ver. 5.01 SP2 or later.
    - (b) PDF file viewer: Adobe<sup>®</sup> Acrobat<sup>®</sup> Reader<sup>®</sup> Ver. 4.0 or later, or Adobe<sup>®</sup> Reader<sup>®</sup> Ver. 6.0 or later
- \* Internet Explorer is the registered trademark, trademark and product name of Microsoft Corporation in the U.S. and worldwide; and Adobe<sup>®</sup> Acrobat<sup>®</sup> Reader<sup>®</sup> and Adobe<sup>®</sup> Reader<sup>®</sup> are the registered trademarks, trademarks and product names of Adobe Systems Incorporated in the U.S. and worldwide.
- \* These software are distributed on the website of each company free of charge.
- (2) If accessing the website from a cellular phone
- A model capable of encrypted communication of 128bit SSL (Secure Socket Layer)

#### **5. Contact Information for Inquiries Regarding Operation of Personal Computer, etc.**

- (1) **For inquiries regarding operation of personal computer or cellular phone, etc., to exercise voting rights via website, please contact:**
- Sumitomo Mitsui Trust Bank, Stock Transfer Agency Web Support  
[Telephone] (toll free) 0120-652-031 (Operating Hours: 9:00 a.m. to 9:00 p.m.)
- (2) **For other inquiries:**
- A. Shareholders who hold an account with a securities company:  
If you hold an account with a securities company, please inquire with your securities company.
  - B. Shareholders who do not hold an account with a securities company (shareholders who hold special accounts):  
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Administration Center  
[Telephone] (toll free) 0120-782-031 (Operating Hours: 9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays and national holidays))

#### **6. Use of Electronic Voting Platform (for institutional investors)**

With respect to this ordinary general meeting of shareholders, institutional investors may

exercise their voting rights by electronically through the “Electronic Voting Platform” operated by ICJ Incorporated.

(Attachment)

## **BUSINESS REPORT**

(From April 1, 2015 to March 31, 2016)

### **1. Matters Regarding Current Status of Group**

#### **(1) Progress and Results of Operation**

Although the Japanese economy during this consolidated fiscal year has observed some slowness in production and export due to the effects of economic slowdown in emerging countries and resource-producing countries, there was a rebound trend in the capital expenditures as the corporate earnings began to recover, the consumer spending firmly developed against a backdrop of a steady improvement in the employment and income environment, and the economy has continued to gradually recover with occasional standstill periods.

With respect to the construction industry, despite the fact that corporate construction investments have maintained a certain level and housing investments have increased, the environment for receiving orders has weakened as a whole as public investment is gradually decreasing despite its still high level. Furthermore, in terms of costs, there continues to be inherent risk in the business environment, although the shortage of construction engineers and technical personnel and the elevated labor costs have partially started to ease.

Under such circumstances, the Group is putting full effort into developing an earning foundation for the future based on the “Midterm Management Plan (Fiscal years 2015-2017)” formulated in May 2015.

With respect to the consolidated results for the Group during this consolidated fiscal year, the net sales decreased by 5.1%, compared to the previous consolidated fiscal year, to JPY 343.6 billion. In regard to income, the operating income was JPY 24.5 billion and the ordinary income was JPY 25.7 billion as a result of the improved gross profit margin. Furthermore, the comprehensive income attributable to owners of the parent was JPY 12 billion as a result of recording special loss such as the provision for contingent loss.

The contingent loss mainly consist of the expense for measures resulting from the change in remedial policies with respect to the condominium located in Yokohama, in which the Company’s construction defect was found in 2014. The Company has decided that it was

the Company's responsibility to find the earliest possible solution since we cannot impose any more strains on the owners, the residents, and all of the related parties.

As the building contractor, we feel deeply responsible for the construction defects issues of the said condominium, and sincerely apologize to the owners, the residents, the shareholders and the related parties for the substantial trouble and concerns that we have caused.

The results of operations of the Company are as follows:

The amount of orders received decreased by 10.9%, compared to the previous fiscal year, to JPY 293.5 billion, due to a decrease in domestic architectural construction work, etc. Among these orders received, the civil engineering work amounted to JPY 109.4 billion, and the architectural construction work amounted to JPY 184 billion. As for the breakdown by orderer, 32.1% was from government agencies and 67.9% was from private business.

The net sales decreased by 7.2%, compared to the previous fiscal year, to 267.4 billion yen. Among these, the civil engineering work amounted to JPY 90.1 billion and the architectural construction work amounted to JPY 177.3 billion. As for the breakdown by orderer, 39.3% was from government agencies and 60.7% was from private business.

The amount carried forward to the following business year increased by 8.7%, compared to the previous fiscal year, to JPY 325.2 billion.

With respect to income, the ordinary income amounted to JPY 22 billion as a result of improved gross profit margin; and the net income was JPY 10.3 billion.

The Company's status by division is as follows:

#### [Civil Engineering]

The amount of orders received for civil engineering work decreased by 5.4%, compared to the previous fiscal year, to JPY 109.4 billion.

The major contracts are: East Nippon Expressway Company Limited: Yamagata Zao tunnel work on the Tohoku Chuo Expressway (Yamagata); Japan Railway Construction, Transport and Technology Agency: Futatsumori Tunnel (Kanoko), etc., for Hokkaido Shinkansen (Hokkaido); Japan Railway Construction, Transport and Technology Agency: Fukui Takayanagi elevated bridge, etc., for Hokuriku Shinkansen (Fukui); J-POWER: work for downstream scour measure (long-term measure) at Funagira Dam (Shizuoka), etc.



The completed construction contracts decreased by 7.4%, compared to the previous fiscal year, to JPY 90.1 billion.

The major completed works are: Ministry of Land, Infrastructure, Transport and Tourism: box culvert No. 5 work at Tajiri area (Chiba); East Nippon Expressway Company Limited: Iwafune construction work on the Tohoku Expressway (Tochigi); Ministry of Land, Infrastructure, Transport and Tourism: embankment work at Nagatsura estuarine area downstream of Kitakami River (Miyagi); Chubu Electric Power Co., Inc.: main civil engineering work, first construction area work among the new construction work for Tokuyama Power Plant (Gifu), etc.

[Architectural Construction]

The amount of orders received for architectural construction work decreased by 13.9%, compared to the previous fiscal year, to JPY 184 billion.

The major contracts are: National Hospital Organization: development work (architectural construction) including rebuilding of the Sendai Medical Center (Miyagi); Mitsui Fudosan Residential Co., Ltd.: project at 7-chome, Sakaemachi-dori, Chuo-ku, Kobe (tentative name) (Hyogo); Tokyohakuzen Co.,Ltd.: new construction work of Yotsugi funeral hall (Tokyo); Medical Corporation Kenko Kai: construction work (phase II) of new hospital ward at Tokyo General Hospital (Tokyo), etc.

The completed construction contracts decreased by 7.1%, compared to the previous fiscal year, to JPY 177.3 billion yen.

The major completed works are: Mitsubishi Jisho Residence Co., Ltd.: new construction work project at 18 Shinkoyasu 1-chome (Kanagawa); Ministry of Land, Infrastructure, Transport and Tourism: construction work of expansion ward (11) of Sendai First Local Joint Government Office (Miyagi); Social Medical Corporation Kagoshima Aishin Kai: construction work of Osumikanoya Hospital (Kagoshima); Mitsui Fudosan Co., Ltd.: Mitsui Outlet Park Hokuriku Oyabe project (tentative name) (Toyama), etc.

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

(Units: in JPY millions)

| Classification             | Amount carried forward from previous fiscal year | Amount of orders received for this fiscal year | Net sales of this fiscal year | Amount carried forward to following fiscal year |
|----------------------------|--|--|-------------------------------|---|
| Civil Engineering          | 119,604  | 109,463  | 90,106                        | (138,962)<br>138,957                            |
| Architectural Construction | 179,592  | 184,094  | 177,391                       | (186,295)<br>186,304                            |
| Total                      | 299,197  | 293,558  | 267,497                       | (325,258)<br>325,262                            |

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

The increased amount due to this revision is JPY 4 million, and the figures in parentheses are the amounts prior to the revision.

**(2) Status of Capital Expenditures**

The total amount of capital expenditures spent during this consolidated fiscal year was JPY 2.2 billion, which primarily consisted of purchase and renewal, etc., of machinery and equipment.

**(3) Status of Funding**

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

**(4) Issues to be Addressed**

Although the downturn in the economies of the emerging countries and resource-producing countries poses a risk to the future of the Japanese economy, the economic condition is expected to gradually recover as the employment and income environment continue to improve and various measures come into effect.

In the construction industry, public investments, which are still maintaining a high investment level, are considered to gradually decrease, but since private sector construction work is expected to continue to increase as corporate earnings improve, and residential investments are also considered to maintain a certain level, the environment for securing orders is expected to gradually move toward recovery. On the other hand, we need to continue to note the risks of continued shortage and high cost of construction engineers and technical personnel.

Under such circumstances, the Group, in the movement toward “growth” from “rehabilitation,” is striving to prepare for the earning foundation in the future by formulating

the “Midterm Management Plan (Fiscal years 2015-2017)” with the aim to ensure stable profitability in the future that is not affected by market conditions.

In addition to the earthquake recovery work in Tohoku as well as reinforcement and deterioration countermeasures of social infrastructure, under the current construction market, a certain construction demand is expected in the medium term, such as the investments related to the Tokyo Olympics and Paralympics in 2020 and the new installation of the Linear Chuo Shinkansen.

However, on and after 2020, the overall construction market is expected to shrink as the quality of social infrastructure development will change from building “new” infrastructures to “maintaining and renewing” existing infrastructures. In order to establish a stable earning foundation in the future that is not affected by the market environment, the Group will focus on a growth strategy that incorporates synergistic effect by working cooperatively among the group companies.

In order to realize “quality of happiness” that provides continued satisfaction to people gathering at or using the architectural construction, not only shall the Company value the exterior and functional quality of the architectural construction, but also aim to become a “construction service business operator” that delivers maximum “excitement” to our customers under the slogan of “Management by All.”

Please note that GAEART TK Co., Ltd., one of our subsidiaries, was indicted on February 29, 2016, for being charged with violation of the Anti-monopoly Act with respect to road construction work ordered by East Nippon Expressway Company Limited. The Group solemnly and sincerely accepts and acknowledges this matter, and we will keep an observant eye on the future developments and will put utmost effort to further enhance the compliance structure of the aforementioned subsidiary and the internal control of the Group.

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

## (5) Changes in Financial Conditions and Results of Operations

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

| Classification  | Units          | 76th fiscal year<br>(Fiscal year<br>ended March<br>31, 2013) | 77th fiscal year<br>(Fiscal year<br>ended March<br>31, 2014) | 78th fiscal year<br>(Fiscal year<br>ended March<br>31, 2015) | 79th fiscal year<br>(This<br>consolidated<br>fiscal year)<br>(Fiscal year<br>ended March<br>31, 2016) |
|---|----------------|--|--|--|---|
| Net sales   | JPY<br>million | 260,753  | 328,900  | 362,090  | 343,647   |
| Comprehensive<br>income/(loss)<br>attributable to<br>owners of the parent | JPY<br>million | (1,083)  | 4,299  | 5,458  | 12,092  |
| Net income/(loss)<br>per share  | JPY            | (5.91)   | 19.71  | 15.72  | 32.35   |
| Total assets  | JPY<br>million | 202,800  | 235,929  | 255,514  | 255,525   |
| Net assets  | JPY<br>million | 45,471   | 50,461   | 53,551   | 64,933  |

(Note) “Net income/(loss) per share” is calculated based on the average number of shares of the common stock during the fiscal year.

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

| Classification                 | Units          | 76th fiscal year<br>(Fiscal year<br>ended March<br>31, 2013) | 77th fiscal year<br>(Fiscal year<br>ended March<br>31, 2014) | 78th fiscal year<br>(Fiscal year<br>ended March<br>31, 2015) | 79th fiscal year<br>(This fiscal<br>year)<br>(Fiscal year<br>ended March<br>31, 2016) |
|--------------------------------|----------------|--|--|--|---|
| Amount of orders<br>received   | JPY<br>million | 233,429  | 291,024  | 329,495  | 293,558   |
| Net sales                      | JPY<br>million | 194,918  | 256,875  | 288,158  | 267,497   |
| Net income/(loss)              | JPY<br>million | (2,389)  | 3,536  | 6,778  | 10,392  |
| Net income/(loss)<br>per share | JPY            | (12.95)  | 16.14  | 19.47  | 27.73   |
| Total assets                   | JPY<br>million | 157,620  | 187,830  | 208,570  | 210,628   |
| Net assets                     | JPY<br>million | 24,691   | 29,750   | 34,975   | 44,329  |

(Note) “Net income/(loss) per share” is calculated based on the average number of shares of the common stock during the fiscal year.

## (6) Status of Material Parent Company and Subsidiaries

### (i) Relationship with Parent Company

Not applicable.

## (ii) Status of Material Subsidiaries

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

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

## (7) Principal Business Activities

The Group engages mainly in construction business and related surrounding business thereof. As the principal group company, the Company has obtained the approval as a special construction business operator “(Toku-24) No. 1200” from the Minister of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act, and engages in civil engineering, architectural construction business and business related thereto.

## (8) Principal Offices, etc.

### (i) The Company

|                               |   |
|-------------------------------|---|
| Head Office:                  | 2-6-8, Chuo, Fukui-shi  |
| Tokyo Head Office:            | 2-1, Tsukudo-cho, Shinjuku-ku, Tokyo  |
| Branches:                     | Hokkaido Branch (Sapporo-shi, Hokkaido), Tohoku Branch (Sendai-shi, Miyagi), Metropolitan Branch (Shinjuku-ku, Tokyo), Nagoya Branch, Hokuriku Branch (Kanazawa-shi, Ishikawa), Kansai Branch (Osaka-shi, Osaka), Chushikoku Branch (Hiroshima-shi, Hiroshima), Kyushu Branch (Fukuoka-shi, Fukuoka), International Branch (Shinjuku-ku, Tokyo) |
| Technical Research Institute: | (Tsukuba-shi, Ibaraki)  |
| Overseas Offices:             | China (Hong Kong), Taiwan, Vietnam, Sri Lanka, Myanmar  |

(ii) Principal Subsidiaries

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

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

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

Taiwan Kumagai Co., Ltd. (Taiwan)

**(9) Status of Employees**

(i) Status of Employees of Group

| Number of employees | Changes from end of previous consolidated fiscal year |
|---------------------|---|
| 3,702 people        | +123 people   |

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

(ii) Status of Employees of Company

| Number of employees | Changes from end of previous fiscal year | Average age    | Average number of years of employment |
|---------------------|--|----------------|---------------------------------------|
| 2,223 people        | +56 people                               | 45.4 years old | 20.9 years                            |

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

**(10) Principal Lenders**

| Lenders                                      | Borrowed amount<br>(JPY million) |
|--|----------------------------------|
| Sumitomo Mitsui Banking Corporation          | 3,600                            |
| Sumitomo Mitsui Trust Bank, Limited.         | 1,912                            |
| THE HOKURIKU BANK, LTD.                      | 1,525                            |
| The Gunma Bank, Ltd.                         | 1,525                            |
| Mitsubishi UFJ Trust and Banking Corporation | 1,125                            |

**(11) Other Significant Matters Concerning Current Status of Group**

Not applicable.

## 2. Matters Regarding Shares of Company

### (1) Total Number of Shares Authorized to be Issued

714,000,000 shares

### (2) Total Number of Shares Issued

377,544,607 shares (including 2,794,454 shares as treasury stock)

### (3) Number of Shareholders

57,450 (decrease by 2,395 shareholders, compared to the end of the previous fiscal year)

### (4) Principal Shareholders (Top 10 Shareholders)

| Name of shareholders                                      | Number of shares held<br>(thousands) | Percentage of shares held<br>(%) |
|---|--------------------------------------|----------------------------------|
| Japan Trustee Services Bank, Ltd.<br>(Trust Account)      | 38,207                               | 10.20                            |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account)   | 19,739                               | 5.27                             |
| Kumagai Gumi Business Partner<br>Shareholding Association | 16,896                               | 4.51                             |
| CBLDN STANDARD LIFE ASSURANCE<br>LIMITED- PENSION FUNDS   | 9,583                                | 2.56                             |
| CHASE MANHATTAN BANK GTS<br>CLIENTS ACCOUNT ESCROW        | 7,392                                | 1.97                             |
| RBC IST 15 PCT NON LENDING<br>ACCOUNT – CLIENT ACCOUNT    | 6,864                                | 1.83                             |
| Sumitomo Mitsui Banking Corporation                       | 5,913                                | 1.58                             |
| HAYAT   | 4,695                                | 1.25                             |
| GOLDMAN SACHS INTERNATIONAL                               | 4,061                                | 1.08                             |
| Kumagai Gumi Mutual Aid Society                           | 3,883                                | 1.04                             |

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

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

Not applicable.

#### 4. Matters Regarding Officers

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

| Title  | Name              | Assignment in Company and Status of Major Concurrent Offices  |
|--|-------------------|---|
| President<br>(Representative Director)                             | Yasushi Higuchi   |   |
| Director and Executive Vice President<br>(Representative Director) | Kazuo Ishigaki    | In charge of Quality and Environment, In charge of Health and Safety                                |
| Director and Executive Vice President                              | Masayuki Kusaoke  | In charge of Risk Management, In charge of Discipline, In charge of Personal Information Protection |
| Senior Managing Director   | Susumu Ogawa      | In charge of International Business/Domestic Architectural Marketing                                |
| Senior Managing Director   | Toshiaki Hotta    | General Manager of Architectural Management Division  |
| Managing Director  | Yasunori Sakurano | General Manager of the Corporate Planning Division  |
| Managing Director  | Yoshihiko Kato    | General Manager of the Civil Engineering Management Division  |
| ○ Director   | Koichi Hironishi  |   |
| Full-Time Audit & Supervisory Board Member                         | Tadanao Takema    |   |
| Full-Time Audit & Supervisory Board Member                         | Tsukasa Yoshikawa |   |
| Audit & Supervisory Board Member                                   | Takashi Kakimi    | Attorney-at-law, Corporate Auditor of Sumitomo Electric Industries, Ltd.                            |
| Audit & Supervisory Board Member                                   | Masaaki Ayukawa   | Certified Public Accountant   |

- (Note)
- Director, Mr. Koichi Hironishi is an Outside Director.
  - Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are both Outside Audit & Supervisory Board Members.
  - Director, Mr. Koichi Hironishi and Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are registered as independent officers who are not likely to have any conflict of interests with the general shareholders pursuant to the rules of the Tokyo Stock Exchange.
  - The Director with the circle (○) was newly appointed as Director at the 78th ordinary general meeting of shareholders held on June 26, 2015.
  - Full-Time Audit & Supervisory Board Member, Mr. Tsukasa Yoshikawa has an experience as General Manager of Accounting of the Company and has considerable knowledge concerning finance and accounting.
  - Audit & Supervisory Board Member, Mr. Masaaki Ayukawa is qualified as a certified public accountant and has considerable knowledge concerning finance and accounting.
  - The Director who retired during this fiscal year:  
Director and Chairman Hiroshi Ota (Resigned as of June 23, 2015)
  - As of April 1, 2016, the assignments of Directors have changed as follows:  

|                   |                   |  |
|-------------------|-------------------|--|
| Managing Director | Yasunori Sakurano | General Manager of the Corporate Planning Division/General Manager of the Diversity Promotion Office |
| Director          | Masayuki Kusaoke  |  |
  - As of May 1, 2016, the assignment of the Director has changed as follows:  

|                   |                |  |
|-------------------|----------------|--|
| Managing Director | Yoshihiko Kato | General Manager of the Civil Engineering Management Division/General Manager of the Railway Project Promotion Division |
|-------------------|----------------|--|



The Company has introduced the Executive Officer System. The Executive Officers as of March 31, 2016 are as follows:

|                                     |                    |                   |                    |
|-------------------------------------|--------------------|-------------------|--------------------|
| * Executive President               | Yasushi Higuchi    | Executive Officer | Yoshinao Tsuchiya  |
| * Executive Vice President          | Kazuo Ishigaki     | Executive Officer | Hiroshi Iida       |
| * Executive Vice President          | Masayuki Kusaoke   | Executive Officer | Tsukasa Hirashima  |
| * Senior Managing Executive Officer | Susumu Ogawa       | Executive Officer | Honobu Konno       |
| * Senior Managing Executive Officer | Toshiaki Hotta     | Executive Officer | Kunitaka Nishikawa |
| * Managing Executive Officer        | Yasunori Sakurano  | Executive Officer | Masamichi Kokuzawa |
| * Managing Executive Officer        | Yoshihiko Kato     | Executive Officer | Katsuhiko Hayashi  |
| Managing Executive Officer          | Satoshi Shibukawa  | Executive Officer | Koji Hidaka        |
| Managing Executive Officer          | Yoshiaki Ogawa     | Executive Officer | Kenji Kishi        |
| Managing Executive Officer          | Masahiko Takashima | Executive Officer | Masao Kajiyama     |
| Managing Executive Officer          | Akira Yamazaki     | Executive Officer | Takumi Otsuka      |
| Executive Officer                   | Kunihiko Oshima    | Executive Officer | Makoto Ueda        |

- (Note) 1. Executive Officers marked with asterisks (\*) are Executive Officers concurrently serving as Directors.
2. Executive Vice President, Mr. Masayuki Kusaoke and Executive Officer, Mr. Honobu Konno retired from their respective positions as Executive Officer as of March 31, 2016.
3. As of April 1, 2016, the position of Executive Officer has changed as follows:  
 ○ Executive Officer, Masaki Ohno    ○ Executive Officer, Koji Okaichi  
 (Note) Executive Officers with circles (○) are newly appointed Executive Officers.
4. Executive Officer, Mr. Tsukasa Hirashima retired from his position as Executive Officer as of April 30, 2016.

## (2) Summary of Liability Limitation Agreement

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

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

|                                    |                  |                 |  |
|------------------------------------|------------------|-----------------|--|
| Directors:                         | Nine (9) persons | JPY 169 million | (Including one (1) Outside Director : JPY 6 million)                           |
| Audit & Supervisory Board Members: | Four (4) persons | JPY 39 million  | (Including two (2) Outside Audit & Supervisory Board Members : JPY 16 million) |

(Note) The amounts of compensation approved by the ordinary general meeting of shareholders were “JPY 30 million per month or less” for Directors, and “JPY 5 million per month or less” for Audit & Supervisory Board Members.

#### **(4) Matters Concerning Outside Officers**

Director, Mr. Koichi Hironishi is an Outside Director. Furthermore, Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are both Outside Audit & Supervisory Board Members.

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

Audit & Supervisory Board Member, Mr. Kakimi is the Outside Director of Sumitomo Electric Industries, Ltd. The Company has no material relationships with said company.

(ii) Status of Principal Activities

Director, Mr. Hironishi has attended all fifteen (15) meetings of the Board of Directors held since he became a Director on June 26, 2015, and has spoken, as necessary, mainly based on his abundant experience and extensive knowledge acquired as management executive of a different industry.

Audit & Supervisory Board Member, Mr. Kakimi has attended all nineteen (19) meetings of the Board of Directors held during this fiscal year, as well as all fourteen (14) meetings of Audit & Supervisory Board, and has spoken, as necessary, mainly from a professional perspective as an attorney-at-law.

Audit & Supervisory Board Member, Mr. Ayukawa has attended eighteen (18) meetings out of nineteen (19) meetings of the Board of Directors as well as all fourteen (14) meetings of Audit & Supervisory Board held during this fiscal year, and has spoken, as necessary, mainly from a professional perspective as a certified public accountant.

### **5. Status of Accounting Auditor**

#### **(1) Name of Accounting Auditor**

GYOSEI & CO.

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

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

JPY 52 million

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

JPY 72 million

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

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

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

**6. Structure and Policy of Company**

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

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

Based on the understanding that it is essential to enhance the effectiveness of corporate governance in order to realize the “management philosophy” under which “we aim to be a corporate group that contributes to society through its business activities, with construction as

its core,” the Company shall develop the following structures concerning internal control systems:

1. Structure to Ensure that Duties of Directors and Employees are Executed in Compliance with Laws, Regulations and Articles of Incorporation

- (i) The Company shall establish and thoroughly implement the Code of Corporate Conduct for all of the Directors, Executive Officers (hereinafter collectively the “Officers”) and employees.
- (ii) The Administration Division shall develop an overall compliance structure and provide guidance regarding legal issues, each division administering individual laws and regulations shall maintain and develop the legal compliance system and the Internal Audit Department shall develop a structure that audits the compliance status of the execution of operations.
- (iii) With respect to the procedures required for the Officers and employees to execute their duties, the Company shall establish internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures.
- (iv) The Company shall establish a periodic educational/training system concerning legal compliance.
- (v) The Company shall develop a structure where the top management, such as the Officers and Branch Managers, thoroughly inform the employees, on a daily basis, compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. in respect of business operations.
- (vi) The Company shall establish an internal reporting system aiming to prevent misconduct or deterioration of a situation by ascertaining and correcting acts violating laws and wrongful acts at an early stage and to prevent the occurrence of acts violating laws by having the employees mutually checking and balancing each other.
- (vii) The Legal Compliance Audit Committee, an organization independent from the management, shall evaluate the compliance structure from an external perspective and report and make proposals to the management.
- (viii) The Company shall clearly state in the “Kumagai Gumi Code of Conduct” and “Compliance Program” that any relationships with anti-social forces shall be severed, take a resolute stance and firmly reject any unlawful demands from anti-social forces and thoroughly implement such code and program.

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

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

### 3. Rules and Other Structures for Managing Risk of Loss

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

### 4. Structure to Ensure Efficient Execution of Duties by Directors

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

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

- (i) The Company shall establish Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group Companies and develop a structure that administers and supports the overall management of the group companies by, for example, obtaining the management status of the group companies, appropriately reporting and responding to risks and building a structure for exercising duties efficiently.
- (ii) The Company shall establish the Group Management Promotion Committee from the perspective of group management and confirm the performance and consider the management issues of each of the group companies.
- (iii) The Company shall spread and thoroughly inform the group companies of the purport of the Company's Compliance Program so that they can conduct business operations in compliance with laws, regulations, the Articles of Incorporation, internal rules, etc.

Furthermore, the employees of the group companies may directly report to the Company's contact desk pursuant to the internal reporting system of the Company.

- (iv) The Company shall develop a structure so that the Company can provide guidance to the group companies to develop an appropriate internal control system.
- (v) The Company shall procure each group company to have a corporate auditor and establish Rules on Audits by Corporate Auditors of Group Companies in order for audits to be properly carried out. Furthermore, the Company shall prepare for situations where the Internal Audit Department of the Company audits the compliance status of the group companies in executing operations.

#### 6. Matters Concerning Audits by Audit & Supervisory Board Members

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

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

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

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

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

- (i) In the audits by the Audit & Supervisory Board Members, the Officers and employees of the Company and group companies and the corporate auditors of the group companies shall report on the execution status, etc. of the duties that they are in charge of. Furthermore, the Company shall develop a structure where the Audit & Supervisory Board Member of the Company can attend important meetings, such as the Board of Director's meetings and Management Meetings, obtain the status of the execution of operations and request reports, as necessary, from the Officers and employees.

- (ii) The Company and the group companies shall prohibit any person set forth in the preceding paragraph who reported to the Audit & Supervisory Board Member from being treated unreasonably for such report.
- (iii) The necessary expenses and obligations arising from the Audit & Supervisory Board Member performing his/her duties shall be promptly handled after a request has been made by the Audit & Supervisory Board Member.

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

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

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

With respect to the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation and other structures to ensure operations are appropriately conducted, a summary of the operating status for this fiscal year (from April 1, 2015 to March 31, 2016) is as follows:

#### 1. Overall Internal Control

The Board of Directors of the Company consists of eight (8) Directors, including one (1) Outside Director, and the meetings of the Board of Directors were held nineteen (19) times with the attendance of four (4) Audit & Supervisory Board Members and the legality of the execution of the duties of the Directors is ensured. Furthermore, the Board of Directors appointed the Executive Officers and each Executive Officer is performing his/her duties within the scope of his/her authority and responsibility under the instruction and supervision of the Representative Director.

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

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

#### 2. Compliance Structure

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

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

### 3. Risk Management Structure

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

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

### 4. Group Administration Structure

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

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

### 5. Audit Structure

The Audit & Supervisory Board shall obtain the status of the execution of the operations of the Company and the group companies by attending important meetings, such as the meetings



of the Board of Directors or Management Meetings, and through reports from the group companies, etc.

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

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

**(3) Basic Policy Concerning Control of Company**

Not applicable.

## Consolidated Balance Sheet

(As of March 31, 2016)

| ASSETS  |                | LIABILITIES  |                |
|---|----------------|--|----------------|
|   | (JPY million)  |  | (JPY million)  |
| <b>CURRENT ASSETS</b>   | <b>215,021</b> | <b>CURRENT LIABILITIES</b>   | <b>157,627</b> |
| Cash and deposits   | 72,422         | Notes payable, accounts payable for construction contracts and other | 69,581         |
| Notes receivable, accounts receivable from completed construction contracts and other | 115,388        | Electronically recorded monetary obligations                         | 22,530         |
| Disbursements for uncompleted construction contracts                                  | 3,967          | Short-term loans payable   | 6,849          |
| Deferred tax assets   | 6,320          | Income taxes payable   | 4,691          |
| Accounts receivable   | 11,126         | Advances received on uncompleted construction contracts              | 13,883         |
| Other   | 5,982          | Deposits received  | 15,562         |
| Allowance for doubtful accounts   | (186)          | Provision for warranties for completed construction                  | 559            |
| <b>LONG-TERM ASSETS</b>   | <b>40,503</b>  | Provision for loss on construction contracts                         | 180            |
| <b>PROPERTY AND EQUIPMENT</b>   | <b>15,745</b>  | Provision for contingent loss  | 15,132         |
| Buildings and structures  | 3,589          | Provision for bonuses  | 3,267          |
| Machinery, vehicles and equipment   | 1,882          | Other  | 5,389          |
| Land  | 10,089         | <b>LONG-TERM LIABILITIES</b>   | <b>32,964</b>  |
| Leased assets   | 73             | Long-term loans payable  | 10,971         |
| Construction in progress  | 110            | Net defined benefit liabilities                                      | 21,815         |
| <b>INTANGIBLE LONG-TERM ASSETS</b>  | <b>430</b>     | Other  | 177            |
| <b>INVESTMENTS AND OTHER ASSETS</b>   | <b>24,328</b>  | <b>TOTAL LIABILITIES</b>   | <b>190,591</b> |
| Investment securities   | 15,075         | NET ASSETS   |                |
| Long-term loans receivable  | 1,066          | <b>Shareholder's equity</b>  | <b>61,004</b>  |
| Long-term non-operating accounts receivable   | 1,119          | <b>Capital stock</b>   | <b>13,341</b>  |
| Claims provable in bankruptcy, claims provable in rehabilitation and other            | 258            | <b>Capital surplus</b>   | <b>7,879</b>   |
| Deferred tax assets   | 5,630          | <b>Retained earnings</b>   | <b>40,442</b>  |
| Other   | 2,461          | <b>Treasury stock</b>  | <b>(659)</b>   |
| Allowance for doubtful accounts   | (1,284)        | <b>Accumulated other comprehensive income</b>                        | <b>3,929</b>   |
|   |                | <b>Valuation difference on available-for-sale securities</b>         | <b>3,850</b>   |
|   |                | <b>Foreign currency translation adjustment</b>                       | <b>394</b>     |
|   |                | <b>Remeasurements of defined benefit plans</b>                       | <b>(315)</b>   |
|   |                | <b>TOTAL NET ASSETS</b>  | <b>64,933</b>  |
| <b>TOTAL ASSETS</b>   | <b>255,525</b> | <b>TOTAL LIABILITIES AND NET ASSETS</b>                              | <b>255,525</b> |

## Consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

|  | (JPY million)  | (JPY million)        |
|--|----------------|----------------------|
| <b>NET SALES</b>   |                |                      |
| Completed construction contracts                                 | 343,647        | 343,647              |
| <b>COST OF SALES</b>   |                |                      |
| Completed construction contracts                                 | 304,579        | <u>304,579</u>       |
| <b>Gross profit</b>  |                |                      |
| Completed construction contracts                                 | 39,068         | 39,068               |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>              |                | <u>14,528</u>        |
| <b>Operating income</b>  |                | <b>24,540</b>        |
| <b>NON-OPERATING INCOME</b>                                      |                |                      |
| Reversals of allowance for doubtful accounts                     | 1,438          |                      |
| Other  | <u>258</u>     | 1,697                |
| <b>NON-OPERATING EXPENSES</b>                                    |                |                      |
| Interest expenses  | 350            |                      |
| Other  | <u>114</u>     | <u>465</u>           |
| <b>Ordinary income</b>   |                | <b>25,772</b>        |
| <b>EXTRAORDINARY INCOME</b>                                      |                |                      |
| Gain on sales of investment securities                           | 871            |                      |
| Other  | <u>126</u>     | 997                  |
| <b>EXTRAORDINARY LOSSES</b>                                      |                |                      |
| Provision for contingent loss                                    | 9,368          |                      |
| Other  | <u>331</u>     | <u>9,700</u>         |
| <b>Income before income taxes</b>                                |                | <b>17,069</b>        |
| Income taxes – current   | 6,789          |                      |
| Income taxes – deferred  | <u>(1,812)</u> | <u>4,977</u>         |
| <b>Net income</b>  |                | <b><u>12,092</u></b> |
| <b>Comprehensive income attributable to owners of the parent</b> |                | <b><u>12,092</u></b> |

## Consolidated Statements of Changes in Equity

(From April 1, 2015 to March 31, 2016)

|   | Shareholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
|   | (JPY million)        | (JPY million)   | (JPY million)     | (JPY million)  | (JPY million)              |
| Balance at beginning of period                            | 13,341               | 7,878           | 29,100            | (631)          | 49,688                     |
| Changes during the period                                 |                      |                 |                   |                |                            |
| Dividends from surplus                                    |                      |                 | (749)             |                | (749)                      |
| Comprehensive income attributable to owners of the parent |                      |                 | 12,092            |                | 12,092                     |
| Repurchase of treasury stock                              |                      |                 |                   | (28)           | (28)                       |
| Disposal of treasury stock                                |                      | 1               |                   | 1              | 3                          |
| Net changes of items other than shareholders' equity      |                      |                 |                   |                |                            |
| Total changes during the period                           | -                    | 1               | 11,342            | (27)           | 11,316                     |
| Balance at end of period                                  | 13,341               | 7,879           | 40,442            | (659)          | 61,004                     |

|   | Accumulated other comprehensive income                |   |   |  | Total net assets |
|---|---|---|---|--|------------------|
|   | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                  |
|   | (JPY million)   | (JPY million)                           | (JPY million)                           | (JPY million)                                | (JPY million)    |
| Balance at beginning of period                            | 4,097   | 471                                     | (705)                                   | 3,863  | 53,551           |
| Changes during the period                                 |   |   |   |  |                  |
| Dividends from surplus                                    |   |   |   |  | (749)            |
| Comprehensive income attributable to owners of the parent |   |   |   |  | 12,092           |
| Repurchase of treasury stock                              |   |   |   |  | (28)             |
| Disposal of treasury stock                                |   |   |   |  | 3                |
| Net changes of items other than shareholders' equity      | (246)   | (77)                                    | 389                                     | 65   | 65               |
| Total changes during the period                           | (246)   | (77)                                    | 389                                     | 65   | 11,381           |
| Balance at end of period                                  | 3,850   | 394                                     | (315)                                   | 3,929  | 64,933           |

## Non-Consolidated Balance Sheet

(As of March 31, 2016)

| ASSETS   |                | LIABILITIES   |                |
|--|----------------|---|----------------|
|  | (JPY million)  |   | (JPY million)  |
| <b>CURRENT ASSETS</b>  | <b>176,670</b> | <b>CURRENT LIABILITIES</b>                              | <b>136,470</b> |
| Cash and deposits  | 56,452         | Notes payable   | 9,320          |
| Notes receivable   | 3,858          | Electronically recorded monetary obligations            | 22,530         |
| Accounts receivable from completed construction contracts                  | 89,316         | Accounts payable for construction contracts             | 45,477         |
| Disbursements for uncompleted construction contracts                       | 3,445          | Short-term loans payable                                | 6,598          |
| Deferred tax assets  | 5,813          | Lease obligations                                       | 12             |
| Accounts receivable  | 12,336         | Income taxes payable                                    | 4,249          |
| Other  | 5,553          | Advances received on uncompleted construction contracts | 12,884         |
| Allowance for doubtful accounts  | (105)          | Deposits received                                       | 14,074         |
| <b>LONG-TERM ASSETS</b>  | <b>33,958</b>  | Provision for warranties for completed construction     | 456            |
| <b>PROPERTY AND EQUIPMENT</b>  | <b>9,099</b>   | Provision for loss on construction contracts            | 172            |
| Buildings and structures   | 1,536          | Provision for contingent loss                           | 14,741         |
| Machinery and vehicles   | 92             | Provision for bonuses                                   | 2,016          |
| Equipment  | 124            | Other   | 3,935          |
| Land   | 7,317          | <b>LONG-TERM LIABILITIES</b>                            | <b>29,828</b>  |
| Leased assets  | 28             | Long-term loans payable                                 | 10,906         |
| <b>INTANGIBLE LONG-TERM ASSETS</b>   | <b>242</b>     | Lease obligations                                       | 30             |
| <b>INVESTMENTS AND OTHER ASSETS</b>  | <b>24,617</b>  | Provision for retirement benefits                       | 18,833         |
| Investment securities  | 12,108         | Other   | 57             |
| Shares of subsidiaries and associates                                      | 5,685          | <b>TOTAL LIABILITIES</b>                                | <b>166,299</b> |
| Long-term loans receivable   | 1,592          | <b>NET ASSETS</b>                                       |                |
| Long-term non-operating accounts receivable                                | 955            | <b>Shareholder's equity</b>                             | <b>40,564</b>  |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 49             | <b>Capital stock</b>                                    | <b>13,341</b>  |
| Long-term prepaid expenses   | 36             | <b>Capital surplus</b>                                  | <b>7,879</b>   |
| Deferred tax assets  | 4,251          | Other capital surplus                                   | 7,879          |
| Other  | 829            | <b>Retained earnings</b>                                | <b>19,882</b>  |
| Allowance for doubtful accounts  | (892)          | Legal retained earnings                                 | 147            |
|  |                | Other retained earnings                                 | 19,735         |
|  |                | Retained earnings brought forward                       | 19,735         |
|  |                | <b>Treasury stock</b>                                   | <b>(539)</b>   |
|  |                | <b>Valuation, translation adjustments and others</b>    | <b>3,765</b>   |
|  |                | Valuation difference on available-for-sale securities   | 3,765          |
|  |                | <b>TOTAL NET ASSETS</b>                                 | <b>44,329</b>  |
| <b>TOTAL ASSETS</b>  | <b>210,628</b> | <b>TOTAL LIABILITIES AND NET ASSETS</b>                 | <b>210,628</b> |

## Non-Consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

| <b>NET SALES</b>                                    | (JPY million)  | (JPY million)        |
|---|----------------|----------------------|
| Completed construction contracts                    | 267,497        | 267,497              |
| <b>COST OF SALES</b>                                |                |                      |
| Completed construction contracts                    | 237,210        | <u>237,210</u>       |
| <b>Gross profit</b>                                 |                |                      |
| Completed construction contracts                    | 30,287         | 30,287               |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> |                | <u>10,349</u>        |
| <b>Operating income</b>                             |                | 19,938               |
| <b>NON-OPERATING INCOME</b>                         |                |                      |
| Reversals of allowance for doubtful accounts        | 1,419          |                      |
| Interest and dividends income                       | 1,016          |                      |
| Other   | <u>93</u>      | 2,528                |
| <b>NON-OPERATING EXPENSE</b>                        |                |                      |
| Interest expenses                                   | 344            |                      |
| Other   | <u>101</u>     | <u>445</u>           |
| <b>Ordinary income</b>                              |                | <b>22,020</b>        |
| <b>EXTRAORDINARY INCOME</b>                         |                |                      |
| Gain on sales of investment securities              | 869            |                      |
| Other   | <u>32</u>      | 902                  |
| <b>EXTRAORDINARY LOSSES</b>                         |                |                      |
| Provision for contingent loss                       | 8,977          |                      |
| Other   | <u>257</u>     | <u>9,234</u>         |
| <b>Income before income taxes</b>                   |                | 13,688               |
| Income taxes – current                              | 5,193          |                      |
| Income taxes – deferred                             | <u>(1,897)</u> | <u>3,295</u>         |
| <b>Net income</b>                                   |                | <u><u>10,392</u></u> |

## Non-Consolidated Statements of Changes in Equity

(From April 1, 2015 to March 31, 2016)

|  | Shareholders' equity |                       |                       |                         |                         |                         |
|--|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|
|  | Capital stock        | Capital surplus       |                       | Retained earnings       |                         |                         |
|  |                      | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Total retained earnings |
|  | (JPY million)        | (JPY million)         | (JPY million)         | (JPY million)           | (JPY million)           | (JPY million)           |
| Balance at beginning of period                       | 13,341               | 7,878                 | 7,878                 | 72                      | 10,167                  | 10,239                  |
| Changes during the period                            |                      |                       |                       |                         |                         |                         |
| Reserve for legal retained earnings                  |                      |                       |                       | 74                      | (74)                    | -                       |
| Dividends from surplus                               |                      |                       |                       |                         | (749)                   | (749)                   |
| Net income   |                      |                       |                       |                         | 10,392                  | 10,392                  |
| Repurchase of treasury stock                         |                      |                       |                       |                         |                         |                         |
| Disposal of treasury stock                           |                      | 1                     | 1                     |                         |                         |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                         |                         |                         |
| Total changes during the period                      | -                    | 1                     | 1                     | 74                      | 9,568                   | 9,643                   |
| Balance at end of period                             | 13,341               | 7,879                 | 7,879                 | 147                     | 19,735                  | 19,882                  |

|  | Shareholders' equity |                            | Valuation, translation adjustments and others         |  | Total net asset |
|--|----------------------|----------------------------|---|--|-----------------|
|  | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation, translation adjustments and other |                 |
|  | (JPY million)        | (JPY million)              | (JPY million)   | (JPY million)                                      | (JPY million)   |
| Balance at beginning of period                       | (514)                | 30,944                     | 4,030   | 4,030  | 34,975          |
| Changes during the period                            |                      |                            |   |  |                 |
| Reserve for legal retained earnings                  |                      | -                          |   |  | -               |
| Dividends from surplus                               |                      | (749)                      |   |  | (749)           |
| Net income   |                      | 10,392                     |   |  | 10,392          |
| Repurchase of treasury stock                         | (26)                 | (26)                       |   |  | (26)            |
| Disposal of treasury stock                           | 1                    | 2                          |   |  | 2               |
| Net changes of items other than shareholders' equity |                      |                            | (265)   | (265)  | (265)           |
| Total changes during the period                      | (25)                 | 9,619                      | (265)   | (265)  | 9,353           |
| Balance at end of period                             | (539)                | 40,564                     | 3,765   | 3,765  | 44,329          |

[Translation]

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

**Independent Auditor's Audit Report**

May 12, 2016

The Board of Directors  
Kumagai Gumi Co., Ltd.

GYOSEI & CO.

Tetsuo Noguchi  
Certified Public Accountant  
Representative Partner  
Engagement Partner

Junya Takemura  
Certified Public Accountant  
Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Kumagai Gumi Co., Ltd. (the "Company") applicable to this fiscal year from April 1, 2015 through March 31, 2016.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

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



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

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

#### *Conflicts of Interest*

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

[Translation]

**Accounting Auditor's Audit Report**

Independent Auditor's Audit Report

May 12, 2016

The Board of Directors  
Kumagai Gumi Co., Ltd.

GYOSEI & CO.

Tetsuo Noguchi  
Certified Public Accountant  
Representative Partner  
Engagement Partner

Junya Takemura  
Certified Public Accountant  
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of Kumagai Gumi Co., Ltd. (the "Company") applicable to the 79th fiscal year from April 1, 2015 through March 31, 2016.

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

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that

we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the related supplementary schedules are free from material misstatement.

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

#### *Opinion*

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 79th fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

#### *Conflicts of Interest*

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

[Translation]

## **The Audit & Supervisory Board's Audit Report**

### *Audit Report*

The Audit & Supervisory Board prepared this Audit Report upon deliberations based on the Audit Report prepared by each Audit & Supervisory Board Member concerning the performance of duties of the Directors of the Company during the 79th fiscal year from April 1, 2015 to March 31, 2016 and hereby reports as follows:

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

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

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

A. The Audit & Supervisory Board Members attended the Board of Directors meetings and other important meetings, received from the Directors, employees, etc. reports on the matters regarding the status of the performance of their duties and, when necessary, requested explanations regarding such reports, inspected important authorized documents and associated information and examined the business and financial position of the Head Office and major offices. Furthermore, as for the subsidiaries of the Company, the Audit & Supervisory Board Member has communicated and shared information with the directors and corporate auditors, etc. of the subsidiaries and, when necessary, received reports from the subsidiaries regarding their businesses.

B. With respect to the content of the resolution of the Board of Directors concerning the development of the structure prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act necessary to ensure the business operation of the group, consisting of the Company and its subsidiaries, are appropriate, including the structure to ensure that the duties of the Directors are executed in

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

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

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

## 2. Audit Results

### (1) Audit Results on Business Report, etc.

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

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

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

As stated in the Business Report, GAEART TK Co., Ltd., one of our subsidiaries, was indicted on February 29, 2016, for being charged with violation of the Anti-monopoly Act. The Audit & Supervisory Board will keep an observant eye on the future developments and will audit actions to further enhance the compliance structure of the aforementioned subsidiary and the internal control of the Group.

(2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules thereto

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

(3) Results of Audit of Consolidated Financial Statements

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

May 12, 2016

Kumagai Gumi Co., Ltd., Audit & Supervisory Board  
Full-time Audit & Supervisory Board Member, Tadao Takema  
Full-time Audit & Supervisory Board Member, Tsukasa Yoshikawa  
Outside Audit & Supervisory Board Member, Takashi Kakimi  
Outside Audit & Supervisory Board Member, Masaaki Ayukawa

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