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Consolidated Financial Results for the Second Quarter Ended September 30, 2019 [Japanese GAAP]

November 11, 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 : November 11, 2019
 Scheduled date of dividend payment : —
 Supplemental materials for quarterly financial results : Yes
 Presentation on quarterly financial results : Yes

(Rounded down to the nearest million yen)

1. Consolidated Results for the Second Quarter Ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(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	%
FY2019 2nd Quarter	200,065	16.0	9,619	17.2	9,869	21.4	7,905	75.9
FY2018 2nd Quarter	172,491	2.7	8,210	(7.5)	8,131	(7.2)	4,493	(25.5)

(Note) Comprehensive income FY2019 2nd Quarter 7,340 million yen 23.9% FY2018 2nd Quarter 5,923 million yen (1.7)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2019 2nd Quarter	169.64	—
FY2018 2nd Quarter	96.30	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2019 2nd Quarter	332,785	137,537	41.3	2,951.55
FY2018	353,718	134,883	38.1	2,894.41

(Reference) Owner's equity FY2019 2nd Quarter 137,537 million yen FY2018 134,883 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
FY2018	—	—	—	100.00	100.00
FY2019	—	—	—	—	—
FY2019 (forecast)	—	—	—	120.00	120.00

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

3. Forecast of Consolidated Operating Results for FY2019 (April 1, 2019 – March 31, 2020)

(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
FY2019	426,000	9.5	28,000	5.8	28,000	5.4	20,300	52.5	435.63

(Note) Revision to the latest forecasts of consolidated operating results announced : None

※ 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)

② Number of treasury stocks at the end of the period

③ Average number of shares outstanding during the period
(quarterly cumulative total)

FY2019 Q2	46,805,660	FY2018	46,805,660
FY2019 Q2	207,190	FY2018	204,179
FY2019 Q2	46,600,435	FY2018 Q2	46,658,767

※ “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 Second Quarter Ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(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	%
FY2019 2nd Quarter	160,582	18.0	7,776	16.0	8,231	12.1	5,579	31.7
FY2018 2nd Quarter	136,057	3.3	6,704	(1.8)	7,340	(0.5)	4,236	(21.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2019 2nd Quarter	119.45	—
FY2018 2nd Quarter	90.59	—

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2019 2nd Quarter	277,070	110,353	39.8	2,362.67
FY2018	294,950	109,973	37.3	2,354.40

(Reference) Owner's equity FY2019 2nd Quarter 110,353 million yen FY2018 109,973 million yen

2. Forecast of Nonconsolidated Operating Results for FY2019 (April 1, 2019 – March 31, 2020)

(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
FY2019	342,000	11.4	23,400	7.4	16,000	13.0	342.55

(Note) Revision to the latest forecasts of nonconsolidated operating results announced : None

1. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2019)	Current 2nd Quarter (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	82,449	88,689
Notes receivable, accounts receivable from completed construction contracts and other	175,696	149,090
Costs on uncompleted construction contracts	7,300	6,477
Other	22,694	24,559
Allowance for doubtful accounts	(191)	(164)
Total current assets	287,949	268,651
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,746	7,596
Land	14,587	14,761
Other, net	3,501	2,787
Total property, plant and equipment	24,836	25,145
Intangible assets	484	507
Investments and other assets		
Investment securities	24,438	23,863
Deferred tax assets	11,045	9,957
Other	5,070	4,776
Allowance for doubtful accounts	(189)	(174)
Total investments and other assets	40,365	38,422
Total non-current assets	65,686	64,075
Deferred assets		
Share issuance cost	82	57
Total deferred assets	82	57
Total assets	353,718	332,785

(millions of yen)

	Prior Fiscal Year (As of March 31, 2019)	Current 2nd Quarter (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	86,893	74,417
Electronically recorded obligations – operating	33,172	24,219
Short-term loans payable	3,030	3,222
Advances received on uncompleted construction contracts	14,739	16,358
Deposits received	19,411	27,352
Provision for warranties for completed construction	467	446
Provision for loss on construction contracts	626	443
Provision for contingent loss	10,736	9,058
Provision for loss on anti-monopoly act	3,933	2,622
Provision for bonuses	3,911	3,310
Other	14,218	7,861
Total current liabilities	191,141	169,312
Non-current liabilities		
Long-term loans payable	9,819	9,155
Provision for stock payments	42	69
Retirement benefit liability	16,499	16,420
Other	1,331	289
Total non-current liabilities	27,692	25,935
Total liabilities	218,834	195,247
Net assets		
Shareholders' equity		
Capital stock	30,108	30,108
Capital surplus	25,157	25,157
Retained earnings	77,642	80,870
Treasury shares	(426)	(435)
Total shareholders' equity	132,481	135,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,501	2,004
Foreign currency translation adjustment	349	220
Remeasurements of defined benefit plans	(449)	(387)
Total accumulated other comprehensive income	2,402	1,836
Total net assets	134,883	137,537
Total liabilities and net assets	353,718	332,785

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

(millions of yen)

	FY2018 2nd Quarter (Apr 1, 2018—Sep 30, 2018)	FY2019 2nd Quarter (Apr 1, 2019—Sep 30, 2019)
Net sales of completed construction contracts	172,491	200,065
Cost of sales of completed construction contracts	154,864	180,762
Gross profit on completed construction contracts	17,627	19,303
Selling, general and administrative expenses	9,416	9,683
Operating income	8,210	9,619
Non-operating income		
Interest income	20	26
Dividend income	176	184
Share of profit of entities accounted for using equity method	0	135
Foreign exchange gains	14	—
Reversal of allowance for doubtful accounts	25	28
Other	32	62
Total non-operating income	269	437
Non-operating expenses		
Interest expenses	119	99
Foreign exchange losses	—	15
Commission for syndicate loan	168	18
Amortization of share issuance cost	24	24
Other	35	29
Total non-operating expenses	348	187
Ordinary income	8,131	9,869
Extraordinary income		
Gain on sales of non-current assets	11	4
Gain on sales of memberships	0	—
Reversal of provision for loss on anti-monopoly act	—	1,311
Total extraordinary income	12	1,316
Extraordinary losses		
Loss on retirement of non-current assets	14	10
Compensation for damage	—	120
Provision for contingent loss	1,349	—
Other	7	7
Total extraordinary losses	1,371	138
Profit before income taxes	6,772	11,047
Income taxes – current	1,856	1,859
Income taxes – deferred	422	1,282
Total income taxes	2,278	3,141
Profit	4,493	7,905
Profit attributable to owners of parent	4,493	7,905

Quarterly consolidated statement of comprehensive income (Cumulative total)

(millions of yen)

	FY2018 2nd Quarter (Apr 1, 2018—Sep 30, 2018)	FY2019 2nd Quarter (Apr 1, 2019—Sep 30, 2019)
Profit	4,493	7,905
Other comprehensive income		
Valuation difference on available-for-sale securities	1,556	(502)
Foreign currency translation adjustment	(158)	(128)
Remeasurements of defined benefit plans, net of tax	28	61
Share of other comprehensive income of entities accounted for using equity method	3	5
Total other comprehensive income	1,429	(565)
Comprehensive income	5,923	7,340
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,923	7,340
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of cash flows

(millions of yen)

	FY2018 2nd Quarter (Apr 1, 2018—Sep 30, 2018)	FY2019 2nd Quarter (Apr 1, 2019—Sep 30, 2019)
Cash flows from operating activities		
Profit before income taxes	6,772	11,047
Depreciation	868	983
Amortization of share issuance cost	24	24
Increase (decrease) in allowance for doubtful accounts	(25)	(38)
Increase (decrease) in provision for contingent loss	452	(1,677)
Increase (decrease) in provision for loss on anti-monopoly act	—	(1,311)
Increase (decrease) in net defined benefit liability	47	9
Interest and dividend income	(197)	(211)
Interest expenses	119	99
Foreign exchange losses (gains)	(15)	12
Share of loss (profit) of entities accounted for using equity method	(0)	(135)
Loss (gain) on sales of non-current assets	(11)	(4)
Loss on retirement of non-current assets	14	10
Decrease (increase) in notes and accounts receivable – trade	13,364	26,499
Decrease (increase) in costs on uncompleted construction contracts	(758)	809
Increase (decrease) in notes and accounts payable – trade	(12,380)	(21,018)
Increase (decrease) in advances received on uncompleted construction contracts	(1,344)	1,636
Decrease (increase) in other assets and other	(252)	(1,481)
Other, net	2,448	1,938
Subtotal	9,126	17,192
Interest and dividend income received	202	217
Interest expenses paid	(117)	(100)
Income taxes paid	(2,535)	(4,388)
Net cash provided by (used in) operating activities	6,674	12,921
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,759)	(1,356)
Proceeds from sales of property, plant and equipment	13	34
Purchase of investment securities	(81)	(19)
Proceeds from sales of investment securities	110	—
Payments of loans receivable	(28)	(18)
Collection of loans receivable	79	72
Other, net	12	(70)
Net cash provided by (used in) investing activities	(1,653)	(1,357)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(350)	(50)
Repayments of long-term loans payable	(489)	(421)
Purchase of treasury shares	(213)	(10)
Cash dividends paid	(4,210)	(4,676)
Other, net	(24)	(30)
Net cash provided by (used in) financing activities	(5,287)	(5,189)
Effect of exchange rate change on cash and cash equivalents	(162)	(134)
Net increase (decrease) in cash and cash equivalents	(428)	6,239
Cash and cash equivalents at beginning of period	108,532	82,446
Cash and cash equivalents at end of period	108,103	88,686

2. Quarterly Nonconsolidated Financial Statements

(1) Quarterly nonconsolidated balance sheet

(millions of yen)

	Prior Fiscal Year (As of March 31, 2019)	Current 2nd Quarter (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	63,012	68,219
Notes receivable, accounts receivable from completed construction contracts and other	149,141	126,197
Costs on uncompleted construction contracts	5,943	5,451
Other	23,174	24,438
Allowance for doubtful accounts	(166)	(143)
Total current assets	241,106	224,163
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,963	3,833
Land	11,654	11,811
Other, net	1,638	951
Total property, plant and equipment	16,256	16,595
Intangible assets	337	370
Investments and other assets		
Investment securities	12,308	12,096
Deferred tax assets	9,025	8,015
Other	15,856	15,791
Allowance for doubtful accounts	(22)	(19)
Total investments and other assets	37,167	35,883
Total non-current assets	53,761	52,849
Deferred assets		
Share issuance cost	82	57
Total deferred assets	82	57
Total assets	294,950	277,070

(millions of yen)

	Prior Fiscal Year (As of March 31, 2019)	Current 2nd Quarter (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	66,507	58,371
Electronically recorded obligations – operating	33,174	24,219
Short-term loans payable	2,808	3,001
Lease obligations	20	19
Advances received on uncompleted construction contracts	13,487	14,547
Deposits received	17,803	25,335
Provision for warranties for completed construction	417	395
Provision for loss on construction contracts	450	288
Provision for contingent loss	10,719	9,041
Provision for bonuses	2,614	1,995
Other	12,780	6,963
Total current liabilities	160,783	144,179
Non-current liabilities		
Long-term loans payable	9,780	9,127
Lease obligations	52	43
Provision for stock payments	42	69
Provision for retirement benefits	13,225	13,233
Other	1,092	63
Total non-current liabilities	24,193	22,537
Total liabilities	184,977	166,717
Net assets		
Shareholders' equity		
Capital stock	30,108	30,108
Capital surplus	25,157	25,157
Retained earnings	52,559	53,462
Treasury shares	(300)	(309)
Total shareholders' equity	107,524	108,418
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,448	1,934
Total valuation and translation adjustments	2,448	1,934
Total net assets	109,973	110,353
Total liabilities and net assets	294,950	277,070

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

(millions of yen)

	FY2018 2nd Quarter (Apr 1, 2018—Sep 30, 2018)	FY2019 2nd Quarter (Apr 1, 2019—Sep 30, 2019)
Net sales of completed construction contracts	136,057	160,582
Cost of sales of completed construction contracts	122,404	145,598
Gross profit on completed construction contracts	13,653	14,984
Selling, general and administrative expenses	6,948	7,207
Operating income	6,704	7,776
Non-operating income		
Interest income	18	10
Dividend income	870	515
Foreign exchange gains	12	—
Other	70	104
Total non-operating income	971	630
Non-operating expenses		
Interest expenses	113	95
Foreign exchange losses	—	7
Commission for syndicate loan	168	18
Amortization of share issuance cost	24	24
Other	29	30
Total non-operating expenses	335	175
Ordinary income	7,340	8,231
Extraordinary income		
Gain on sales of memberships	0	—
Total extraordinary income	0	—
Extraordinary losses		
Compensation for damage	—	120
Provision for contingent loss	1,349	—
Other	9	7
Total extraordinary losses	1,359	127
Profit before income taxes	5,981	8,103
Income taxes – current	1,450	1,287
Income taxes – deferred	294	1,237
Total income taxes	1,745	2,524
Profit	4,236	5,579

3. Supplementary Information

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

(millions of yen)

	FY2018 2nd Quarter Apr 1, 2018—Sep 30, 2018		FY2019 2nd Quarter Apr 1, 2019—Sep 30, 2019		Change	
	Amount	Composition ratio %	Amount	Composition ratio %	Amount	%
Public	11,254	4.7	24,521	30.0	13,266	117.9
Private	79,421	33.0	15,070	18.5	(64,351)	(81.0)
Domestic	90,675	37.7	39,591	48.5	(51,084)	(56.3)
Overseas	—	—	—	—	—	—
Civil engineering	90,675	37.7	39,591	48.5	(51,084)	(56.3)
Public	18,439	7.6	13,148	16.1	(5,290)	(28.7)
Private	131,638	54.7	28,782	35.3	(102,856)	(78.1)
Domestic	150,077	62.3	41,931	51.4	(108,146)	(72.1)
Overseas	26	0.0	108	0.1	81	301.9
Building construction	150,104	62.3	42,039	51.5	(108,065)	(72.0)
Public	29,693	12.3	37,670	46.1	7,976	26.9
Private	211,059	87.7	43,852	53.8	(167,207)	(79.2)
Domestic	240,753	100.0	81,522	99.9	(159,230)	(66.1)
Overseas	26	0.0	108	0.1	81	301.9
Orders received—Total	240,780	100	81,631	100	(159,149)	(66.1)
Public	28,027	20.6	29,656	18.5	1,629	5.8
Private	20,849	15.3	27,173	16.9	6,324	30.3
Domestic	48,876	35.9	56,830	35.4	7,953	16.3
Overseas	5	0.0	—	—	(5)	(100.0)
Civil engineering	48,882	35.9	56,830	35.4	7,948	16.3
Public	10,700	7.9	9,428	5.8	(1,271)	(11.9)
Private	76,074	55.9	94,219	58.7	18,145	23.9
Domestic	86,774	63.8	103,648	64.5	16,874	19.4
Overseas	401	0.3	103	0.1	(298)	(74.3)
Building construction	87,175	64.1	103,752	64.6	16,576	19.0
Public	38,727	28.5	39,085	24.3	358	0.9
Private	96,923	71.2	121,393	75.6	24,470	25.2
Domestic	135,651	99.7	160,479	99.9	24,828	18.3
Overseas	406	0.3	103	0.1	(303)	(74.6)
Net sales—Total	136,057	100	160,582	100	24,524	18.0
Public	74,334	14.1	68,997	14.0	(5,337)	(7.2)
Private	141,707	26.8	132,115	26.9	(9,592)	(6.8)
Domestic	216,042	40.9	201,112	40.9	(14,929)	(6.9)
Overseas	8	0.0	—	—	(8)	(100.0)
Civil engineering	216,051	40.9	201,112	40.9	(14,938)	(6.9)
Public	39,533	7.5	42,521	8.7	2,988	7.6
Private	272,611	51.6	247,698	50.4	(24,912)	(9.1)
Domestic	312,144	59.1	290,219	59.1	(21,924)	(7.0)
Overseas	—	—	103	0.0	103	—
Building construction	312,144	59.1	290,323	59.1	(21,820)	(7.0)
Public	113,867	21.6	111,518	22.7	(2,349)	(2.1)
Private	414,319	78.4	379,813	77.3	(34,505)	(8.3)
Domestic	528,186	100.0	491,332	100.0	(36,854)	(7.0)
Overseas	8	0.0	103	0.0	95	—
Carried-forward—Total	528,195	100	491,436	100	(36,759)	(7.0)

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

FY2018 2nd Quarter : Increased by 4 million yen FY2019 2nd Quarter : Decreased by 4 million yen

(2) Financial Highlights

Consolidated

(100 millions of yen)

(Operating Results)

	A FY2018 2nd Quarter	B FY2019 2nd Quarter	B - A	
				%
Net sales	1,725	2,001	276	16.0
Gross profit	176	193	17	9.5
(Ratio)	10.2%	9.6%	(0.6)%	
SG&A expenses	94	97	3	
Operating income	82	96	14	17.2
(Ratio)	4.8%	4.8%	0.0%	
Non-operating income - net	(1)	2	3	
Ordinary income	81	99	17	21.4
Extraordinary income - net	(14)	12	25	
Profit before income taxes	68	110	43	63.1
Income taxes and others	23	31	9	
Profit attributable to owners of parent	45	79	34	75.9

(Forecasts of Operating Results for Full year)

	C FY2018 Result	D FY2019 (Forecasts)	D - C	
				%
	3,891	4,260	369	9.5
	455	484	29	6.3
	11.7%	11.4%	(0.3)%	
	191	204	13	
	265	280	15	5.8
	6.8%	6.6%	(0.2)%	
	1	0	(1)	
	266	280	14	5.4
	(54)	12	66	
	211	292	81	38.3
	78	89	11	
	133	203	70	52.5

Nonconsolidated

(Operating Results)

	A FY2018 2nd Quarter	B FY2019 2nd Quarter	B - A	
				%
Civil engineering	907	396	(511)	
Building construction	1,501	419	(1,081)	
Domestic	2,408	815	(1,592)	
Overseas	0	1	1	
Orders received	2,408	816	(1,591)	(66.1)
Civil engineering	489	568	80	
Building construction	868	1,036	169	
Domestic	1,357	1,605	248	
Overseas	4	1	(3)	
Net sales	1,361	1,606	245	18.0
Civil engineering	45	55	10	
(Ratio)	9.2%	9.7%	0.5%	
Building construction	91	94	4	
(Ratio)	10.5%	9.1%	(1.4)%	
Domestic	136	150	14	
(Ratio)	10.0%	9.3%	(0.7)%	
Overseas	0	0	(0)	
(Ratio)	11.3%	10.8%	(0.5)%	
Gross profit	137	150	13	9.7
(Ratio)	10.0%	9.3%	(0.7)%	
SG&A expenses	69	72	3	
Operating income	67	78	11	16.0
(Ratio)	4.9%	4.8%	(0.1)%	
Non-operating income - net	6	5	(2)	
Ordinary income	73	82	9	12.1
Extraordinary income - net	(14)	(1)	12	
Profit before income taxes	60	81	21	35.5
Income taxes and others	17	25	8	
Profit	42	56	13	31.7

(Forecasts of Operating Results for Full year)

	C FY2018 Result	D FY2019 (Forecasts)	D - C	
				%
	1,558	1,100	(458)	
	2,981	2,400	(581)	
	4,539	3,500	(1,039)	
	1	100	99	
	4,540	3,600	(940)	(20.7)
	1,116	1,150	34	
	1,950	2,260	310	
	3,067	3,410	343	
	4	10	6	
	3,071	3,420	349	11.4
	140	139	(1)	
	12.5%	12.1%	(0.4)%	
	213	244	31	
	10.9%	10.8%	(0.1)%	
	353	383	30	
	11.5%	11.2%	(0.3)%	
	1	1	0	
	20.4%	10.0%	(10.4)%	
	354	384	30	8.5
	11.5%	11.2%	(0.3)%	
	143	154	11	
	211	230	19	9.1
	6.9%	6.7%	(0.2)%	
	7	4	(3)	
	218	234	16	7.4
	(16)	(1)	15	
	202	233	31	15.4
	60	73	13	
	142	160	18	13.0