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Consolidated Financial Results for the Third Quarter Ended December 31, 2018 [Japanese GAAP]

February 8, 2019

Company name : Kumagai Gumi Co., Ltd.
 Stock exchange listings : Tokyo Stock Exchange, 1st Section
 Securities code : 1861 URL : <https://www.kumagaigumi.co.jp/>
 Representative : Yasunori Sakurano, President
 Contact : Chihiro Nosaka, General Manager, Accounting Department, Administration Division
 Tel. 03-3235-8606
 Date of filing of quarterly securities report : February 8, 2019
 Scheduled date of dividend payment : —
 Supplemental materials for quarterly financial results : None
 Presentation on quarterly financial results : None

(Rounded down to the nearest million yen)

1. Consolidated Results for the Third Quarter Ended December 31, 2018 (April 1, 2018 – December 31, 2018)

(1) Consolidated Operating Results

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2018 3rd Quarter	268,902	(0.0)	14,883	(4.8)	14,912	(3.4)	9,063	(15.0)
FY2017 3rd Quarter	268,997	8.7	15,636	(11.9)	15,438	(13.5)	10,662	(12.1)

(Note) Comprehensive income FY2018 3rd Quarter 8,086 million yen (24.7%) FY2017 3rd Quarter 10,742 million yen (14.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2018 3rd Quarter	194.32	—
FY2017 3rd Quarter	277.03	—

※ The company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. Basic earnings per share for FY2017 3rd Quarter were calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of FY2017.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018 3rd Quarter	325,644	130,022	39.9	2,789.93
FY2017	333,665	126,374	37.9	2,707.51

(Reference) Owner's equity FY2018 3rd Quarter 130,022 million yen FY2017 126,374 million yen

2. Dividends

	Annual cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	—	—	—	90.00	90.00
FY2018	—	—	—		
FY2018 (forecast)				100.00	100.00

(Note) Revision to the latest forecasts of cash dividends announced : None

3. Forecast of Consolidated Operating Results for FY2018 (April 1, 2018 – March 31, 2019)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018	395,500	5.7	25,000	8.5	25,000	10.2	16,500	4.5	353.83

(Note) Revision to the latest forecasts of consolidated operating results announced : Yes

※ Notes

(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries that resulted in a change in the scope of consolidation) : None

(2) Application of specific accounting for quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

① Changes in accounting policies due to the revision of the accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Retrospective restatements : None

(4) Number of shares issued (common stock)

(Shares)

① Number of shares issued at the end of the period (including treasury stocks)

FY2018 Q3	46,805,660	FY2017	46,805,660
FY2018 Q3	201,497	FY2017	130,029
FY2018 Q3	46,641,517	FY2017 Q3	38,490,991

② Number of treasury stocks at the end of the period

③ Average number of shares outstanding during the period

(quarterly cumulative total)

※ The company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. Average number of shares outstanding during the period for FY2017 3rd Quarter were calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of FY2017.

※ "Kessan Tanshin" is not subject to the quarterly review.

※ Explanation regarding the appropriate use of forecasts of operating results, and other specific comments

The financial forecast of operating results in this document are based on information available at present and logical assessments. Actual results may be materially different from expectations due to a variety of factors.

(Reference) Summary of Nonconsolidated Financial Results

(Rounded down to the nearest million yen)

1. Nonconsolidated Results for the Third Quarter Ended December 31, 2018 (April 1, 2018 – December 31, 2018)

(1) Nonconsolidated Operating Results

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2018 3rd Quarter	209,122	(1.3)	11,798	(1.8)	12,541	0.8	7,744	(13.3)
FY2017 3rd Quarter	211,802	6.8	12,016	(21.2)	12,445	(22.2)	8,934	(19.1)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2018 3rd Quarter	165.65	—
FY2017 3rd Quarter	231.47	—

※ The company conducted a one-for-ten reverse stock split of common stock on October 1, 2017. Basic earnings per share for FY2017 3rd Quarter were calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of FY2017.

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018 3rd Quarter	272,457	102,782	37.7	2,200.34
FY2017	280,092	100,439	35.9	2,146.90

(Reference) Owner's equity FY2018 3rd Quarter 102,782 million yen FY2017 100,439 million yen

2. Forecast of Nonconsolidated Operating Results for FY2018 (April 1, 2018 – March 31, 2019)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net sales of completed construction contracts		Ordinary income		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018	315,500	7.1	21,700	19.1	14,300	11.2	305.95

(Note) Revision to the latest forecasts of nonconsolidated operating results announced : Yes

1. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 3rd Quarter (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	108,536	86,619
Notes receivable, accounts receivable from completed construction contracts and other	139,287	150,006
Costs on uncompleted construction contracts	6,905	8,998
Other	19,488	21,636
Allowance for doubtful accounts	(151)	(162)
Total current assets	274,066	267,098
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,919	6,356
Land	10,524	10,838
Other, net	3,060	3,589
Total property, plant and equipment	19,504	20,784
Intangible assets	441	435
Investments and other assets		
Investment securities	24,382	23,246
Deferred tax assets	11,427	10,536
Other	3,981	3,660
Allowance for doubtful accounts	(271)	(213)
Total investments and other assets	39,520	37,230
Total non-current assets	59,466	58,450
Deferred assets		
Share issuance cost	132	95
Total deferred assets	132	95
Total assets	333,665	325,644

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 3rd Quarter (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	76,043	67,520
Electronically recorded obligations – operating	29,297	30,391
Short-term loans payable	4,090	3,571
Advances received on uncompleted construction contracts	21,527	21,628
Deposits received	20,700	23,765
Provision for warranties for completed construction	433	487
Provision for loss on construction contracts	438	418
Provision for contingent loss	11,341	11,261
Provision for bonuses	3,911	2,024
Other	10,059	6,865
Total current liabilities	177,845	167,936
Non-current liabilities		
Long-term loans payable	10,389	9,894
Provision for stock payments	—	28
Net defined benefit liability	16,677	16,508
Other	2,378	1,253
Total non-current liabilities	29,444	27,684
Total liabilities	207,290	195,621
Net assets		
Shareholders' equity		
Capital stock	30,108	30,108
Capital surplus	25,157	25,157
Retained earnings	68,540	73,392
Treasury shares	(189)	(417)
Total shareholders' equity	123,616	128,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,699	1,751
Foreign currency translation adjustment	516	445
Remeasurements of defined benefit plans	(457)	(415)
Total accumulated other comprehensive income	2,758	1,781
Total net assets	126,374	130,022
Total liabilities and net assets	333,665	325,644

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income (Cumulative total)

(millions of yen)

	FY2017 3rd Quarter (Apr 1, 2017—Dec 31, 2017)	FY2018 3rd Quarter (Apr 1, 2018—Dec 31, 2018)
Net sales of completed construction contracts	268,997	268,902
Cost of sales of completed construction contracts	240,712	239,836
Gross profit on completed construction contracts	28,284	29,066
Selling, general and administrative expenses	12,648	14,182
Operating income	15,636	14,883
Non-operating income		
Interest income	30	27
Dividend income	106	326
Share of profit of entities accounted for using equity method	46	33
Foreign exchange gains	1	10
Compensation for damage income	68	1
Reversal of allowance for doubtful accounts	39	26
Reversal of provision for contingent loss	110	—
Other	90	45
Total non-operating income	494	471
Non-operating expenses		
Interest expenses	186	179
Commission for syndicate loan	221	176
Capital and business alliance expenses	236	—
Amortization of share issuance cost	4	37
Other	43	49
Total non-operating expenses	692	442
Ordinary income	15,438	14,912
Extraordinary income		
Gain on sales of non-current assets	15	12
Other	0	0
Total extraordinary income	15	13
Extraordinary losses		
Loss on retirement of non-current assets	65	29
Loss on valuation of membership	—	6
Compensation for damage	16	23
Loss on litigation	49	6
Provision for contingent loss	—	1,349
Other	0	2
Total extraordinary losses	131	1,417
Profit before income taxes	15,322	13,507
Income taxes – current	2,999	3,153
Income taxes – deferred	1,660	1,290
Total income taxes	4,659	4,444
Profit	10,662	9,063
Profit attributable to owners of parent	10,662	9,063

Quarterly consolidated statement of comprehensive income (Cumulative total)

(millions of yen)

	FY2017 3rd Quarter (Apr 1, 2017—Dec 31, 2017)	FY2018 3rd Quarter (Apr 1, 2018—Dec 31, 2018)
Profit	10,662	9,063
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(945)
Foreign currency translation adjustment	54	(71)
Remeasurements of defined benefit plans, net of tax	25	42
Share of other comprehensive income of entities accounted for using equity method	(1)	(2)
Total other comprehensive income	79	(976)
Comprehensive income	10,742	8,086
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,742	8,086
Comprehensive income attributable to non-controlling interests	—	—

2. Quarterly Nonconsolidated Financial Statements

(1) Quarterly nonconsolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 3rd Quarter (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	91,364	69,363
Notes receivable, accounts receivable from completed construction contracts and other	112,795	126,711
Costs on uncompleted construction contracts	5,988	7,493
Other	20,698	20,738
Allowance for doubtful accounts	(127)	(140)
Total current assets	230,720	224,166
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,407	2,516
Land	7,677	7,900
Other, net	1,052	1,793
Total property, plant and equipment	11,136	12,210
Intangible assets	266	281
Investments and other assets		
Investment securities	11,781	11,676
Deferred tax assets	9,262	8,720
Other	16,873	15,330
Allowance for doubtful accounts	(80)	(24)
Total investments and other assets	37,836	35,703
Total non-current assets	49,239	48,195
Deferred assets		
Share issuance cost	132	95
Total deferred assets	132	95
Total assets	280,092	272,457

(millions of yen)

	Prior Fiscal Year (As of March 31, 2018)	Current 3rd Quarter (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	58,182	50,717
Electronically recorded obligations – operating	29,297	30,391
Short-term loans payable	3,851	3,348
Lease obligations	19	21
Advances received on uncompleted construction contracts	20,051	20,346
Deposits received	19,136	21,219
Provision for warranties for completed construction	341	393
Provision for loss on construction contracts	293	234
Provision for contingent loss	11,324	11,244
Provision for bonuses	2,477	1,240
Other	8,661	6,174
Total current liabilities	153,638	145,331
Non-current liabilities		
Long-term loans payable	10,328	9,849
Lease obligations	49	57
Provision for retirement benefits	13,397	13,297
Provision for stock payments	—	28
Other	2,239	1,110
Total non-current liabilities	26,015	24,343
Total liabilities	179,653	169,674
Net assets		
Shareholders' equity		
Capital stock	30,108	30,108
Capital surplus	25,157	25,157
Retained earnings	42,613	46,147
Treasury shares	(65)	(293)
Total shareholders' equity	97,813	101,120
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,625	1,662
Total valuation and translation adjustments	2,625	1,662
Total net assets	100,439	102,782
Total liabilities and net assets	280,092	272,457

(2) Quarterly nonconsolidated statement of income (Cumulative total)

(millions of yen)

	FY2017 3rd Quarter (Apr 1, 2017—Dec 31, 2017)	FY2018 3rd Quarter (Apr 1, 2018—Dec 31, 2018)
Net sales of completed construction contracts	211,802	209,122
Cost of sales of completed construction contracts	190,515	186,774
Gross profit on completed construction contracts	21,287	22,348
Selling, general and administrative expenses	9,271	10,549
Operating income	12,016	11,798
Non-operating income		
Interest income	26	23
Dividend income	801	1,019
Foreign exchange gains	0	11
Other	287	111
Total non-operating income	1,115	1,166
Non-operating expenses		
Interest expenses	180	167
Commission for syndicate loan	221	176
Capital and business alliance expenses	236	—
Amortization of share issuance cost	4	37
Other	43	42
Total non-operating expenses	686	423
Ordinary income	12,445	12,541
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	—
Gain on sales of memberships	—	0
Total extraordinary income	0	1
Extraordinary losses		
Loss on valuation of membership	—	6
Compensation for damage	16	23
Loss on litigation	10	6
Provision for contingent loss	—	1,349
Other	0	5
Total extraordinary losses	27	1,391
Profit before income taxes	12,418	11,151
Income taxes – current	2,170	2,440
Income taxes – deferred	1,314	966
Total income taxes	3,484	3,407
Profit	8,934	7,744

3. Supplementary Information

(1) Orders received, net sales and carried-forward (Nonconsolidated)

(millions of yen)

	FY2017 3rd Quarter Apr 1, 2017—Dec 31, 2017		FY2018 3rd Quarter Apr 1, 2018—Dec 31, 2018		Change	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	%
Public	44,863	18.5	21,929	6.9	(22,933)	(51.1)
Private	37,559	15.5	92,063	29.0	54,504	145.1
Domestic	82,422	34.0	113,993	35.9	31,571	38.3
Overseas	10	0.0	—	—	(10)	(100.0)
Civil engineering	82,432	34.0	113,993	35.9	31,560	38.3
Public	16,714	6.9	21,791	6.9	5,077	30.4
Private	142,580	58.8	181,727	57.2	39,146	27.5
Domestic	159,294	65.7	203,518	64.1	44,223	27.8
Overseas	768	0.3	45	0.0	(722)	(94.1)
Building construction	160,062	66.0	203,564	64.1	43,501	27.2
Public	61,577	25.4	43,721	13.8	(17,856)	(29.0)
Private	180,139	74.3	273,791	86.2	93,651	52.0
Domestic	241,717	99.7	317,512	100.0	75,795	31.4
Overseas	778	0.3	45	0.0	(732)	(94.1)
Orders received—Total	242,495	100	317,558	100	75,062	31.0
Public	43,477	20.5	42,917	20.5	(560)	(1.3)
Private	34,414	16.2	33,000	15.8	(1,414)	(4.1)
Domestic	77,892	36.7	75,917	36.3	(1,974)	(2.5)
Overseas	28	0.0	14	0.0	(14)	(50.8)
Civil engineering	77,921	36.7	75,931	36.3	(1,989)	(2.6)
Public	16,496	7.8	17,094	8.2	598	3.6
Private	116,638	55.1	115,694	55.3	(943)	(0.8)
Domestic	133,134	62.9	132,789	63.5	(345)	(0.3)
Overseas	746	0.4	401	0.2	(345)	(46.2)
Building construction	133,881	63.3	133,190	63.7	(690)	(0.5)
Public	59,973	28.3	60,011	28.7	37	0.1
Private	151,053	71.3	148,695	71.1	(2,358)	(1.6)
Domestic	211,027	99.6	208,706	99.8	(2,320)	(1.1)
Overseas	775	0.4	415	0.2	(359)	(46.4)
Net sales—Total	211,802	100	209,122	100	(2,680)	(1.3)
Public	86,405	23.5	70,120	13.2	(16,285)	(18.8)
Private	69,260	18.9	142,199	26.7	72,938	105.3
Domestic	155,666	42.4	212,319	39.9	56,653	36.4
Overseas	19	0.0	—	—	(19)	(100.0)
Civil engineering	155,685	42.4	212,319	39.9	56,633	36.4
Public	29,356	8.0	36,490	6.9	7,133	24.3
Private	181,426	49.4	283,079	53.2	101,653	56.0
Domestic	210,783	57.4	319,570	60.1	108,787	51.6
Overseas	502	0.2	18	0.0	(483)	(96.3)
Building construction	211,285	57.6	319,589	60.1	108,303	51.3
Public	115,762	31.5	106,611	20.1	(9,151)	(7.9)
Private	250,686	68.3	425,279	79.9	174,592	69.6
Domestic	366,449	99.8	531,890	100.0	165,440	45.1
Overseas	521	0.2	18	0.0	(503)	(96.5)
Carried-forward—Total	366,970	100	531,908	100	164,937	44.9

(Note) The carried-forward amount of overseas work has been translated at the closing rate.

FY2017 3rd Quarter : Increased by 0 million yen FY2018 3rd Quarter : Increased by 3 million yen

(2) Financial Highlights

Consolidated

(100 millions of yen)

(Operating Results)

	A FY2017 3rd Quarter	B FY2018 3rd Quarter	B - A	
				%
Net sales	2,690	2,689	(1)	(0.0)
Gross profit	283	291	8	2.8
(Ratio)	10.5%	10.8%	0.3%	
SG&A expenses	126	142	15	
Operating income	156	149	(8)	(4.8)
(Ratio)	5.8%	5.5%	(0.3%)	
Non-operating income - net	(2)	0	2	
Ordinary income	154	149	(5)	(3.4)
Extraordinary income - net	(1)	(14)	(13)	
Profit before income taxes	153	135	(18)	(11.8)
Income taxes and others	47	44	(2)	
Profit attributable to owners of parent	107	91	(16)	(15.0)

(Forecasts of Operating Results for Full year)

C FY2017 Result	D FY2018 Previous Forecasts	E FY2018 Revised Forecasts	E - C		E - D	
				%		%
3,740	4,000	3,955	215	5.7	(45)	(1.1)
402	430	430	28	6.9	—	—
10.8%	10.8%	10.9%	0.1%		0.1%	
172	180	180	8		—	
230	250	250	20	8.5	—	—
6.2%	6.3%	6.3%	0.1%		0.0%	
(4)	0	0	4		—	
227	250	250	23	10.2	—	—
(6)	(14)	(14)	(8)		—	
221	236	236	15	6.8	—	—
63	71	71	8		—	
158	165	165	7	4.5	—	—

Nonconsolidated

(Operating Results)

	A FY2017 3rd Quarter	B FY2018 3rd Quarter	B - A	
				%
Civil engineering	824	1,140	316	
Building construction	1,593	2,035	442	
Domestic	2,417	3,175	758	
Overseas	8	0	(7)	
Orders received	2,425	3,176	751	31.0
Civil engineering	779	759	(20)	
Building construction	1,331	1,328	(3)	
Domestic	2,110	2,087	(23)	
Overseas	8	4	(4)	
Net sales	2,118	2,091	(27)	(1.3)
Civil engineering	76	80	3	
(Ratio)	9.8%	10.5%	0.7%	
Building construction	136	143	8	
(Ratio)	10.2%	10.8%	0.6%	
Domestic	212	223	11	
(Ratio)	10.1%	10.7%	0.6%	
Overseas	1	1	(0)	
(Ratio)	9.0%	14.4%	5.4%	
Gross profit	213	223	11	5.0
(Ratio)	10.1%	10.7%	0.6%	
SG&A expenses	93	105	13	
Operating income	120	118	(2)	(1.8)
(Ratio)	5.7%	5.6%	(0.1%)	
Non-operating income - net	4	7	3	
Ordinary income	124	125	1	0.8
Extraordinary income - net	(0)	(14)	(14)	
Profit before income taxes	124	112	(13)	(10.2)
Income taxes and others	35	34	(1)	
Profit	89	77	(12)	(13.3)

(Forecasts of Operating Results for Full year)

C FY2017 Result	D FY2018 Previous Forecasts	E FY2018 Revised Forecasts	E - C		E - D	
				%		%
1,299	1,300	1,430	131		130	
2,510	2,400	2,620	110		220	
3,809	3,700	4,050	241		350	
9	120	50	41		(70)	
3,818	3,820	4,100	282	7.4	280	7.3
1,068	1,100	1,100	32		—	
1,868	2,050	2,050	182		—	
2,936	3,150	3,150	214		—	
10	50	5	(5)		(45)	
2,946	3,200	3,155	209	7.1	(45)	(1.4)
106	125	129	23		4	
9.9%	11.4%	11.7%	1.8%		0.3%	
199	220	220	21		—	
10.6%	10.7%	10.7%	0.1%		—	
304	345	349	45		4	
10.4%	11.0%	11.1%	0.7%		0.1%	
1	5	1	(0)		(4)	
12.8%	10.0%	14.5%	1.7%		4.5%	
306	350	350	44	14.6	—	—
10.4%	10.9%	11.1%	0.7%		0.2%	
126	140	140	14		—	
179	210	210	31	17.0	—	—
6.1%	6.6%	6.7%	0.6%		0.1%	
3	7	7	4		—	
182	217	217	35	19.1	—	—
(5)	(14)	(14)	(9)		—	
177	203	203	26	14.6	—	—
49	60	60	11		—	
129	143	143	14	11.2	—	—