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(Securities Code: 1861)

June 6, 2018

To Our Shareholders

Yasunori Sakurano, President
Kumagai Gumi Co., Ltd.
Head Office: 3-2-1, Oote, Fukui-shi
Tokyo Head Office: 2-1, Tsukudo-cho,
Shinjuku-ku, Tokyo

CONVOCATION NOTICE OF THE 81ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams:

Notice is hereby given that the 81st 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 Wednesday, June 27, 2018.

Description

1. **Date and Time:** 10:00 a.m. on Thursday, June 28, 2018
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 81st fiscal year (from April 1, 2017 to March 31, 2018), 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 nonconsolidated financial statements for the 81st fiscal year (from April 1, 2017 to March 31, 2018)

Matters to Be Resolved:

- Proposal 1:** Dividends from surplus
- Proposal 2:** Determination of amount and details of stock compensation, etc. for Directors
- Proposal 3:** Appointment of eight (8) Directors
- Proposal 4:** Appointment of two (2) Audit & Supervisory Board Members
- Proposal 5:** 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 (<https://www.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 pages 27-28.
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 venue.
 - * Among the statements to be provided upon this Convocation Notice, “the notes to the consolidated financial statements” and “the notes to nonconsolidated 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 nonconsolidated financial statements described in the attachment to this

Convocation Notice are part of the consolidated financial statements and nonconsolidated 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, nonconsolidated 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

The basic policy of the Company with regards to the distribution of profits is to return profits to our shareholders appropriately and steadily while enhancing retained earnings to strengthen the management structure and increase operating revenue, by taking into consideration the operating results for the current business term, the outlook for the medium-to-long term performance as well as the management environment, etc.

In addition, the Company marked its 120th anniversary in business in January 2018. We have come this far thanks to the kind support and cooperation of all related parties, including our shareholders, and we would like to extend our most sincere appreciation.

Accordingly, in order to express our gratitude for our shareholders' support and cooperation, the Company proposes to provide commemorative dividends of JPY 20 in addition to the increased dividends with respect to the year-end dividends for the 81st fiscal year as follows.

In the future, the Company will endeavor to further improve our performance based on the "Midterm Management Plan (FY2018 to FY 2020)," further focus on returning profits to our shareholders, and continue shareholder return aimed at a dividend payout ratio of 30%.

(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 90 (of which JPY 70 as ordinary dividend and JPY 20 as commemorative dividend for its 120th anniversary in business) per share in respect of the common stock of the Company.

In this case, the total amount of dividend will amount to be JPY 4,210,487,010.

(3) Effective Date of Dividends from Surplus

June 29, 2018

The Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. In consideration of the reverse stock split, the year-end cash dividend per share for the 80th fiscal year is JPY 70, which means that the proposed dividends for this year constitute an increase of JPY 20.

Proposal 2: Determination of amount and details of stock compensation, etc., for Directors

1. Reasons for the proposal and reasons for considering the said compensation system to be appropriate

Compensation for Directors of the Company consists of “basic compensation” and “bonus.” The aim of this proposal is to request approval for the introduction of a stock compensation system for the Directors of the Company (other than Outside Directors; the same applies hereunder) (hereinafter the “System”). We also request approval to leave the decision on the details of the System to the discretion of the Board of Directors within the framework described in 2. below.

The purpose of the System is to increase the Directors’ awareness of contributing to the improvement of medium- to long-term performance and the increase of corporate value by making explicit the linkage between Directors’ compensation and the Company’s share value and by sharing with shareholders the interests and risks arising from fluctuations in the share price. Accordingly, we consider that the System is appropriate.

The aim of this proposal is to request approval to pay additional stock compensation based on the System to Directors who are in office during the applicable period of the System (hereinafter the “Applicable Period”), separate from the Directors’ compensation of up to JPY 30 million per month (including compensation for Outside Directors but not including employee salaries for those Directors concurrently serving as employees; hereinafter the “Maximum Total Amount of Monetary Compensation”) which was approved at the extraordinary general meeting of shareholders held on January 24, 2001. The initial Applicable Period shall be the three (3) fiscal years from the fiscal year ending March 2019 until the fiscal year ending March 2021 (hereinafter the “Initial Applicable Period”). However, the System may continue, in the case where the Applicable Period is extended prior to the expiration of the initial trust period of the Trust described in 2. below, pursuant to a resolution of the Board of Directors of the Company prescribing an extension period of up to three (3) fiscal years; and the same applies to subsequent expirations. Furthermore, similar to the Maximum Total Amount of Monetary Compensation, the stock compensation for Directors of the Company under the System shall not include employee salaries for Directors concurrently serving as employees.

Upon the approval and adoption of Proposal 3, “Appointment of eight (8) Directors” as originally proposed, six (6) Directors will be eligible for the System.

* Upon the approval of this Proposal as originally proposed, the same stock compensation system will be introduced to the Executive Officers with whom the Company has executed an engagement agreement.

2. Amount and details of compensation, etc. under the System

(1) Overview of the System

The System is a system of stock compensation, where a trust established with cash contributed by the Company (hereinafter the “Trust”) acquires the shares of the Company and confers to each Director, through the Trust, a number of the Company’s shares equivalent to the points that the Company awards to each Director.

The timing for the grant of the Company’s shares to the Directors is, in principle, when the Directors retire from office.

(i)	Directors eligible for the System	Directors of the Company (other than Outside Directors)
(ii)	Applicable Period	Initial Applicable Period: Three (3) fiscal years Extension of Applicable Period: Period may be extended by prescribing a period of up to three (3) fiscal years
(iii)	Upper limit of cash contributed by the Company to the Trust as funds to acquire the shares of the Company necessary for grant to Directors	Initial Applicable Period: JPY 75 million in total Upon extension of Applicable Period: Amount obtained by multiplying JPY 25 million by the number of fiscal years of the extended Applicable Period
(iv)	Method of acquisition of the shares of the Company	Through disposal of treasury shares or by purchase from exchange market (including off-floor trading)
(v)	Upper limit of the total points awarded to the Directors described in (i)	25,000 points in total per fiscal year
(vi)	Standards for awarding points	Awarding of points according to the Directors’ individual rank, etc.
(vii)	Timing for grant of the Company’s shares to the Directors described in (i)	In principle, when the Directors retire from office

(2) Upper limit of cash contributed by the Company

The initial trust period of the Trust is approximately three (3) years. During such trust period, the Company will contribute cash up to the limit of JPY 75 million in total as funds to acquire the Company’s shares necessary to confer shares to the Directors pursuant to the System, as compensation to be paid to Directors in office during the Initial Applicable Period; and the Company will establish a trust, with those Directors who meet certain requirements as beneficiaries. The acquisition of the Company’s

shares through the Trust will be by the cash that the Company places in trust through disposal of treasury shares of the Company or by purchase from the exchange market (including off-floor trading); provided, however, that the initial acquisition is scheduled to be made by floor trading on the exchange market.

Note: In addition to the above-mentioned funds for acquiring the Company's shares, the cash to be actually entrusted to the Trust by the Company shall include expected necessary costs, such as trust fees and trust administrator fees. Furthermore, as stated above, when the System is introduced for Executive Officers, the funds necessary to acquire the Company's shares in order to confer shares to Executive Officers shall also be entrusted.

Prior to the expiration of the initial trust period (or the expiration of the trust period after extension, when the trust period is extended and the System continues according to the following procedure), the trust period may be extended, for up to three (3) years each time upon extending the Applicable Period by prescribing an extension period of up to three (3) fiscal years by decision of the Board of Directors of the Company (including where the trust period can be extended by transferring the trust assets of the Trust to a trust with the same purpose as the Trust established by the Company; hereinafter the same shall apply), and the System may continue. In such case, the Company shall, during the extended Applicable Period, additionally contribute cash to the Trust up to the amount obtained by multiplying JPY 25 million by the number of fiscal years of the extended Applicable Period, as additional funds for acquiring the Company's shares necessary to confer shares to the Directors under the System. Furthermore, in such case, the Applicable Period shall be extended in accordance with the continuation of the System and the extension of the trust period, and the awarding of the points and the grant of the Company's shares in (3) below shall continue in the extended trust period.

In addition, even when the System is not continued by extension of the Applicable Period as described above, if there are any Directors to whom points have been awarded but who have not retired at the expiry of the trust period of the Trust, the said trust period of the Trust may be extended until such Directors retire from office and the grant of shares of the Company is complete.

(3) Calculation method and upper limit of the shares of the Company to be conferred to Directors

(i) Method, etc. of awarding points to Directors

In accordance with the Rules on Grant of Shares established by the Board of Directors of the Company, the Company shall award points to each Director in office during the Applicable Period according to their individual rank, etc., on the point-awarding day during the trust period stipulated in the Rules on Grant of Shares.

However, the upper limit of the total number of points awarded to Directors shall be 25,000 points for each fiscal year.

(ii) Grant of shares of the Company according to number of points awarded

The Company's shares shall be conferred to Directors according to the number of points awarded stated in (i) above, following the procedure described in (iii) below.

The number of the Company's shares to be conferred per point shall be one (1) share; provided, however, that when an event occurs, including stock split/reverse stock split such that is reasonable to adjust the number of the Company shares to be conferred, a reasonable adjustment shall be made in accordance with the ratio of such stock split/reverse stock split.

(iii) Grant of shares of the Company to Directors

The Trust will confer the shares of the Company to each Director as described in (ii) above when the Directors follow the designated procedures to define the beneficiary upon their retirement from office.

However, in order for the Company to collect funds for the payment of taxes including withholding income tax, a certain ratio of the Company's shares may be sold and converted into cash within the Trust, and such cash may be delivered instead of the Company's shares. Moreover, when the Company's shares in the Trust are converted into cash, such as in the case of settlement by a tender offer, cash may be delivered instead of the Company's shares.

(4) Exercise of voting rights

All voting rights of the Company's shares in the Trust shall not be exercised based on the instructions of a trust administrator who is independent from the Company and the Company's officers. This method is intended to ensure the neutrality towards the management of the Company regarding the exercise of voting rights of the Company's shares in the Trust.

(5) Handling of dividends

Dividends related to the Company's shares in the Trust shall be received by the Trust, and shall be used for the acquisition of the Company's shares or payment of trustee's trust fees, etc. related to the Trust.

Proposal 3: Appointment of eight (8) Directors

The terms of office of all seven (7) Directors will expire at the closing of this ordinary general meeting of shareholders.

Therefore, in order to further strengthen the management structure, the Company proposes to add one (1) Director and appoint eight (8) Directors.

The candidates for Directors are as follows:

[Reference] List of candidates

Candidate No.	Name	Position	In charge of	Attendance at the meetings of Board of Directors
1	Reappointment Yasushi Higuchi	Chairperson		100% (18/18)
2	Reappointment Yasunori Sakurano	President Executive President		100% (18/18)
3	Reappointment Susumu Ogawa	Senior Managing Director Senior Managing Executive Officer	In charge of International Business In charge of Marketing	100% (18/18)
4	Reappointment Yoshihiko Kato	Senior Managing Director Senior Managing Executive Officer	General Manager of the Civil Engineering Management Division General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division	94 % (17/18)
5	Reappointment Yoshiaki Ogawa	Senior Managing Director Senior Managing Executive Officer	General Manager of the Architectural Management Division of the Company	100% (14/14) (since assumption of office in June 2017)
6	Reappointment Koichi Hironishi Outside Independent	Director		100% (18/18)

7	Reappointment	Mikie Yumoto Outside Independent	Director		100% (18/18)
8	New appointment	Koji Hidaka	Managing Executive Officer	General Manager of the Administration Division In charge of Discipline In charge of Personal Information Protection	-

Candidates for Directors

Candidate No.	Name (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 (Born on February 14, 1952)	April 1976 Joined the Company 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 June 2013 Executive President of the Company April 2018 Chairperson of the Company (current)	4,600 shares
<p><Reason for selecting him/her as candidate for Director></p> <p>In addition to extensive business experience in the Architectural Management Division, Mr. Higuchi has an abundant management experience, having held positions as the President of our subsidiary, K&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 from June 2013 until March 2018 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 management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>			

2	Yasunori Sakurano (Born on July 2, 1957)	April 1981 April 2010 April 2011 April 2012 April 2012 April 2012 June 2012 July 2012 April 2014 April 2014 April 2014 April 2014 April 2015 April 2016 April 2017 April 2017 April 2018 April 2018	Joined the Company General Manager of the Personnel Department of the Administration Division of the Company Executive Officer of the Company In charge of the Planning Office of the Company In charge of the Public Relations Office of the Company In charge of the CSR Promotion Office of the Company Director of the Company General Manager of the Planning Office of the Company Managing Director of the Company Managing Executive Officer of the Company General Manager of the Management & Administration Division of the Company Manager of the Corporate Planning Department of the Management & Administration Division of the Company General Manager of the Corporate Planning Division of the Company General Manager of the Diversity Promotion Office of Corporate Planning Division of the Company Senior Managing Director of the Company Senior Managing Executive Officer of the Company President of the Company (current) Executive President of the Company (current)	3,500 shares
<p><Reason for selecting him/her as candidate for Director></p> <p>Mr. Sakurano, having held a number of senior positions such as the General Manager of the Personnel Department, the General Manager of the Planning Office and the General Manager of the Management & Administration Division since joining the Company and thereafter having assumed the position of the General Manager of the Corporate Planning Division from April 2015 until March 2018, has a record of playing a leading role in the business and capital alliance with Sumitomo Forestry Co., Ltd. and developing the Medium-to-long term Management Policy and the Midterm Management Plan (FY2018 to FY2020) of the Company. Furthermore, he has been leading the Group as the Representative Director and President from April 2018 and improving the long-term corporate value of the Company. 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 management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

3	Susumu Ogawa (Born on August 29, 1957)	April 2010	Manager of Public and Finance Institutions of Sumitomo Mitsui Banking Corporation	2,000 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	
		April 2017	In charge of International Business, In charge of Marketing at the Company (current)	
<p><Reason for selecting him/her as candidate for Director></p> <p>After Mr. Ogawa joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation), in addition to abundant overseas experience from being involved in international finance in the United States where he was dispatched, he has held a number of senior positions, such as the Manager of Public and Finance Institutions. Furthermore, after joining the Company, he has extensive business experience from being in charge of the Domestic Architectural Marketing, in addition to the 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 management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

4	Yoshihiko Kato (Born on August 24, 1958)	April 1982 April 2013 April 2013 April 2013 April 2014 April 2014 June 2014 May 2016 April 2017 April 2017	Joined the Company Executive Officer of the Company Deputy General Branch Manager of the Tohoku Branch of the Company In charge of Earthquake Recovery at the Tohoku Branch of the Company Managing Executive Officer of the Company General Manager of the Civil Engineering Management Division of the Company (current) Managing Director of the Company General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company (current) Senior Managing Director of the Company (current) Senior Managing Executive Officer of the Company (current)	1,800 shares
<p><Reason for selecting him/her as candidate for Director></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 joining the Company and having been involved in numerous excavation projects for tunnels, held a number of senior positions such as the General Manager of the Technical Center, East Japan Area of the Civil Engineering Management Division and the Tohoku Branch Deputy General Manager/In charge of Earthquake Recovery and thereafter assumed the position of the 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 management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

5	Yoshiaki Ogawa (Born on June 19, 1958)	April 1982 April 2011 April 2011 April 2011 April 2012 April 2013 April 2013 April 2017 April 2017 June 2018	Joined the Company Executive Officer of the Company General Manager of the Architectural Management Department of the Kansai Branch of the Company Architectural Management Manager of the Architectural Management Department of the Kansai Branch of the Company Deputy General Branch Manager of the Kansai Branch of the Company Managing Executive Officer of the Company Branch Manager of the Kansai Branch Senior Managing Executive Officer of the Company (current) General Manager of the Architectural Management Division of the Company (current) Senior Managing Director of the Company (current)	2,900 shares
<p><Reason for selecting him/her as candidate for Director></p> <p>Mr. Ogawa, has extensive knowledge and abundant business experience in the Architectural Management Division, having been engaged in the Architectural Management Division since joining the Company and having held a number of senior positions such as the Project Manager of large-scale construction work and the General Manager of the Architectural Management Department and thereafter having assumed the position of the General Manager of the Architectural Management Division. Furthermore, he has a record of conducting regional management as the Branch Manager of the Kansai Branch from April 2013 to March 2017. 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 management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>				

6	Candidate for Outside Director	April 1968	Joined FUJITSU LIMITED	800 shares
	Independent	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	Advisor of FUJITSU LIMITED	
		June 2010	Representative Director and Chairman of FUJITSU FSAS INC.	
		June 2012	Retired from FUJITSU FSAS INC.	
June 2013		Retired from FUJITSU LIMITED		
		June 2015	Director of the Company (current)	
<p><Reason for selecting him/her as candidate for Outside Director></p> <p>Mr. Hironishi has an abundant management experience, having held a number of senior positions such as the General Manager of the Consumer Transaction Division after joining FUJITSU LIMITED and assumed the position of the 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 Director by making important management decisions and supervising the management of operations and its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company base on his abundant experience and extensive knowledge accumulated from his past work.</p> <p><Matters concerning independence></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 25 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.</p> <p>In the most recent fiscal year, the Company has not conducted any transaction with the any of the companies for which Mr. Hironishi had previously managed operations.</p>				

7	Candidate for Outside Director Independent Mikie Yumoto (Born on August 5, 1947)	April 1971 Joined IBM Japan, Ltd. May 1981 Joined American Family Life Assurance Company of Columbus, Japan Branch (abbrev. Aflac: American Family Life Assurance Company) January 1995 Manager of the Human Resources Development Department of Aflac January 1997 Director of Aflac (In charge of Human Resources /Education/Employees' Pension Fund/Health Insurance Association) January 1999 Executive Officer of Aflac (In charge of Human Resources/Education /Employees' Pension Fund/Health Insurance Association) January 2002 Executive Officer of Aflac (In charge of the Customer Service Division/Fee Division) January 2003 Advisor of Aflac December 2005 Retired from Aflac January 2006 Representative of Rischiare Consulting (current) June 2016 Director of the Company (current)	600 shares
<p><Reason for selecting him/her as candidate for Outside Director></p> <p>Ms. Yumoto has business experience in hiring and educating numerous employees as the Manager of the 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 the Representative of Rischiare Consulting. The Company proposes that Ms. Yumoto's appointment as an Outside Director continue based on its evaluation that she has appropriately fulfilled her role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company based on her abundant experience and extensive knowledge accumulated from her past work.</p> <p><Matters concerning independence></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 25 below and the Company has notified the Tokyo Stock Exchange that she is an independent officer.</p> <p>In the most recent fiscal year, the Company has not conducted any transaction with any of the companies for which Ms. Yumoto had previously managed operations.</p>			

8	<u>New Appointment</u> Koji Hidaka (Born on May 24, 1958)	April 1981	Joined the Company	2,020 shares
		April 2003	General Manager of the Structural Reform Promotion Office of the Corporate Planning Division of the Company	
		April 2005	General Manager of the Administration Department of the Administration Division of the Company	
		August 2011	General Manager of the Planning Office of the Company	
		April 2012	Joint General Manager of the Administration Division of the Company	
		July 2012	General Manager of the Accounting Department of the Administration Division of the Company	
		April 2013	Executive Officer of the Company	
		April 2014	Joint General Manager of the Management & Administration Division of the Company	
		April 2014	General Manager of the Accounting Department of the Management & Administration Division of the Company	
		April 2015	General Manager of the Administration Division of the Company (current)	
		April 2016	In charge of Discipline at the Company (current)	
		April 2016	In charge of Personal Information Protection at the Company (current)	
		April 2017	Managing Executive Officer of the Company (current)	
<p><Reason for selecting him/her as candidate for Director></p> <p>Mr. Hidaka, has extensive knowledge and abundant business experience in the Administration Division, having held a number of senior positions such as the General Manager of the Planning Office and the General Manager of the Accounting Department since joining the Company and thereafter having assumed the position of the General Manager of the Administration Division. The Company proposes to newly appoint Mr. Hidaka as a Director based on its judgment that it would be valuable for the management of the Company to utilize his past experiences.</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 three (3) years since assuming the position of the Outside Director.
 3. Ms. Mikie Yumoto is currently the Outside Director of the Company, and as of the closing of this ordinary general meeting of shareholders, she will have been the Outside Director for two (2) years since assuming the position of the Outside Director.
 4. The Company has entered into liability limitation agreements with Mr. Koichi Hironishi and Ms. Mikie Yumoto which limit 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 agreements if they are reelected.

Proposal 4: Appointment of two (2) Audit & Supervisory Board Members

The terms of office of Mr. Masaaki Ayukawa, Outside Audit & Supervisory Board Member, will expire at the closing of this ordinary general meeting of shareholders, and Mr. Tsukasa Yoshikawa, Full-Time Audit & Supervisory Board Member, will resign at the closing of this ordinary general meeting of shareholders.

Therefore, the Company proposes to appoint two (2) Audit & Supervisory Board Members. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

The candidates for Audit & Supervisory Board Members are as follows:

[Reference] List of candidates

Candidate No.	Name	Position	Attendance at the meetings of Board of Directors	Attendance at the meetings of Audit & Supervisory Board
1	Masaaki Ayukawa Outside Independent	Audit & Supervisory Board Member	100% (18/18)	100% (12/12)
2	Tatsuru Satoh		-	-

Candidates for Audit & Supervisory Board Members

Candidate No.	Name (Date of Birth)	Brief Personal Record, Title in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
1	<p data-bbox="316 353 667 452">Candidate for Outside Audit & Supervisory Board Member</p> <p data-bbox="316 461 466 497"><u>Independent</u></p> <p data-bbox="316 510 587 591">Masaaki Ayukawa (Born on July 28, 1945)</p>	<p data-bbox="699 353 1257 452">April 1969 Joined Chuo Audit Corporation (later ChuoAoyama Audit Corporation)</p> <p data-bbox="699 452 1209 519">February 1971 Registered as Certified Public Accountant</p> <p data-bbox="699 519 1241 586">March 1983 Representative Partner of ChuoAoyama Audit Corporation</p> <p data-bbox="699 586 1241 654">May 2000 Senior General Manager of ChuoAoyama Audit Corporation</p> <p data-bbox="699 654 1209 779">September 2006 Executive Board Member of MISUZU Audit Corporation (renamed from ChuoAoyama Audit Corporation)</p> <p data-bbox="699 779 1209 878">August 2007 Liquidator of MISUZU Audit Corporation (corporation in liquidation)</p> <p data-bbox="699 878 1225 945">March 2009 Full-Time Statutory Auditor of TonenGeneral Sekiyu K.K.</p> <p data-bbox="699 945 1264 1012">March 2014 Statutory Auditor of TonenGeneral Sekiyu K.K.</p> <p data-bbox="699 1012 1264 1079">June 2014 Audit & Supervisory Board Member of the Company (current)</p> <p data-bbox="699 1079 1257 1169">March 2016 Outside Director (Audit Supervisory Committee Member) of AUCNET INC. (current)</p>	700 shares
<p data-bbox="316 1191 1279 1227"><Reason for selecting him/her as candidate for Audit & Supervisory Board Member></p> <p data-bbox="316 1236 1417 1451">Mr. Ayukawa has practical experience as a certified public accountant. The Company proposes that Mr. Ayukawa's appointment as an Outside Audit & Supervisory Board Member continue based on its judgment that he is capable of auditing the management of the Company from an objective standpoint utilizing his abundant experience and expertise accumulated from his past work. Although he has not previously been engaged in the management of a company except 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.</p> <p data-bbox="316 1482 730 1518"><Matters concerning independence></p> <p data-bbox="316 1527 1417 1653">Mr. Ayukawa 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 25 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.</p> <p data-bbox="316 1684 1417 1742">In the most recent fiscal year, the Company has not conducted any transaction with the any of the accounting firms to which Mr. Ayukawa previously belonged.</p>			

2	<u>New Appointment</u> Tatsuru Satoh (Born on December 14, 1955)	April 1978	Joined Sumitomo Forestry Co., Ltd.	- shares
		October 2008	General Manager of Administration Department, Housing Division of Sumitomo Forestry Co., Ltd.	
		April 2011	General Manager of Personnel Department of Sumitomo Forestry Co., Ltd.	
		June 2011	Supervisory Officer of Sumitomo Forestry Co., Ltd.	
		April 2012	General Manager of General Administration Department of Sumitomo Forestry Co., Ltd.	
		June 2012	Executive Officer of Sumitomo Forestry Co., Ltd.	
		April 2013	Managing Executive Officer of Sumitomo Forestry Co., Ltd.	
		June 2013	Director of Sumitomo Forestry Co., Ltd.	
		April 2016	Senior Managing Executive Officer of Sumitomo Forestry Co., Ltd.	
		April 2018	Representative Director of Sumitomo Forestry Co., Ltd. (current)	
April 2018	Executive Vice President and Executive Officer of Sumitomo Forestry Co., Ltd. (current)			
<Reason for selecting him/her as candidate for Audit & Supervisory Board Member> Mr. Tatsuru Satoh has abundant business experience, having held a number of senior positions such as the General Manager of Administration Department and the General Manager of Personnel Department since joining Sumitomo Forestry Co., Ltd. and thereafter having assumed the position of the Representative Director of Sumitomo Forestry Co., Ltd. The Company proposes to newly appoint Mr. Satoh as an Audit & Supervisory Board Member based on its evaluation that the Company can expect to receive appropriate auditing of the management of the Company from an objective standpoint based on his abundant experience and extensive knowledge accumulated from his past work.				

- (Note)
1. There is no special interest between each candidate and the Company.
 2. Mr. Masaaki Ayukawa 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 Audit & Supervisory Board Member for four (4) years since assuming the position of the Audit & Supervisory Board Member.
 3. The Company has entered into a liability limitation agreement with Mr. Masaaki Ayukawa 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 Mr. Tatsuru Satoh 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 5: 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 one (1) 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 (Date of Birth)	Brief Personal Record, Title in the Company and Status of Major Concurrent Offices	Number of Shares Owned by Candidate
<p><u>Independent</u> Akira Maekawa (Born on October 9, 1972)</p>	<p>April 1999 Admitted to Bar of Japan 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 Became Partner at IOTA Law Office (current) April 2016 Deputy Chairman of the Daiichi Tokyo Bar Association March 2018 Independent Board Director of Japan Investment Adviser Co., Ltd. (current) April 2018 Conciliation Commissioner of the Tokyo Summary Court (current)</p>	<p>- shares</p>
<p><Reason for selecting him/her as candidate for Substitute Outside Audit & Supervisory Board Member> 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 Outside Audit & 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 and legal knowledge accumulated from his past work. Although he has not previously been engaged in the management of a company except 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.</p> <p><Matters concerning independence> 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 25 below and if he assumes the position of Outside Audit & Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that he becomes an independent officer. In the most recent fiscal year, the Company has not conducted any transaction with any of the law firms to which Mr. Maekawa previously belonged.</p>		

- (Note)
1. There is no special interest between the candidate and the Company.
 2. Mr. Akira Maekawa is to be appointed as substitute for Outside Audit & Supervisory Board Member.
 3. If Mr. Akira 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 manages operations 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 manages operations 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 manages operations 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

If you are attending the general meeting of shareholders:



Upon arrival at the meeting, please bring this Convocation Notice with you and submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue.

Date and time of the meeting: 10:00 a.m., Thursday, June 28, 2018

If you are not attending the general meeting of shareholders:



Exercise of voting rights in writing:

Please indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us

Voting deadline: The form must arrive by 5:30 p.m. Wednesday, June 27, 2018

Exercise of voting rights via the Internet, etc.:

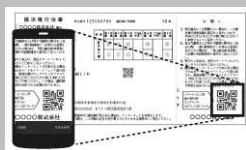


Please enter your approval/disapproval for each proposal in accordance with the instructions on the screen upon reviewing the “Guide to Exercising Voting Rights via the Internet, etc.” (pages 27-28) below.

Voting deadline: No later than 5:30 p.m. Wednesday, June 27, 2018

(Reference)

Please use “Smart Voting” when exercising voting rights by smartphones



By scanning the “log-in QR code of the website for exercising voting rights for smartphones” provided in the enclosed Voting Form, you may access the website without entering the “Code for Exercising Voting Rights” and the “password.” You may exercise your voting rights **only once** with this method.

For more details, please see the enclosed instructional brochure.

Easy access to “Smart Voting” with “Net Convocation”



In order for you to easily use “Smart Voting,” a camera button has been placed on the website. You can take a picture of the QR code by clicking on the camera button.

Guide to Exercising Voting Rights via the Internet, etc.

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

Voting deadline:

No later than 17:30 on Wednesday, June 27, 2018

Voting website:

<https://www.web54.net>



Procedure

1. Access the website for exercising voting rights



Click “Next”

Regarding “Smart Voting”



By scanning the “log-in QR Code of the website for exercising voting rights for smartphones” stated in the enclosed Voting Form, you may access the website for exercising voting rights for smartphones without entering the “Code for Exercising Voting Rights” and the “password.” You may exercise your voting right only once with this method.

For more details, please see the enclosed guidance leaflet.

Notes:

- If you exercise your voting rights redundantly 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 redundantly by personal computer, smartphone and by cellular phone, only your most recent exercise of voting rights will be accepted as effective.
- 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 provided in the Voting Form is effective only for this ordinary general meeting of shareholders.

2. Log in



Enter the “Code for Exercising Voting Rights” provided in the Voting Form at hand and click “Log in.”

3. Select “Exercise Voting Rights” from Menu



Enter the password stated in the Voting Form at hand and click “Next”

Subsequently, following the instructions on the screen, please enter your approval /disapproval.

Contact Information for Inquiries Regarding Exercising of Voting Rights via the Internet

(1) For inquiries regarding operation of personal computer, smartphone etc., to exercise voting rights via the internet, please contact:

Sumitomo Mitsui Trust Bank, Stock Transfer Agency Web Support

[Dedicated telephone line] (toll free) 0120-652-031 (9:00 a.m. to 9:00 p.m.)

(2) For other inquiries:

Shareholders who hold an account with a securities company:

Please inquire with your securities company.

Shareholders who do not hold an account with a securities company:

Sumitomo Mitsui Trust Bank, Stock Transfer Agency Administration Center

[Telephone] (toll free) 0120-782-031 (9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays and national holidays))

Use of Electronic Voting Platform (for institutional investors)

With respect to this ordinary general meeting of shareholders, institutional investors may exercise their voting rights electronically through the “Electronic Voting Platform” operated by ICJ Incorporated.

(Attachment)

BUSINESS REPORT

(From April 1, 2017 to March 31, 2018)

1. Matters Regarding Current Status of Group

(1) Progress and Results of Operation

The Japanese economy during this consolidated fiscal year has developed along a gradual recovery trend, as the capital expenditures continued to increase in accordance with the improving corporate earnings due to strong domestic and foreign demand, and as the consumer spending also continued to pick up against a backdrop of a steady improvement in the employment and income environment.

With respect to the construction industry, although the movement in the residential construction was weak, the good business environment continued as public investment continued to maintain its high level in addition to the gradual increase in corporate construction investments mainly in manufacturing plants, distribution facilities and civil engineering infrastructure.

Under such circumstances, the Group has put full effort into developing an earning foundation for the future based on the “Midterm Management Plan (FY2015 to FY2017)” formulated in May 2015.

With respect to the consolidated results for the Group during this consolidated fiscal year, the net sales increased by 8.5%, compared to the previous consolidated fiscal year, to JPY 374.0 billion. In regard to profit, the operating profit was JPY 23.0 billion and the ordinary profit was JPY 22.6 billion as a result of the decrease in gross profit due to the decline in gross profit margin and the increase in selling, general and administrative expenses. Furthermore, the profit attributable to owners of parent was JPY 15.7 billion as a result of recording the income taxes - current, etc.

The results of operations of the Company are as follows:

The orders received increased by 34.1%, compared to the previous fiscal year, to JPY 381.7 billion, due to an increase in both civil engineering work and building construction work. Among these orders received, the civil engineering work amounted to JPY 129.8 billion, and

the building construction work amounted to JPY 251.8 billion. As for the breakdown by orderer, 23.7% was from government agencies and 76.3% was from private business.

The net sales increased by 7.6%, compared to the previous fiscal year, to JPY 294.5 billion. Among these, the civil engineering work amounted to JPY 106.8 billion and the building construction work amounted to JPY 187.7 billion. As for the breakdown by orderer, 27.7% was from government agencies and 72.3% was from private business.

The amount carried forward to the following business year increased by 25.9%, compared to the previous fiscal year, to JPY 423.4 billion.

With respect to profit, the ordinary profit amounted to JPY 18.2 billion as a result of decrease in gross profit due to the decline in gross profit margin and the increase of selling, general and administrative expenses, and the profit was JPY 12.8 billion.

The Company's status by division is as follows:

[Civil Engineering]

The orders received for civil engineering work increased by 25.2%, compared to the previous fiscal year, to JPY 129.8 billion.

The major contracts are: The Chugoku Electric Power Co., Inc.: installation work of coal storage facility, etc. among the construction work of Misumi Power Station, Unit 2 (Shimane); Japan Railway Construction, Transport and Technology Agency: Sakai elevated bridge for Hokuriku Shinkansen (Fukui); West Nippon Expressway Company Limited: civil engineering replacement work between Hokubo IC and Osa Smart IC (inbound lane) of the Chugoku Expressway (specific replacement work, etc.) (Okayama); Ministry of Land, Infrastructure, Transport and Tourism: slope countermeasure work at Aso Bridge Area (Kumamoto), etc.

The net sales of completed construction contracts increased by 16.7%, compared to the previous fiscal year, to JPY 106.8 billion.

The major completed works are: East Nippon Expressway Company Limited: Torinosu construction work on the Higashi Kanto Expressway (Ibaraki); West Nippon Expressway Company Limited: tunnel construction work of Minami Tonaedani Tunnel and one other tunnel on the Takamatsu Expressway (Tokushima); Central Nippon Expressway Company Limited: Shiratori Tunnel construction work on the Tokai-Hokuriku Expressway (Gifu);

Tokyo Metropolitan Government: tunnel construction for water pipe (2,000 mm) and piping construction inside the tunnel from the Kiyohara 1-chome area to points off Sakuragaoka 3-chome of Higashiyamato-shi (Tokyo), etc.

[Building Construction]

The orders received for building construction work decreased by 39.2%, compared to the previous fiscal year, to JPY 251.8 billion.

The major contracts are: Mitsui Fudosan Residential Co., Ltd., Nomura Real Estate Development Co., Ltd., Mitsubishi Jisho Residence Co., Ltd., ITOCHU Property Development, Ltd., Toho Jisho Co., Ltd., Fujimi Jisyo Co. Ltd, Sodegaura Kogyo Co., Ltd.: Makuhari Shintoshin Wakaba Residential Area Plan (Block B-2) (tentative name) (Chiba); RW Kuki Special Purpose Company: new construction work of Redwood Kuki Distribution Center (tentative name) (Saitama); Toyosu 6-chome 4-1B Development Special Purpose Company: new construction work of D Tower Toyosu (tentative name) (Tokyo); CHC RYUKYU DEVELOPMENT GK: new construction work of Hotel Collective Naha (tentative name) (Okinawa),etc.

The net sales of completed construction contracts increased by 3.1%, compared to the previous fiscal year, to JPY 187.7 billion.

The major completed works are: Mitsui Fudosan Co., Ltd.: new construction work rental housing plan of Kashiwanoha Sanbangai West Wing (tentative name) (Chiba); Tokushukai Healthcare Corporation Ltd.: new construction work of Yamato Tokushukai Hospital (tentative name) (Kanagawa); Kyojunokai: new construction work of Koto Rehabilitation Hospital (tentative name) (Tokyo); Josuikai: new construction work of Toyota Takeichi-kai Hospital (Aichi), etc.

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

(Units: in JPY millions)

Classification	Amount carried forward from previous fiscal year	Orders received for this fiscal year	Net sales of this fiscal year	Amount carried forward to following fiscal year
Civil Engineering	151,171	129,891	106,805	(174,257) 174,257
Building Construction	185,105	251,892	187,773	(249,223) 249,211
Total	336,276	381,784	294,579	(423,481) 423,469

(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 decreased amount due to this revision is JPY 12 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 4.1 billion, which primarily consisted of purchase and renewal, etc., of buildings for business use, and machinery and equipment.

(3) Status of Funding

During this consolidated fiscal year, the Company has raised funds in the total amount of JPY 34.6 billion through issuance of new shares by third-party allotment and disposal of treasury shares pursuant to the capital and business alliance with Sumitomo Forestry Co., Ltd.

Classification	Shares Issued/Sold	Issue Price per Share	Raised Funds	Payment Date
Capital Increase Third Party Allotment	9,051 thousand shares	JPY 3,705	JPY 33,534 million	November 28, 2017
Disposal of Treasury Shares	310 thousand shares	JPY 3,705	JPY 1,148 million	November 28, 2017
Total	9,361 thousand shares	-	JPY 34,683 million	-

(4) Issues to be Addressed

Although the situation in respect of North Korea, political turmoil in the U.S. and European countries and the economic slowdown of Asian emerging countries (including China) pose a risk to the future of the Japanese economy, the economic condition is expected to continuously recover gradually, as the employment and income environment continue to improve and various measures come into effect.

Although residential investments are expected to develop weakly in the immediate future, the business environment in the construction industry is expected to continue to develop

favorably, as private-sector capital expenditure continues to increase in a backdrop of improvement in corporate earnings and measures to growing areas, etc., and public investment is expected to increase as many public project-related expenses, such as the “disaster prevention/reduction countermeasures, responding to aging of infrastructure,” were included in the supplementary budgets for the previous fiscal year and the budgets for this fiscal year. 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 the current construction market, in addition to expansion of the disaster prevention/reduction business to prepare for intensifying natural disasters as well as expansion of business relating to the measures for aging social infrastructure developed in the high economic growth period, a certain demand is expected in the medium term, such as the investments related to the Tokyo Olympics and Paralympics in 2020. However, public investment is expected to be reduced in the future due to contraction of domestic construction demand caused by the declining population and financial constraints. Accordingly, the construction market is expected to undergo qualitative and quantitative changes, such as decrease in new construction, increase in maintenance and renewal, and increase in PPP (Public Private Partnership)/PFI (Private Finance Initiative)/concessions.

Under such circumstances, the Group stipulated the Medium-to-long term Management Policy in November 2017 and entered into a capital and business alliance agreement with Sumitomo Forestry Co., Ltd. as a part of such policy, and raised funds in the total amount of JPY 34.6 billion through issuance of new shares by third-party allotment as well as disposal of treasury shares to Sumitomo Forestry Co., Ltd. In addition, the Company acquired the shares of Sumitomo Forestry Co., Ltd. for approximately JPY 10.0 billion.

Based on this policy, the Group formulated the “Kumagai Gumi Group Midterm Management Plan (FY2018 to FY2020) ~Challenge for Growth~” in March 2018, in which the pillars of strategy are: (i) maintaining and expanding the scale of the construction work contracting business, (ii) creating new businesses, and (iii) building strategic partnerships with other companies.

Strategy (1): Maintaining and Expanding the Scale of Construction Work Contracting Business

In order to maintain and improve earning power through the construction work contracting business as one of the Group’s core businesses, the Company will strengthen proposal capabilities to win more contracts and facilitate technology development to improve productivity.

Strategy (2): Creating New Businesses

The Company will create new revenue sources other than the construction work contracting business through effective capital contributions and investments as well as utilization of technology, experience, and expertise that the Group owns.

Strategy (3): Building Strategic Partnership with Other Companies

The Company will aim for further growth through the creation of synergy by promoting collaborations beyond the Group’s boundary in addition to advancement driven by cooperation within the Group.

Four target indicators during the plan period (FY2018 to FY2020)

The Company aims to attain the four (4) target indicators during the plan period to achieve consolidated sales of JPY 500.0 billion and consolidated operating profit of JPY 50.0 billion in FY2022 set forth in the Medium-to-long term Management Policy.

Consolidated sales	JPY 460.0 billion
Consolidated operating profit	JPY 33.0 billion
ROE	12%
Dividend payout ratio	30%

Investment Plan

The Company will invest JPY 60.0 billion during the three (3) years of the plan period in growing areas to maintain and enhance competitiveness and diversify sources of earnings.

Domestic/overseas alliance	JPY 23.0 billion
Renewable energy/PFI, etc.	JPY 7.0 billion
Domestic real estate	JPY 21.0 billion
Overseas real estate	JPY 3.0 billion
Technology development, etc.	JPY 6.0 billion

Enhancing Our Approach to “ESG” Agenda

The Company will maximize corporate value as a company that contributes to society through its business activities, with construction at its core.

Cooperation with Sumitomo Forestry

The Company expects to generate synergies through promoting partnership in each area with Sumitomo Forestry Co., Ltd., with which the Company entered into a capital and business alliance agreement in November 2017 as part of the Medium-to-long term Management Policy.

Areas	MOCCA and greening-related construction business
	Renewable energy business
	Overseas business
	Peripheral business areas (healthcare, sale of developed products, etc.)
	Joint R&D (new construction method, members, robotics, etc.)

The Group, as the “new Kumagai Gumi Group,” will work together to implement the plan steadily and take on challenges toward further growth.

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.”

With respect to the condominium located in Yokohama, in which the Company’s construction defect was found in 2014, a substantial amount of provision for contingent loss was recorded. Pursuant to the resolution at a meeting of the management association of the said condominium, we have begun the rebuilding construction. Upon performing such construction, the whole Company will make ardent efforts in order to promptly deliver safe and high-quality residence.

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	78th fiscal year (Fiscal year ended March 31, 2015)	79th fiscal year (Fiscal year ended March 31, 2016)	80th fiscal year (Fiscal year ended March 31, 2017)	81st fiscal year (This consolidated fiscal year) (Fiscal year ended March 31, 2018)
Net sales	JPY million	362,090	343,647	344,706	374,019
Profit attributable to owners of parent	JPY million	5,458	12,092	16,433	15,783
Basic earnings per share	JPY	157.25	323.56	439.94	389.63
Total assets	JPY million	255,514	255,525	271,908	333,665
Net assets	JPY million	53,551	64,933	80,288	126,374

- (Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.
2. Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, basic earnings per share was calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of the 78th fiscal year (fiscal year ended March 31, 2015)

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

Classification	Units	78th fiscal year (Fiscal year ended March 31, 2015)	79th fiscal year (Fiscal year ended March 31, 2016)	80th fiscal year (Fiscal year ended March 31, 2017)	81st fiscal year (This fiscal year) (Fiscal year ended March 31, 2018)
Orders received	JPY million	329,495	293,558	284,711	381,784
Net sales	JPY million	288,158	267,497	273,717	294,579
Profit	JPY million	6,778	10,392	13,986	12,864
Basic earnings per share	JPY	194.71	277.30	373.37	316.72
Total assets	JPY million	208,570	210,628	223,147	280,092
Net assets	JPY million	34,975	44,329	57,321	100,439

- (Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.
2. Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, basic earnings per share was calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of the 78th fiscal year (fiscal year ended March 31, 2015).

(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 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 building 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-29) No. 1200” from the Minister of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act, and engages in civil engineering, building 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), Shikoku Branch (Takamatsu-shi, Kagawa), 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

(Note) The Company changed the location of the Head Office from “2-6-8, Chuo, Fukui-shi” to “3-2-1 Oote, Fukui-shi” on May 1, 2018.

(ii) Principal Subsidiaries

GAEART 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
3,892 people	+94 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
2,382 people	+77 people	45.2 years old	20.5 years

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

(10) Principal Lenders

Lenders	Borrowed amount (JPY million)
Sumitomo Mitsui Banking Corporation	3,000
Sumitomo Mitsui Trust Bank, Limited.	1,575
The Gunma Bank, Ltd.	1,450
THE HOKURIKU BANK, LTD.	1,250
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	875

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.

(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

71,400,000 shares

(Note) Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, the total number of shares authorized to be issued decreased by 642,600,000 shares compared to the end of the previous fiscal year.

(2) Total Number of Shares Issued

46,805,660 shares (including 22,471 shares as treasury shares)

(Note) Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, the total number of shares issued decreased by 339,790,147 shares compared to the end of the previous fiscal year. In addition, the Company conducted a capital increase through third party allotment by issuing 9,051,200 shares on November 28, 2017. As a result, the total number of shares issued decreased by 330,738,947 shares compared to the end of the previous fiscal year.

(3) Number of Shareholders

45,210 (decrease by 7,554 shareholders, compared to the end of the previous fiscal year)

(4) Principal Shareholders (Top 10 Shareholders)

Name of shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Sumitomo Forestry Co., Ltd.	9,361	20.01
Japan Trustee Services Bank, Ltd. (Trust Account)	4,080	8.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,351	7.16
Kumagai Gumi Business Partner Shareholding Association	1,743	3.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,538	3.29
Japan Trustee Services Bank, Ltd. (Trust Account 5)	671	1.44
NORTHERN TRUST GLOBAL SERVICES LIMITED, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT	630	1.35
Sumitomo Mitsui Banking Corporation	591	1.26
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	566	1.21
HAYAT	527	1.13

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

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 (Representative Director)	Yasushi Higuchi	
Senior Managing Director	Susumu Ogawa	In charge of International Business, In charge of Marketing
Senior Managing Director	Yasunori Sakurano	General Manager of the Corporate Planning Division
Senior Managing Director	Yoshihiko Kato	General Manager of the Civil Engineering Management Division, General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division
○ Senior Managing Director	Yoshiaki Ogawa	General Manager of the Architectural Management Division
Director	Koichi Hironishi	
Director	Mikie Yumoto	
Full-Time Audit & Supervisory Board Member	Tsukasa Yoshikawa	
○ Full-Time Audit & Supervisory Board Member	Junji Konishi	
Audit & Supervisory Board Member	Takashi Kakimi	Attorney-at-law
Audit & Supervisory Board Member	Masaaki Ayukawa	Certified Public Accountant, Outside Director (Audit Supervisory Committee Member) of AUCNET INC.

- (Note)
1. Directors, Mr. Koichi Hironishi and Ms. Mikie Yumoto are both Outside Directors.
 2. Audit & Supervisory Board Members, Messrs. Takashi Kakimi and Masaaki Ayukawa are both Outside Audit & Supervisory Board Members.
 3. Directors, Mr. Koichi Hironishi and Ms. Mikie Yumoto, 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.
 4. The Director and Audit & Supervisory Board Member with the circle (○) were newly appointed as a Director and an Audit & Supervisory Board Member, respectively, at the 80th ordinary general meeting of shareholders held on June 29, 2017.
 5. Full-Time Audit & Supervisory Board Member, Mr. Tsukasa Yoshikawa has an experience as the General Manager of the Accounting Department of the Company and has considerable knowledge concerning finance and accounting.
 6. Audit & Supervisory Board Member, Mr. Masaaki Ayukawa is qualified as a certified public accountant and has considerable knowledge concerning finance and accounting.
 7. The Director and Audit & Supervisory Board Member who retired during this fiscal year:

Director	Kazuo Ishigaki	(Retired as of June 29, 2017)
Full-Time Audit & Supervisory Board Member	Tadanao Takema	(Resigned as of June 29, 2017)
 8. As of April 1, 2018, the status and assignments of Directors have changed as follows:

Chairperson	Yasushi Higuchi
President (Representative Director)	Yasunori Sakurano

The Company has introduced the Executive Officer System. The Executive Officers as of March 31, 2018 are as follows:

* Executive President	Yasushi Higuchi	Executive Officer	Masamichi Kokuzawa
Executive Vice President	Toshiaki Hotta	Executive Officer	Katsuhiko Hayashi
Executive Vice President	Masahiko Takashima	Executive Officer	Masao Kajiyama
* Senior Managing Executive Officer	Susumu Ogawa	Executive Officer	Masaki Ohno
* Senior Managing Executive Officer	Yasunori Sakurano	Executive Officer	Koji Okaichi
* Senior Managing Executive Officer	Yoshihiko Kato	Executive Officer	Kunito Hoshi
* Senior Managing Executive Officer	Yoshiaki Ogawa	Executive Officer	Norio Sumiyoshi
Senior Managing Executive Officer	Satoshi Shibukawa	Executive Officer	Hideyuki Tsukuda
Managing Executive Officer	Akira Yamazaki	Executive Officer	Hisato Nagata
Managing Executive Officer	Hiroshi Iida	Executive Officer	Takahiko Kashihara
Managing Executive Officer	Koji Hidaka	Executive Officer	Kazuhiko Kawamura
Managing Executive Officer	Kenji Kishi		
Managing Executive Officer	Shin Ueda		
Executive Officer	Kunihiko Oshima		

- (Note) 1. Executive Officers marked with asterisks (*) are Executive Officers concurrently serving as Directors.
 2. Executive President, Mr. Yasushi Higuchi, Executive Vice President, Toshiaki Hotta and Executive Officer, Mr. Katsuhiko Hayashi retired from their respective positions as Executive Officer as of March 31, 2018.
 3. As of April 1, 2018, the position of Executive Officer has changed as follows:

Executive President	Yasunori Sakurano	Managing Executive Officer	Koji Okaichi
Executive Vice President	Satoshi Shibukawa	○ Executive Officer	Hiroyuki Watanabe
Managing Executive Officer	Masaki Ohno	○ Executive Officer	Masato Yamashita

(Note) Executive Officers with circles (○) are newly appointed Executive Officers.

(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:	Eight (8) persons	JPY 146 million	(Including two (2) Outside Directors : JPY 18 million)
Audit & Supervisory Board Members:	Five (5) persons	JPY 43 million	(Including two (2) Outside Audit & Supervisory Board Members : JPY 18 million)

(Note) The amounts of compensation approved by the 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 Regarding Outside Officers

Directors, Mr. Koichi Hironishi and Ms. Mikie Yumoto are both Outside Directors.

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. Ayukawa is the Outside Director (Audit Supervisory Committee Member) of AUCNET INC. The Company has no material relationships with said company.

(ii) Status of Principal Activities

Director, Mr. Hironishi has attended all eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on his abundant experience and extensive knowledge he acquired as a management executive of a different industry.

Director, Ms. Yumoto has attended all eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on her abundant experience and extensive knowledge she acquired by participating in management as a management executive in charge of human resources of a different industry.

Audit & Supervisory Board Member, Mr. Kakimi has attended all eighteen (18) meetings of the Board of Directors as well as eleven (11) meetings out of twelve (12) meetings of Audit & Supervisory Board, each held during this fiscal year, and has spoken, as necessary, mainly from a professional perspective as an attorney-at-law.

Audit & Supervisory Board Member, Mr. Ayukawa has attended all eighteen (18) meetings of the Board of Directors as well as all twelve (12) meetings of Audit & Supervisory Board, each 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 73 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) Details of Non-audit Services

As services other than services set forth in Article 2, Paragraph 1 of the Certified Public Accountant Act, the Company paid consideration for confirmation services, etc. regarding the summary financial statements included in the Prequalification documents for overseas tender.

(4) 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 management 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 execute 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 executing 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 managing operations.

6. Matters Regarding Audits by Audit & Supervisory Board Members

(1) Matters Regarding 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 Regarding 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 status, etc. of the execution 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 management 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, 2017 to March 31, 2018) is as follows:

1. Overall Internal Control

The Board of Directors of the Company consists of seven (7) Directors, including two (2) Outside Directors, and the meetings of the Board of Directors were held eighteen (18) 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-four (24) 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 Members shall obtain the status of the management 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 Members 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, 2018)

ASSETS		LIABILITIES	
	(JPY million)		(JPY million)
CURRENT ASSETS	280,088	CURRENT LIABILITIES	177,845
Cash and deposits	108,536	Notes payable, accounts payable for construction contracts and other	76,043
Notes receivable, accounts receivable from completed construction contracts and other	139,287	Electronically recorded obligations - operating	29,297
Costs on uncompleted construction contracts	6,905	Short-term loans payable	4,090
Deferred tax assets	6,021	Income taxes payable	2,871
Accounts receivable - other	12,178	Advances received on uncompleted construction contracts	21,527
Other	7,309	Deposits received	20,700
Allowance for doubtful accounts	(151)	Provision for warranties for completed construction	433
NON-CURRENT ASSETS	53,444	Provision for loss on construction contracts	438
PROPERTY, PLANT AND EQUIPMENT	19,504	Provision for contingent loss	11,341
Buildings and structures	5,919	Provision for bonuses	3,911
Machinery, vehicles, tools, furniture and fixtures	2,339	Other	7,188
Land	10,524	NON-CURRENT LIABILITIES	29,444
Leased assets	102	Long-term loans payable	10,389
Construction in progress	618	Net defined benefit liability	16,677
INTANGIBLE ASSETS	441	Other	2,378
INVESTMENTS AND OTHER ASSETS	33,499	TOTAL LIABILITIES	207,290
Investment securities	24,382	NET ASSETS	
Long-term loans receivable	858	Shareholders' equity	123,616
Long-term non-operating accounts receivable	235	Capital stock	30,108
Claims provable in bankruptcy, claims provable in rehabilitation and other	69	Capital surplus	25,157
Deferred tax assets	5,406	Retained earnings	68,540
Other	2,818	Treasury shares	(189)
Allowance for doubtful accounts	(271)	Accumulated other comprehensive income	2,758
DEFERRED ASSETS	132	Valuation difference on available-for-sale securities	2,699
Share issuance cost	132	Foreign currency translation adjustment	516
		Remeasurements of defined benefit plans	(457)
		TOTAL NET ASSETS	126,374
TOTAL ASSETS	333,665	TOTAL LIABILITIES AND NET ASSETS	333,665

Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

NET SALES	(JPY million)	(JPY million)
Net sales of completed construction contracts	374,019	374,019
COST OF SALES		
Cost of sales of completed construction contracts	333,789	333,789
Gross profit		
Gross profit on completed construction contracts	40,230	40,230
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		17,188
Operating profit		23,041
NON-OPERATING INCOME		
Interest and dividend income	145	
Share of profit of entities accounted for using equity method	144	
Compensation for damage income	85	
Other	148	524
NON-OPERATING EXPENSES		
Interest expenses	241	
Capital and business alliance expenses	236	
Commission for syndicate loan	223	
Other	181	883
Ordinary profit		22,682
EXTRAORDINARY INCOME		
Gain on sales of memberships	39	
Gain on sales of non-current assets	22	
Other	2	64
EXTRAORDINARY LOSSES		
Provision for contingent loss	481	
Loss on retirement of non-current assets	84	
Other	85	651
Profit before income taxes		22,095
Income taxes – current	5,386	
Income taxes – deferred	925	6,311
Profit		15,783
Profit attributable to owners of parent		15,783

Consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)
Balance at beginning of current period	13,341	7,880	55,377	(753)	75,845
Changes of items during period					
Issuance of new shares	16,767	16,767			33,534
Dividends of surplus			(2,621)		(2,621)
Profit attributable to owners of parent			15,783		15,783
Purchase of treasury shares				(77)	(77)
Disposal of treasury shares		509		641	1,151
Net changes of items other than shareholders' equity					
Total changes of items during period	16,767	17,276	13,162	564	47,771
Balance at end of current period	30,108	25,157	68,540	(189)	123,616

	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 current period	4,428	388	(374)	4,443	80,288
Changes of items during period					
Issuance of new shares					33,534
Dividends of surplus					(2,621)
Profit attributable to owners of parent					15,783
Purchase of treasury shares					(77)
Disposal of treasury shares					1,151
Net changes of items other than shareholders' equity	(1,729)	127	(83)	(1,685)	(1,685)
Total changes of items during period	(1,729)	127	(83)	(1,685)	46,086
Balance at end of current period	2,699	516	(457)	2,758	126,374

Nonconsolidated Balance Sheet

(As of March 31, 2018)

ASSETS		LIABILITIES	
	(JPY million)		(JPY million)
CURRENT ASSETS	236,114	CURRENT LIABILITIES	153,638
Cash and deposits	91,364	Notes payable - trade	7,786
Notes receivable - trade	2,549	Electronically recorded obligations - operating	29,297
Accounts receivable from completed construction contracts	110,246	Accounts payable for construction contracts	50,396
Costs on uncompleted construction contracts	5,988	Short-term loans payable	3,851
Deferred tax assets	5,393	Lease obligations	19
Accounts receivable - other	14,007	Income taxes payable	2,513
Other	6,691	Advances received on uncompleted construction contracts	20,051
Allowance for doubtful accounts	(127)	Deposits received	19,136
NON-CURRENT ASSETS	43,846	Provision for warranties for completed construction	341
PROPERTY, PLANT AND EQUIPMENT	11,136	Provision for loss on construction contracts	293
Buildings and structures	2,407	Provision for contingent loss	11,324
Machinery and vehicles	220	Provision for bonuses	2,477
Tools, furniture and fixtures	206	Other	6,148
Land	7,677	NON-CURRENT LIABILITIES	26,015
Leased assets	59	Long-term loans payable	10,328
Construction in progress	565	Lease obligations	49
INTANGIBLE ASSETS	266	Provision for retirement benefits	13,397
INVESTMENTS AND OTHER ASSETS	32,443	Other	2,239
Investment securities	11,781	TOTAL LIABILITIES	179,653
Shares of subsidiaries and associates	14,691	NET ASSETS	
Long-term loans receivable	1,203	Shareholders' equity	97,813
Long-term non-operating accounts receivable	111	Capital stock	30,108
Claims provable in bankruptcy, claims provable in rehabilitation and other	33	Capital surplus	25,157
Long-term prepaid expenses	82	Legal capital surplus	16,767
Deferred tax assets	3,868	Other capital surplus	8,390
Other	751	Retained earnings	42,613
Allowance for doubtful accounts	(80)	Legal retained earnings	559
DEFERRED ASSETS	132	Other retained earnings	42,054
Share issuance cost	132	Retained earnings brought forward	42,054
		Treasury shares	(65)
		Valuation and translation adjustments	2,625
		Valuation difference on available-for-sale securities	2,625
		TOTAL NET ASSETS	100,439
TOTAL ASSETS	280,092	TOTAL LIABILITIES AND NET ASSETS	280,092

Nonconsolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

NET SALES	(JPY million)	(JPY million)
Net sales of completed construction contracts	294,579	294,579
COST OF SALES		
Cost of sales of completed construction contracts	264,028	264,028
Gross profit		
Gross profit on completed construction contracts	30,550	30,550
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		12,605
Operating profit		17,945
NON-OPERATING INCOME		
Interest and dividend income	834	
Other	258	1,093
NON-OPERATING EXPENSES		
Interest expenses	232	
Capital and business alliance expenses	236	
Commission for syndicate loan	223	
Other	133	826
Ordinary profit		18,212
EXTRAORDINARY INCOME		
Gain on sales of memberships	39	
Other	2	42
EXTRAORDINARY LOSSES		
Provision for contingent loss	494	
Other	45	539
Profit before income taxes		17,715
Income taxes – current	3,931	
Income taxes – deferred	919	4,850
Profit		12,864

Nonconsolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	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)	(JPY million)
Balance at beginning of current period	13,341	-	7,880	7,880	297	32,073	32,370
Changes of items during period							
Issuance of new shares	16,767	16,767		16,767			
Provision of legal retained earnings					262	(262)	-
Dividends of surplus						(2,621)	(2,621)
Profit						12,864	12,864
Purchase of treasury shares							
Disposal of treasury shares			509	509			
Net changes of items other than shareholders' equity							
Total changes of items during period	16,767	16,767	509	17,276	262	9,980	10,243
Balance at end of current period	30,108	16,767	8,390	25,157	559	42,054	42,613

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	(JPY million)	(JPY million)	(JPY million)	(JPY million)	(JPY million)
Balance at beginning of current period	(632)	52,960	4,361	4,361	57,321
Changes of items during period					
Issuance of new shares		33,534			33,534
Provision of legal retained earnings		-			-
Dividends of surplus		(2,621)			(2,621)
Profit		12,864			12,864
Purchase of treasury shares	(75)	(75)			(75)
Disposal of treasury shares	641	1,151			1,151
Net changes of items other than shareholders' equity			(1,736)	(1,736)	(1,736)
Total changes of items during period	566	44,853	(1,736)	(1,736)	43,117
Balance at end of current period	(65)	97,813	2,625	2,625	100,439

[Translation]

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

Independent Auditor's Audit Report

May 11, 2018

The Board of Directors
Kumagai Gumi Co., Ltd.

GYOSEI & CO.
Naruhito Minami
Certified Public Accountant
Designated Partner
Engagement Partner

Tetsuo Noguchi
Certified Public Accountant
Designated Partner
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, 2017 through March 31, 2018.

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, 2018 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.

[End]

[Translation]

Accounting Auditor's Audit Report

Independent Auditor's Audit Report

May 11, 2018

The Board of Directors
Kumagai Gumi Co., Ltd.

GYOSEI & CO.

Naruhito Minami
Certified Public Accountant
Designated Partner
Engagement Partner

Tetsuo Noguchi
Certified Public Accountant
Designated Partner
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying nonconsolidated financial statements, which comprise the nonconsolidated balance sheet, the nonconsolidated statement of income, the nonconsolidated statement of changes in equity, the notes to the nonconsolidated financial statements and the related supplementary schedules of Kumagai Gumi Co., Ltd. (the "Company") applicable to the 81st fiscal year from April 1, 2017 through March 31, 2018.

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

Management is responsible for the preparation and fair presentation of these nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 81st fiscal year ended March 31, 2018 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.

[End]

[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 81st fiscal year from April 1, 2017 to March 31, 2018 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, nonconsolidated financial statements (the nonconsolidated balance sheet, nonconsolidated statement of income, nonconsolidated statement of changes in equity and notes to the nonconsolidated 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.

(2) Results of Audit of Nonconsolidated 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 11, 2018

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

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