

KUMAGAI GUMI



Annual Report
2003



THE COMPANY

A CENTURY OF PROGRESS

Kumagai Gumi traces its roots back to 1898 when Santaro Kumagai founded the company and embarked on constructing the stonework for the Shukununo Hydroelectric Plant in Fukui Prefecture. January 1998 marked the 100th anniversary of Kumagai Gumi's inception. Throughout those 100 years, the company has participated in a diverse array of projects, often with unprecedented challenges that required technological innovation. Kumagai Gumi, through its deeds, has established a place as one of Japan's leading general contractors.

RESEARCH AND DEVELOPMENT UNDERPINS TECHNOLOGICAL PROWESS

Kumagai Gumi's Institute of Construction Technology, which is located in Tsukuba north of Tokyo, engages in wide-ranging research activities. Equipped with state-of-the-art facilities including seismic simulation equipment, wave tanks and environmental laboratories, the institute strives to develop more effective ways of meeting changing customer needs. A core tenet of R&D is enhancing quality and safety while realizing lower costs and shorter construction periods.

STRENGTHS AT HOME

Kumagai Gumi is one of Japan's largest construction and engineering firms. In this capacity, the company has played a key role in the creation, expansion and improvement of the nation's infrastructure. The company's contributions range from the fields of transportation and power generation to living, working and leisure environments. Building on this long record of service to society, Kumagai Gumi is providing customers with reliable, high-quality construction services at a reasonable cost.

A SOLID OVERSEAS PRESENCE

Kumagai Gumi has remained committed to overseas operations. The company has chalked up a list of achievements at myriad projects worldwide. Undersea tunnels, roads, dams, hotels, renovation of historic structures, and landmark office towers in locations including Hong Kong, Taipei and Bangkok attest to Kumagai Gumi's devotion to quality and social contributions. Most major cities in Asia, the focal area of the company's overseas operation, have benefited from the company's construction expertise.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2003 and 2002.

	(¥ million)		(US \$ thousand)
	2003	2002	2003
FOR THE YEAR:			
Net sales	¥ 522,337	¥ 737,328	\$ 4,352,805
Net income (loss)	(295,903)	2,550	(2,465,857)
AT YEAR-END:			
Total assets	¥ 576,030	¥ 933,839	\$ 4,800,252
Shareholders' equity	(272,899)	16,772	(2,274,161)
PER SHARE OF COMMON STOCK (¥ AND US \$):			
Net income (loss)	¥ (444.82)	¥ 3.82	\$ (3.71)

Note: Conversion into U.S. dollars has been made at the exchange rate of ¥120= US \$1 solely for convenience. Refer to Notes to the Financial Statements.

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Photographs on front cover:

Upper left: BBCS Building at Pasir Panjang (Currency House) -Singapore-

Upper right: Empire Tower -Thailand-

Lower: MRT Politechnic Dover Station -Singapore-

Message from the President:

Overview of the fiscal year ended in March 2003:

Japanese exports were strong during this period due to the gradual recovery of the global economy, and there were signs of recovery in capital expenditures due to improvement in corporate profits. However, the Japanese economy was unable to extricate itself from serious deflationary conditions, and the influence of the Iraq war pushed the stock market down even further, such that the economy cannot be said to have finally bottomed during this period.

The construction industry felt the impact of contractions in national and regional public spending budgets, while spending on housing fell due to declining consumer interest in housing purchases, and corporate investment in construction of office buildings and the like remained at low levels, such that the orders situation in this period continued to be quite severe.

In the midst of these conditions, our company pressed forward in our efforts to realize the goals outlined in our New Corporate Innovation Plan developed in September 2001. However, we suffered from falling orders due to an unexpectedly large contraction of the construction market and falls in our share price. Our profit levels also fell due to shrinking profit margins resulting from ever more severe competition and an increase in retirement benefit payment costs resulting mainly from the worsened management conditions faced by our pension fund. The fall in stock and land prices further resulted in additional latent losses on our assets. All of these factors led us to conclude that we needed to make additional efforts at management reform, and we thus created a Three-Year Structural Reform Plan, the central pillar of which is splitting the company into two - one focused on construction, the other on real estate operations.

The Kumagai Gumi group's consolidated net sales for this period fell 29.2% to ¥522.3 billion. As regards to profits, although we achieved major reductions in fixed costs, a fall in our completed projects account led to reduced gross profits on completed construction projects, such that our operating income fell 48.5% to ¥8.7 billion, and the period ended with a ¥400 million ordinary loss.

As part of our efforts to improve the health of our assets under the Three-Year Structural Reform Plan, we conducted a careful appraisal of all of our owned assets, based on which we booked ¥280.0 billion in extraordinary losses on revaluation of property. As a result, our net income for this period was a loss of ¥295.9 billion.

Management Policy:

Looking forward, the gradual improvement in the global economy, particularly in the Asian region, is expected to lead to improvements in Japanese exports, production, and capital investment. That said, however, we still cannot expect to see an independent recovery in domestic demand, and there remain many unpredictable elements, including how the United States economy will fare after the Iraq War and how SARS will impact the global economy. As a result, future economic trends remain unpredictable.

Within the construction industry, it is forecast that improvements in corporate profits will lead to a slight increase in investments in commercial facilities, factories, etc., but investment in housing is expected to remain low, and public spending will likely continue to contract. We thus expect to see a continuing fall in construction investment as a whole, and as a result forecast that the operating conditions facing the construction industry will remain severe for some time to come.

Given these conditions, we intend to aggressively pursue our Three-Year Structural Reform Plan based on splitting our corporation into two companies, one focused on construction, the other on real-estate, in order to realize a stable foundation for our operations.

Our construction company will devote its efforts to concentrate on our traditional customer-focused construction projects, and will also seek to realize an operating structure based on a foundation of stable profitability rather than one predicated on pursuit of volume. The backbone of this effort is a three-pronged structural reform plan composed of firstly management structure reform, secondly cost structure reform, and thirdly financial structure reform.

Through this effort we hope to bring the company back to health within three years. In addition, based on the Comprehensive Operating Partnership Agreement reached between our company and Tobishima Corporation, we have established an Operations Integration Committee headed by the presidents of both companies, and are currently in the process of evaluating concrete means by which the operations of the two firms can be integrated. It is our plan to first integrate our capital on a project-by-project basis, starting wherever possible to achieve results in a short time-frame.

Our real-estate company will be based fundamentally on rental profits from extant real estate and profits from overseas PFI operations. The company will aim to achieve independence as a real estate operation, and will also devote itself to disposing of owned real estate assets in an effort to quickly reduce the burden posed by interest-bearing debt.

The core management philosophy of our group is as follows: *"We seek to be a corporate group contributing to society through the powerful strength of our construction-centered operating activities, focused on building places for human activity in harmony with nature."* Based on this philosophy, our corporate management thus always keeps the slogan of *"offering good service to provide the very best, faster, cheaper, and safer than anyone else."* Our every action is based on this deep-rooted philosophy of placing the customer first, and we see these efforts at improving customer satisfaction to be the most important element of our management strategy. At the same time, moreover, we are working to realize transparency in our operations by timely disclosure of necessary corporate information to society at large. Through these efforts, we thus aim to win the trust of our customers, our shareholders, and all others with whom we are involved.



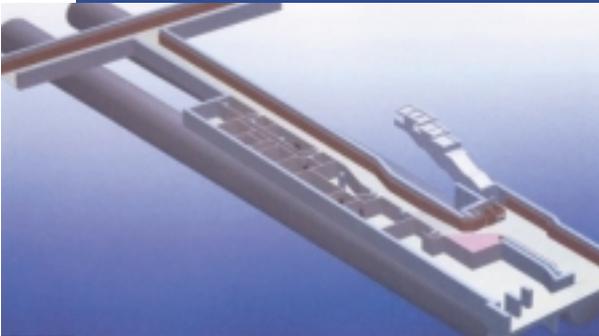
June 2003

Kazutoshi Torikai
President

PROJECTS

MTR C604 Yau Tong Station -Hong Kong-

One of the largest MTR stations in Hong Kong
Owner : MTR Corporation Limited
Station building : 32m(height)+13m(underground) x 30m(width) x 360m(length)
Ventilation house : 15m(height) x 50m(width) x 35m(length)
Connection structure : 28m(height) x 20m(width) x 7m(length)



Tsim Sha Tsui Station Modification Works -Hong Kong- (Ongoing)

Extending the concourse of the existing Tsim Sha Tsui Subway station by 102m to the south, connecting it to the Middle Road underground passageway under construction.
Owner : MTR Corporation Limited

Initial System Project : Underground Structure-South & Section C/Tunnel -Thailand-

First subway construction in Bangkok
Owner : Metropolitan Rapid Transit Authority
Length of subway line : 11,000m (including 9 stations)



Delhi Subway Contract MC1A -India- (Ongoing)

First major construction order in India
Owner : Delhi Metro Rail Corporation Limited (DMRC)
Length of subway line : 4,103m (including 4 stations)+434m (depot line)

Baseline Road Construction -Sri Lanka-

Second stage of the construction to extend the Baseline road (currently 2 lanes each way.) which is a main road to run the east of Colombo from South to North into 6-lane road.

Owner : Sri Lanka Government Road Development Authority

Extending the road : 8 km

Road Capacity : (for automobiles) 6 lanes.

Road Capacity : (for pedestrians) 3m – 5m both ways



Sham Tseng, Development Project -Hong Kong-

Highclass supertall structure condominium in Kowloon

Owner : Salisbury Company Limited

Architect : Wong and Ouyang (HK) Limited

RC structure : 65/0,65/0,64/0,63/0,5/1

Residence : 1,704 apartments

Total floor area : 219,765m²

Height : 206m



TAIPEI 101 -Taiwan- (Ongoing)

The world's tallest skyscraper

Owner : Taipei Financial Center Corporation

Architect : CY LEE & PARTNERS

RC and SRC structure (Substructure)

SRC structure (Superstructure) 101/5

Total floor area : 412,500m²

Height: 508m



The New Medical City Project -Philippines- (Ongoing)

Largest highclass private hospital in Manila

Owner : The Medical City

Architect : Francisco Manosa & Partners

RC structure 18/3,14/3

Total floor area : 97,332m²

Height : 78m



Davao Medical Center -Philippines-

The largest hospital in Mindanao Island, Philippines
 Owner : Department of Health the government of the republic of the Philippines
 Architect : YAMASHITA SEKKEI INC.
 RC structures 3/1
 Total floor area : 10,058.4m²
 Site area : 13,055m²
 Height : 14.1m



The Project for Improvement of the General Hospital Ratnapura -Sri Lanka-

Highly medicated hospital in Sri Lanka
 Owner : Ministry of Health, Nutrition and Welfare
 Architect : NIHON SEKKEI, INC.
 RC structure 3/1
 Total floor area : 7,960m²
 Height : 22.4m

Tokuyama Dam -Japan- (Ongoing)

Japan's largest reservoir capacity dam, in Gifu Prefecture
 Owner : Water Resources Development Public Corporation
 Dam height : 161.0m
 Dam volume : 13,900,000m³
 Total reservoir capacity : Approximately 660 million m³



Tohoku University Fluctuation Free Facility for New Information Industry -Japan-

A world-class, cutting-edge semiconductor research facility in Miyagi Prefecture
 Owner : Foundation for Advancement of International Science
 Designer : Kumagai Gumi Co., Ltd.
 S-SRC structure 6/1
 Total floor area : 6,416 m² (Process floor area739m²/630m²<P2/P1>
 Height : 27.9m

FINANCIAL SECTION

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CONSOLIDATED BALANCE SHEETS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries March 31, 2003 and 2002

ASSETS	(¥ million)		(US \$ thousand)
	2003	2002	2003
CURRENT ASSETS:			
Cash and cash equivalents (Note 2).....	¥ 68,065	¥ 62,120	\$ 567,204
Time deposits (Note 2).....	3,873	1,746	32,274
Marketable securities (Notes 2 and 5).....	—	66	—
Notes and accounts receivable, trade.....	179,452	185,162	1,495,434
Allowance for doubtful accounts.....	(2,059)	(1,916)	(17,158)
Inventories (Notes 2 and 6).....	58,962	136,550	491,352
Other current assets.....	47,155	68,020	392,959
	355,448	451,748	2,962,065
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 5).....	16,762	21,954	139,685
Investments in unconsolidated subsidiaries and affiliates	4,814	3,351	40,119
Long-term loans receivable.....	14,814	44,140	123,452
Long-term loans to unconsolidated subsidiaries and affiliates.....	96	96	800
Long-term receivables.....	127,172	93,518	1,059,762
Claims to companies in bankruptcy, reorganization, etc.....	108,189	111,920	901,575
Other.....	33,297	78,347	277,474
Allowance for doubtful accounts.....	(195,055)	(139,973)	(1,625,456)
	110,089	213,353	917,411
PROPERTY AND EQUIPMENT (Note 2):			
Land.....	54,439	151,397	453,660
Buildings	83,454	161,593	695,453
Machinery and equipment.....	25,523	27,893	212,689
Construction in progress.....	10	4,765	84
	163,426	345,648	1,361,886
Accumulated depreciation.....	(52,933)	(76,910)	(441,110)
	110,493	268,738	920,776
	¥ 576,030	¥ 933,839	\$ 4,800,252

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	¥ million		(US \$ thousand)
	2003	2002	2003
CURRENT LIABILITIES:			
Short-term borrowings (Note 7).....	¥ 2,255	¥ 2,568	\$ 18,789
Current portion of long-term debt (Note 7).....	2,061	3,143	17,173
Notes and accounts payable, trade.....	160,312	154,410	1,335,938
Advances received on uncompleted contracts (Note 10).....	13,504	39,818	112,536
Accrued expenses.....	3,168	5,650	26,400
Accrued income taxes (Notes 2 and 13).....	422	565	3,518
Employees' savings deposits.....	2,640	3,689	22,001
Other current liabilities.....	44,199	43,289	368,323
	<u>228,561</u>	<u>253,132</u>	<u>1,904,678</u>
 LONG-TERM LIABILITIES:			
Long-term debt (Note 7).....	534,128	579,037	4,451,071
Accrued severance indemnities (Notes 2 and 11).....	2,911	4,104	24,260
Other long-term liabilities.....	82,925	75,653	691,040
	<u>619,964</u>	<u>658,794</u>	<u>5,166,371</u>
 MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES.....	404	5,141	3,364
 CONTINGENT LIABILITIES (Note 17)			
 SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized—1,300,000,000 shares			
Issued:			
— 668,232,523 shares (2003).....	33,412	—	278,430
— 668,232,523 shares (2002).....	—	33,412	—
Additional paid-in capital.....	212	212	1,770
Deficit (Note 2).....	(298,520)	(1,844)	(2,487,665)
Unrealized gain on available-for-sale securities (Note 2).....	1,236	2,074	10,297
Foreign currency statements translation adjustments (Note 2).....	(9,164)	(17,077)	(76,370)
	<u>(272,824)</u>	<u>16,777</u>	<u>(2,273,538)</u>
Treasury stock, at cost.....	(75)	(5)	(623)
	<u>(272,899)</u>	<u>16,772</u>	<u>(2,274,161)</u>
	<u>¥ 576,030</u>	<u>¥ 933,839</u>	<u>\$ 4,800,252</u>

CONSOLIDATED STATEMENTS OF INCOME

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2003 and 2002

	¥ million		(US \$ thousand)
	2003	2002	2003
NET SALES (Notes 2 and 16):			
Contracts completed	¥ 481,770	¥ 679,308	\$ 4,014,748
Sales of real estate and other	40,567	58,020	338,057
	522,337	737,328	4,352,805
COST OF SALES (Notes 2 and 16):			
Cost of construction	448,045	632,752	3,733,706
Cost of real estate and other	35,727	49,569	297,725
	483,772	682,321	4,031,431
Gross profit	38,565	55,007	321,374
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
Operating income	29,783	37,952	248,193
	8,782	17,055	73,181
OTHER INCOME (EXPENSE):			
Interest and dividend income	3,857	2,332	32,146
Interest expense	(11,849)	(13,801)	(98,745)
Equity in earnings of affiliates	67	69	559
Other, net (Note 12)	(267,360)	(8,008)	(2,228,003)
Loss before income taxes and minority interest	(266,503)	(2,353)	(2,220,862)
Income taxes (Notes 2 and 13):			
Current	554	883	4,617
Deferred	28,858	(5,286)	240,478
	29,412	(4,403)	245,095
Minority interest in consolidated subsidiaries	12	500	100
Net income (loss)	¥ (295,903)	¥ 2,550	\$ (2,465,857)
PER SHARE OF COMMON STOCK (Note 15):			
Net income (loss)	¥ (444.82)	¥ 3.82	\$ (3.71)

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2003 and 2002

	Common stock	Additional paid-in capital	Deficit	Unrealized gain on available- for-sale securities	Foreign currency statements translation adjustments	Treasury stock
	(¥ million)					
Balance at March 31, 2001.....	¥ 33,412	¥ 120,444	¥ (124,630)	¥ 4,718	¥ (20,563)	¥ (0)
Reversal of additional paid-in capital.....		(120,232)	120,232			
Increase resulting from a change of consolidated subsidiaries and equity method affiliates....			6			
Net income for the year.....			2,550			
Bonuses to directors and corporate auditors..			(2)			
Change in the current period.....				(2,644)	3,486	
Treasury stock sold.....						14
Treasury stock purchased.....						(19)
Balance at March 31, 2002.....	¥ 33,412	¥ 212	¥ (1,844)	¥ 2,074	¥ (17,077)	¥ (5)
Decrease resulting from inclusion of equity method affiliates.....			(764)			
Net loss for the year.....			(295,903)			
Bonuses to directors and corporate auditors..			(3)			
Adjustments of deficit for other.....			(6)			
Change in the current period.....				(838)	7,913	
Treasury stock purchased and adjustment resulting from application of new accounting standard for treasury stock.....						(70)
Balance at March 31, 2003.....	¥ 33,412	¥ 212	¥ (298,520)	¥ 1,236	¥ (9,164)	¥ (75)

(US \$ thousand)

Balance at March 31, 2002.....	\$ 278,430	\$ 1,770	\$ (15,367)	\$ 17,279	\$ (142,309)	\$ (42)
Decrease resulting from exclusion of equity method affiliates.....			(6,366)			
Net loss for the year.....			(2,465,857)			
Bonuses to directors and corporate auditors..			(23)			
Adjustments of deficit for other.....			(52)			
Change in the current period.....				(6,982)	65,939	
Treasury stock purchased and adjustment resulting from application of new accounting standard for treasury stock.....						(581)
Balance at March 31, 2003.....	\$ 278,430	\$ 1,770	\$ (2,487,665)	\$ 10,297	\$ (76,370)	\$ (623)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2003 and 2002

	(¥ million)		(US \$ thousand)
	2003	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income taxes and minority interest.....	¥ (266,503)	¥ (2,353)	\$ (2,220,862)
Depreciation and amortization	5,790	7,163	48,252
Increase (decrease) in provision for allowance for doubtful accounts.....	60,490	(15,829)	504,086
Loss from bad debt.....	69	195	578
Increase (decrease) in provision for the settlement of development projects..	18,241	(8,082)	152,008
Increase (decrease) in provision for retirement allowance.....	(1,193)	1,077	(9,940)
Increase in provision for loss on retirement allowance.....	23,160	-	193,000
Interest and dividends revenue.....	(3,857)	(2,332)	(32,146)
Interest expenses.....	11,849	13,801	98,745
Exchange losses.....	561	790	4,673
Equity in earnings of affiliates.....	(67)	(69)	(559)
Loss on valuation of marketable and investment securities.....	1,375	726	11,459
Loss on disposal of investment in subsidiaries and affiliates.....	-	0	-
Gains on sale of marketable and investment securities, net.....	(400)	(2,780)	(3,334)
Loss on disposal of fixed assets.....	266	322	2,220
Loss on valuation of fixed assets.....	74,922	56	624,351
Gains on sale of property and equipment, net.....	(6,975)	(264)	(58,126)
Decrease in notes and accounts receivable.....	5,710	10,614	47,584
Decrease in uncompleted construction costs.....	19,604	158,659	163,370
Decrease in inventories.....	57,815	17,946	481,787
Increase (decrease) in notes and accounts payable.....	5,903	(66,623)	49,190
Decrease in advances received on uncompleted contracts.....	(26,314)	(125,379)	(219,280)
Decrease in other assets.....	17,430	38,160	145,246
Other, net.....	223	176	1,860
Sub-total.....	(1,901)	25,974	(15,838)
Interest and dividends received.....	3,253	1,988	27,109
Interest paid.....	(12,495)	(13,926)	(104,127)
Income tax paid.....	(696)	(1,264)	(5,803)
Net cash provided by (used in) operating activities	(11,839)	12,772	(98,659)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disbursements for acquisitions of marketable and investment securities....	(765)	(1,373)	(6,378)
Proceeds from sale of marketable and investment securities.....	3,267	17,457	27,228
Disbursements for acquisitions of property and equipment	(1,726)	(1,915)	(14,383)
Proceeds from sale of property and equipment	56,246	10,845	468,713
Disbursements for loans.....	(1,274)	(2,806)	(10,612)
Proceeds from collection of loans	1,842	17,495	15,349
Other, net.....	1,268	1,518	10,567
Net cash provided by investing activities	58,858	41,221	490,484
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in short-term borrowings	(1,395)	(23,509)	(11,629)
Proceeds from long-term debt.....	42,446	3,362	353,713
Disbursements for repayment of long-term debt.....	(81,125)	(45,861)	(676,039)
Other, net.....	(12)	(57)	(98)
Net cash used in financing activities.....	(40,086)	(66,065)	(334,053)
Translation differences on cash and cash equivalents.....	(988)	408	(8,236)
Decrease in cash and cash equivalents.....	5,945	(11,664)	49,536
Cash and cash equivalents at beginning of year.....	62,120	73,593	517,668
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year.....	-	191	-
Cash and cash equivalents at end of year.....	¥ 68,065	¥ 62,120	\$ 567,204

The accompanying notes are an integral part of this statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2003 and 2002

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of KUMAGAI GUMI CO.,LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with generally accepted accounting principles and practices in Japan. In preparing the consolidated financial statements for purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers of these statements outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information for the Annual Report.

-Consolidation

The Company applies the control or influence standard for determining the criteria of subsidiaries and affiliates included within the scope of consolidation.

The consolidated financial statements include the accounts of the Company, thirty-nine of its consolidated subsidiaries and ten of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2003.

In fiscal 2003, changes in the scope of consolidation were as follows:

	No. of companies
* Newly equity method companies	1: GEOSTR Corporation
* Companies excluded from consolidation	-6: Kumagai International USA Corporation and 5 other companies
* Companies excluded from the equity method	-1: Silver Cosmos Co.,Ltd.
Total	-6

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

Company Name	Fiscal Year- End
GAEART Kumagai Co., Ltd.	31 Mar. 2003
Technos Co., Ltd.	31 Mar. 2003
KG Fudosan Service Co., Ltd.	31 Mar. 2003
KG Fudosan Lease Co., Ltd.	31 Mar. 2003
KG Real Property Co., Ltd.	31 Mar. 2003
KG Real Estate Co., Ltd.	31 Mar. 2003
Kuroiso Kanko Kaihatsu Co., Ltd.	31 Mar. 2003
KG Crowne Corporation	31 Dec. 2002
Bishops KT Ltd.	31 Dec. 2002
Kumagai Australia Finance Ltd.	31 Dec. 2002
Kumagai Australia Pty. Ltd.	31 Dec. 2002
Coeur de Lion Holdings Pty. Ltd.	31 Dec. 2002
Kumagai International Limited	31 Dec. 2002
Taiwan Kumagai Co., Ltd.	31 Dec. 2002
Kumagai Gumi (Malaysia) SDN. BHD.	31 Dec. 2002
Thai Kumagai Co., Ltd.	31 Dec. 2002
P.T. KADI International	31 Dec. 2002
Beijing Amusement Park Co., Ltd.	31 Dec. 2002

All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in other unconsolidated subsidiaries and affiliates accounted for applying the equity method are stated at cost.

The Company consolidates such subsidiaries' financial statements as of each subsidiary's most recent year- end. Unusual significant transactions occurring between subsidiaries' year-ends and the Company's are adjusted on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Recognition of net sales and related costs

Net sales from and the related costs of construction contracts are recorded mainly by the percentage of completion method. The completed-contract method is applied for certain projects whose construction period is less than one year.

(b) Foreign currency translations

Short-term and long-term receivables and payables in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Investments in overseas subsidiaries and affiliates in foreign currencies are translated into Japanese yen at the historical rates of exchange. Overseas accumulated construction cost in progress in foreign currencies (included in inventories) is translated into Japanese yen at the monthly rates of exchange.

(c) Foreign currency financial statements

The balance sheet accounts and revenue and expense accounts of the consolidated overseas subsidiaries and overseas affiliates accounted for on the equity method are translated into Japanese yen at the current rates of exchange at each balance sheet date except for shareholders' equity, which is translated at the historical rates of exchange at dates of acquisition.

Retained earnings of the consolidated overseas subsidiaries and overseas affiliates accounted for by the equity method at the end of every year are translated at the historical rates of exchange. Differences arising from such translation are included in "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents include an overnight bank deposit and time deposits, all of which have original maturities of three months or less.

(e) Time deposits

Time deposits have original maturities of more than three months through one year.

(f) Marketable and investment securities

The Company and its consolidated subsidiaries listed all the securities as available-for-sale which are stated at fair value, with unrealized gains and losses net of taxes under shareholders' equity. Cost of sales is determined by the moving-average method.

Other securities are stated at cost.

(g) Inventories

Inventories other than materials and supplies are stated at accumulated construction cost for each project. Selling, general and administrative expenses are excluded from such cost. Materials and supplies are stated at cost determined by the moving-average method.

(h) Property, equipment and depreciation

Property and equipment, including significant renewals and additions, are carried at cost. The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the declining-balance method at rates based on estimated useful lives of the assets, according to general class, type of construction and use.

(i) Accrued severance indemnities

To provide for employees' severance indemnities, net period pension cost, which represents the amount recognized as the cost of a pension plan for the year, is accounted for based on the projected benefit obligation and the plan assets. The unrecognized obligation at transition is being amortized by the straight-line method over a period of 15 years.

The adjustment for actuarial assumptions is being amortized by the straight-line method over a period which is less than the average remaining years (5 to 12 years) of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded.

Prior service cost is being amortized by the straight-line method over a period of 15 years.

(j) Income taxes

Income taxes are accounted for by the asset and liability method.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

(k) Appropriations of retained earnings and disposition of deficit

Appropriations of retained earnings and disposition of deficit are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

**3. BUSINESS
REVITALIZATION
PLAN**

The company created a "Three-Year Structural Reform Plan ("Plan")" based on splitting the company into two, one focused on construction, the other on real estate, in order to realize stable foundation for our operations.

Prior to splitting the company, as at March 31, 2003, based on the Plan the Company strictly appraised the assets and realized the potential losses of ¥280,100 million (US\$2,334,163 thousand) as extraordinary loss, and posted net loss of ¥295,903 million (US\$2,465,857 thousand) for the fiscal year, resulting in shareholders' capital deficiency of ¥272,899 million (US\$2,274,161 thousand). For the Company to free itself from this going concern issue, the Company and shareholders resolved that the current Common stock amount of ¥33,412 million (US\$278,430 thousand) will be reduced voluntarily by ¥30,071 million (US\$250,587 thousand) resulting in a total Common stock amount of ¥3,341 million (US\$27,843 thousand), and also the Company has received confirmation of financial support including acceptance of ¥268,400 million (US\$2,236,667 thousand) debt forgiveness and ¥30,000 million (US\$250,000 thousand) preferred shares from Sumitomo Mitsui Banking Corporation (SMBC) and other major financial institutions. This financial support will ensure elimination of shareholders' capital deficiency and the Company's financial position will be significantly improved with a certainty as of the semi-annual year-end of September 2003.

On October 1, 2003, the separate and independent corporate structure for construction and real estate businesses will be established. The construction company will concentrate its resources on its core customer-oriented business and restructure its business to provide a structure yielding stable profitability in the conditions of a shrunken construction market through such "3 Structural Reforms" (i.e. Concentration of Resources, Cost Reforms, and Financial Reforms) as outlined in the Plan.

Moreover, on May 19, 2003, the Company announced the "TK Integration Plan" which will implement the business merger with Tobishima Corporation with a target date of April 2005 or earlier. The Company will endeavor to change to be an excellent company of technology and management by enhanced competitiveness through merged and complementary effects of technology on areas of expertise.

**4. UNITED
STATES
DOLLAR
AMOUNTS**

The United States dollar amounts included in the accompanying consolidated financial statements are presented solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120 = US\$1, which was the approximate exchange rate at March 31, 2003. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into United States dollars at that rate.

5. MARKETABLE AND INVESTMENT SECURITIES

The breakdown of available-for-sale securities as of March 31, 2003 is as follows:

	Cost	Fair value (Carrying amount) (¥ million)	Difference
Marketable equity securities.....	¥ 10,388	¥ 12,480	¥ 2,092
Debentures.....	19	19	—
Fund trust and other.....	53	53	—
Total.....	¥ 10,460	¥ 12,552	¥ 2,092
(US \$ thousand)			
Marketable equity securities.....	\$ 86,563	\$ 103,996	\$ 17,433
Debentures.....	159	159	—
Fund trust and other.....	444	444	—
Total.....	\$ 87,166	\$ 104,599	\$ 17,433

The breakdown of available-for-sale securities as of March 31, 2002 is as follows:

	Cost	Fair value (Carrying amount) (¥ million)	Difference
Marketable equity securities.....	¥ 12,812	¥ 16,367	¥ 3,555
Debentures.....	32	32	—
Fund trust and other.....	180	161	(19)
Total.....	¥ 13,024	¥ 16,560	¥ 3,536

6. INVENTORIES

Inventories comprised the following:

<i>March 31, 2003 and 2002</i>	2003 (¥ million)	2002	2003 (US \$ thousand)
Cost of uncompleted contracts.....	¥ 16,897	¥ 36,502	\$ 140,809
Real estate for sale.....	8,177	17,303	68,142
Development projects in progress.....	33,075	81,768	275,623
Materials and supplies.....	813	977	6,778
	¥ 58,962	¥ 136,550	\$ 491,352

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) The Company and its consolidated subsidiaries' short-term borrowings comprised the following:

<i>March 31, 2003 and 2002</i>	2003 (¥ million)	2002	2003 (US \$ thousand)
Short-term loans, principally from banks and insurance companies.....	¥ 2,255	¥ 2,568	\$ 18,789

Short-term bank loans are represented generally by 30-180 day notes issued by the Company and its consolidated subsidiaries to banks and bore interest at annual rates ranging from 0.33 per cent to 3.13 per cent at March 31, 2003 and at annual rates ranging from 1.38 per cent to 1.46 per cent at March 31, 2002.

(b) Long-term debt comprised the following:

<i>March 31, 2003 and 2002</i>	2003 (¥ million)	2002	2003 (US \$ thousand)
Loans, principally from banks and insurance companies, due 2003 to 2013, with interest ranging from 0.33 per cent to 6.97 per cent.....	¥ 536,189	¥ 582,180	\$ 4,468,244
Less: Portion due within one year.....	2,061	3,143	17,173
	¥ 534,128	¥ 579,037	\$ 4,451,071

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2003 were as follows:

<i>Years ending March 31</i>		
	(¥ million)	(US \$ thousand)
2004.....	¥ 2,061	\$ 17,173
2005.....	2,077	17,311
2006.....	2,114	17,617
2007.....	3,722	31,014
2008 and thereafter.....	526,215	4,385,129
	¥ 536,189	\$ 4,468,244

8. LEASES The lease payments under noncancelable financing leases are principally accounted for as rental expenses, and no asset or liability (other than a short-term liability for accrued rent payable) relating to the lease is recorded.

9. PLEDGED ASSETS Assets pledged as collateral for short-term borrowings and long-term debt were as follows:

<i>March 31, 2003</i>		
	(¥ million)	(US \$ thousand)
Assets pledged as collateral:		
Notes receivable.....	¥ 6,883	\$ 57,362
Inventories.....	25,039	208,658
Investment securities.....	10,545	87,872
Other investments.....	412	3,436
Land.....	32,680	272,337
Buildings.....	22,178	184,821
Machinery and equipment.....	234	1,946
	¥ 97,971	\$ 816,432
Liabilities secured thereby:		
Short-term borrowings and long-term debt	¥ 213,738	\$ 1,781,153

10. ADVANCES RECEIVED ON UNCOMPLETED CONTRACTS As is the customary practice in Japan, the Company receives progress payments from customers in accordance with the terms of the respective construction contracts.

11. ACCRUED SEVERANCE INDEMNITIES AND PENSION EXPENSES FOR EMPLOYEES Employees (excluding directors and corporate auditors) whose service with the Company and its consolidated domestic subsidiaries is terminated are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to rank and length of time served in each rank until the termination occurs.

In addition to the lump-sum indemnities, the Company has a contributory funded pension plan and a consolidated domestic subsidiary has both contributory and non-contributory funded pension plans covering substantially all employees who retire with one year or more of service. For employees retiring with one year or more and less than 15 years of service, the benefits are payable only in a lump-sum amount.

Contributions to the funds charged to current income include charges for current service and amortization of prior service costs.

The Company and its consolidated domestic subsidiaries accounted for the liability for retirement benefit based on projected benefits obligations and plan assets at each balance sheet date.

The liability(asset)for employees' retirement benefits and the components of net periodic benefit costs were as follows:

(1) The liability (asset) for employees' retirement benefits

	As of March 31, 2003 and 2002		2003 (US \$ thousand)
	2003 (¥ million)	2002	
Projected benefit obligation	¥ (125,172)	¥ (113,739)	\$ (1,043,103)
Fair value of plan assets.....	41,177	53,784	343,145
Unrecognized transition obligation.....	39,771	43,085	331,424
Unrecognized prior service cost and actuarial loss....	41,313	12,766	344,274
Net liability.....	¥ (2,911)	¥ (4,104)	\$ (24,260)

(2) The components of net periodic benefit costs

	For the year ended March 31, 2003 and 2002		2003 (US \$ thousand)
	2003 (¥ million)	2002	
Service cost.....	¥ 2,701	¥ 2,666	\$ 22,508
Interest cost.....	5,057	4,798	42,138
Expected return on plan assets.....	(2,139)	(2,231)	(17,826)
Amortization of transitional obligation.....	3,314	3,314	27,619
Amortization of prior service cost and actuarial loss..	1,455	454	12,123
Net periodic benefit cost.....	¥ 10,388	¥ 9,001	\$ 86,562

(3) Assumptions used for the years ended March 31, 2003 and 2002

	2003	2002
Discount rate.....	2.5% to 3.0%	3.5% to 4.5%
Expected rate of return on plan assets	2.0%	4.0%
Amortization period of prior service cost.....	15 years	15 years
Recognition period of actuarial gain/loss.....	5 to 12 years	5 to 12 years
Amortization period of transitional obligation.....	15 years	15 years

12. OTHER, NET IN OTHER INCOME (EXPENSES)

Other, net in other income (expenses) comprised the following:

	March 31, 2003 and 2002		2003 (US \$ thousand)
	2003 (¥ million)	2002	
(Loss) gain on disposal of property and equipment, net	¥ 6,709	¥ (29)	\$ 55,906
Loss on valuation of inventories.....	(47,154)	(2,290)	(392,945)
Loss on valuation of fixed assets.....	(74,922)	(56)	(624,351)
Loss from bad debt.....	(280)	(4,525)	(2,335)
Provision for allowance for the settlement of development projects.....	(18,241)	(1,148)	(152,008)
Provision for allowance for doubtful accounts.....	(72,572)	(1,425)	(604,766)
Provision for loss on retirement allowance.....	(23,160)	–	(193,000)
Loss on valuation of marketable and investment securities.....	(1,375)	(114)	(11,459)
Write-off of investments.....	(47)	(0)	(388)
Gain on sale of marketable and investment securities, net.....	400	2,812	3,334
Foreign exchange gain (loss), net.....	(762)	958	(6,354)
Other, net.....	(35,956)	(2,191)	(299,637)
	¥ (267,360)	¥ (8,008)	\$ (2,228,003)

13. INCOME TAXES Tax effects of significant temporary differences and loss carryforwards that result in deferred tax assets or liabilities were as follows:

March 31, 2003 and 2002	2003	2002	2003
	(¥ million)		(US \$ thousand)
Deferred Tax Assets:			
Loss on valuation of inventories.....	¥ 26,874	¥ 15,972	\$ 223,948
Loss on valuation of marketable and investment securities	51,463	55,247	428,858
Loss on valuation of fixed assets.....	14,791	1,753	123,255
Provision for loss on retirement allowance.....	9,426	—	78,551
Tax loss carry-forwards.....	141,142	77,001	1,176,183
Others.....	19,233	10,876	160,280
Subtotal.....	262,929	160,849	2,191,075
Valuation Allowance.....	(259,680)	(128,732)	(2,164,002)
Total.....	3,249	32,117	27,073
Deferred Tax Assets:			
Unrealized gain on available-for-sale securities..	(1,353)	(1,889)	(11,272)
Others.....	(139)	(242)	(1,160)
Total.....	(1,492)	(2,131)	(12,432)
Net deferred tax assets.....	¥ 1,757	¥ 29,986	\$ 14,641

14. BUSINESS SEGMENT INFORMATION

(a) Industry segment information

Years ended March 31, 2003 and 2002	Construction		Real estate and other		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	(¥ million)							
Net sales:								
Customers.....	¥ 481,770	¥ 679,308	¥ 40,567	¥ 58,020	¥ —	¥ —	¥ 522,337	¥ 737,328
Intersegment.....	—	—	1,053	1,442	(1,053)	(1,442)	—	—
Total.....	481,770	679,308	41,620	59,462	(1,053)	(1,442)	522,337	737,328
Operating expenses.....	475,121	666,968	39,526	54,909	(1,092)	(1,604)	513,555	720,273
Operating income.....	¥ 6,649	¥ 12,340	¥ 2,094	¥ 4,553	¥ 39	¥ 162	¥ 8,782	¥ 17,055
Identifiable assets.....	¥ 483,033	¥ 597,561	¥ 148,883	¥ 363,801	¥ (126,972)	¥ (121,708)	¥ 504,944	¥ 839,654
Depreciation and amortization...	2,802	3,187	2,988	3,976	—	—	5,790	7,164
Capital expenditure....	1,359	1,129	716	844	—	—	2,075	1,974
	(US \$ thousand)							
Net sales:								
Customers.....	\$ 4,014,748		\$ 338,057		\$ —		\$ 4,352,805	
Intersegment.....	—		8,777		(8,777)		—	
Total.....	4,014,748		346,834		(8,777)		4,352,805	
Operating expenses.....	3,959,340		329,382		(9,098)		4,279,624	
Operating income.....	\$ 55,408		\$ 17,452		\$ 321		\$ 73,181	
Identifiable assets.....	\$ 4,025,274		\$ 1,240,689		\$ (1,058,101)		\$ 4,207,862	
Depreciation and amortization...	23,350		24,902		—		48,252	
Capital expenditure....	11,323		5,971		—		17,294	

(b) Geographic information

Years ended
March 31, 2003
and 2002

	Domestic		Overseas		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002

(¥ million)

Net sales:								
Customers	¥487,129	¥682,381	¥ 35,208	¥ 54,947	¥ -	¥ -	¥ 522,337	¥ 737,328
Intersegment	-	-	66	151	(66)	(151)	-	-
Total	487,129	682,381	35,274	55,098	(66)	(151)	522,337	737,328
Operating expenses.....	479,718	668,417	33,937	52,154	(100)	(299)	513,555	720,273
Operating income.....	¥ 7,411	¥ 13,964	¥ 1,337	¥ 2,944	¥ 34	¥ (148)	¥ 8,782	¥ 17,055
Identifiable assets.....	¥454,449	¥688,649	¥ 63,673	¥155,089	¥(13,178)	¥ (4,084)	¥ 504,944	¥ 839,654

(US \$ thousand)

Net sales:								
Customers	\$4,059,408		\$ 293,397		\$ -		\$ 4,352,805	
Intersegment	-		549		(549)		-	
Total	4,059,408		293,946		(549)		4,352,805	
Operating expenses.....	3,997,647		282,811		(834)		4,279,624	
Operating income.....	\$ 61,761		\$ 11,135		\$ 285		\$ 73,181	
Identifiable assets.....	\$3,787,076		\$ 530,604		\$(109,818)		\$4,207,862	

The following reconciles identifiable assets to total assets:

	2003	2002	2003
	(¥ million)		(US \$ thousand)
Identifiable assets.....	¥ 504,944	¥ 839,654	\$4,207,862
Corporate assets.....	71,087	94,185	592,390
Total assets.....	¥ 576,030	¥ 933,839	\$4,800,252

15. PER SHARE DATA

The weighted average number of common shares used in computing net income per share for the years ended March 31, 2003 and 2002 were as follows:

	Number of shares (thousand)
2002.....	668,160
2003.....	665,229

16. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Purchases from and sales to unconsolidated subsidiaries and affiliates for the respective periods were as follows:

	2003	2002	2003
	(¥ million)		(US \$ thousand)
Purchases	¥ 8,697	¥11,000	\$72,479
Sales.....	13	214	108

17. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries were contingently liable for guarantees of debt of customers, unconsolidated subsidiaries and affiliates, in the amount of ¥11,098 million (US\$92,480 thousand) at March 31, 2003. The guarantees are in respect of loans relating to purchases and development of land for civil engineering and architectural construction projects.

REPORT OF THE INDEPENDENT PUBLIC ACCOUNTANTS (CONSOLIDATED)

To the Board of Directors of
Kumagai Gumi Co., Ltd.

We have examined the consolidated balance sheets of Kumagai Gumi Co., Ltd. and its consolidated subsidiaries at March 31, 2003 and 2002, and the related consolidated statements of income shareholders' equity and cash flows for each of the two years in the period ended March 31, 2003, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kumagai Gumi Co., Ltd. and its consolidated subsidiaries at March 31, 2003 and 2002, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2003, in conformity with generally accepted accounting principles and practices in Japan applied on a consistent basis.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 3 to the consolidated financial statements, Kumagai Gumi Co., Ltd. developed the "Three-Year Structural Reform Plan" and appraised the assets and realized the potential losses of JPY280,100 million for the fiscal year and had capital deficiency of JPY272,899 million that raises substantial doubt about the ability to continue as a going concern. Management's plan in regards to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 4.



Tokyo, Japan
June 27, 2003

M. Serizawa & Co.
Certified Public Accountants

Shin-Yurakucho Bldg., 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan

NON-CONSOLIDATED BALANCE SHEETS

Kumagai Gumi Co., Ltd. (Company Only) March 31, 2003 and 2002

ASSETS	(¥ million)		(US \$ thousand)
	2003	2002	2003
CURRENT ASSETS:			
Cash and cash equivalents (Note 2)	¥ 57,832	¥ 48,295	\$481,931
Time deposits (Note 2)	3,633	1,365	30,274
Marketable securities (Note 2).....	—	13	—
Notes and accounts receivable, trade.....	155,682	163,454	1,297,349
Allowance for doubtful accounts.....	(1,485)	(1,029)	(12,375)
Inventories (Notes 2 and 5).....	42,290	100,646	352,417
Other current assets.....	40,856	52,129	340,470
	<u>298,808</u>	<u>364,873</u>	<u>2,490,066</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 2).....	12,570	17,326	104,751
Investments in subsidiaries and affiliates (Note 2).....	32,188	122,546	268,231
Long-term loans receivable.....	1,892	10,370	15,770
Long-term loans to subsidiaries and affiliates.....	271	43,803	2,261
Long-term receivable.....	209,046	147,308	1,742,053
Claims to companies in bankruptcy, reorganization, etc.....	144,963	149,540	1,208,027
Other.....	16,864	56,080	140,532
Allowance for doubtful accounts.....	(287,490)	(194,412)	(2,395,754)
	<u>130,304</u>	<u>352,561</u>	<u>1,085,871</u>
PROPERTY AND EQUIPMENT (Note 2):			
Land	10,113	42,600	84,277
Buildings.....	34,656	39,341	288,803
Machinery and equipment.....	11,081	13,146	92,341
Construction in progress	1	39	4
	<u>55,851</u>	<u>95,126</u>	<u>465,425</u>
Accumulated depreciation.....	(24,227)	(25,515)	(201,895)
	<u>31,624</u>	<u>69,611</u>	<u>263,530</u>
	<u>¥ 460,736</u>	<u>¥ 787,045</u>	<u>\$ 3,839,467</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	(¥ million)		(US \$ thousand)
	2003	2002	2003
CURRENT LIABILITIES:			
Short-term borrowings	¥ 1,807	¥ 7,652	\$ 15,061
Current portion of long-term debt.....	1,611	2,589	13,429
Notes and accounts payable, trade	146,808	138,332	1,223,401
Advances received on uncompleted contracts (Note 8)	11,292	36,021	94,096
Accrued expenses	2,092	2,428	17,429
Accrued income taxes (Notes 2 and 10).....	250	284	2,083
Employees' savings deposits.....	2,616	3,658	21,804
Other current liabilities	34,512	31,989	287,598
	200,988	222,953	1,674,901
LONG-TERM LIABILITIES:			
Long-term debt	495,918	509,810	4,132,654
Accrued severance indemnities (Note 2).....	1,225	2,285	10,206
Other long-term liabilities.....	46,524	14,790	387,695
	543,667	526,885	4,530,555
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY:			
Common stock:			
Authorized — 1,300,000,000 shares			
Issued:			
— 668,232,523 shares (2003)	33,412	—	278,430
— 668,232,523 shares (2002)	—	33,412	—
Additional paid-in capital.....	212	212	1,771
Retained earnings (deficit) (Note 2).....	(318,457)	2,009	(2,653,807)
Unrealized gain on available-for-sale securities.....	928	1,579	7,734
Treasury stock, at cost.....	(14)	(5)	(117)
	(283,919)	37,207	(2,365,989)
	¥ 460,736	¥ 787,045	\$ 3,839,467

NON-CONSOLIDATED STATEMENTS OF INCOME

Kumagai Gumi Co., Ltd. (Company Only) Years ended March 31, 2003 and 2002

	(¥ million)		(US \$ thousand)
	2003	2002	2003
NET SALES (Note 2):			
Contracts completed	¥ 430,873	¥ 624,633	\$3,590,613
Sales of real estate	12,666	25,719	105,552
	443,539	650,352	3,696,165
COST OF SALES (Note 2):			
Cost of construction	401,247	582,531	3,343,726
Cost of real estate	13,247	24,482	110,394
	414,494	607,013	3,454,120
Gross profit	29,045	43,339	242,045
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	23,226	29,329	193,550
Operating income	5,819	14,010	48,495
OTHER INCOME (EXPENSES):			
Interest and dividend income	4,450	3,486	37,078
Interest expense	(8,232)	(9,411)	(68,604)
Other, net (Note 9)	(293,163)	(11,094)	(2,443,022)
Loss before income taxes	(291,126)	(3,009)	(2,426,053)
Income taxes (Notes 2 and 10):			
Current	280	471	2,332
Deferred	29,060	(5,489)	242,163
	29,340	(5,018)	244,495
Net income (loss)	¥(320,466)	¥ 2,009	\$(2,670,548)
PER SHARE OF COMMON STOCK (Note 11):			
Net income (loss)	¥ (479.93)	¥ 3.01	\$ (4.00)
Cash dividends applicable to the period	—	—	—

The accompanying notes are an integral part of this statement.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Kumagai Gumi Co., Ltd. (Company Only) Years ended March 31, 2003 and 2002

	Number of shares of common stock (thousand)	Common stock	Additional paid-in capital	Retained earnings (deficit) (¥ million)	Unrealized gain on available- for-sale securities	Treasury stock
Balance at March 31, 2001	668,232	¥ 33,412	¥ 120,444	¥ (120,232)	¥ 4,730	¥ -
Reversal of additional paid-in capital.....			(120,232)	120,232		
Net income for the year.....				2,009		
Change in the current period.....					(3,151)	
Net change during the year.....						(0)
Treasury stock sold						14
Treasury stock purchased.....						(19)
Balance at March 31, 2002	668,233	¥ 33,412	¥ 212	¥ 2,009	¥ 1,579	¥ (5)
Net loss for the year.....				(320,466)		
Change in the current period					(651)	
Treasury stock purchased.....						(9)
Balance at March 31, 2003	668,233	¥ 33,412	¥ 212	¥ (318,457)	¥ 928	¥ (14)

	(thousand)	(US \$ thousand)				
Balance at March 31, 2002	668,233	\$ 278,430	\$ 1,771	\$ 16,741	\$ 13,156	\$ (42)
Net loss for the year.....				(2,670,548)		
Change in the current period					(5,422)	
Treasury stock purchased.....						(75)
Balance at March 31, 2003	668,233	\$ 278,430	\$ 1,771	\$ (2,653,807)	\$ 7,734	\$ (117)

The accompanying notes are an integral part of this statement.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Kumagai Gumi Co., Ltd. (Company Only) Years ended March 31, 2003 and 2002

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements of KUMAGAI GUMI CO., LTD. (the "Company") have been prepared in accordance with generally accepted accounting principles and practices in Japan. Non-consolidated statements of shareholders' equity have been prepared for the purpose of this Annual Report to supply additional information. In preparing the non-consolidated financial statements for the purpose of inclusion in this Annual Report, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to the readers of these statements outside Japan. In addition, the notes to the non-consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information for this Annual Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Recognition of net sales and related costs

Net sales from and the related costs of construction contracts are recorded mainly by the percentage of completion method. The completed-contract method is applied for certain projects whose construction period is less than one year.

(b) Foreign currency translations

Short-term and long-term receivables and payables in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Investments in overseas subsidiaries and affiliates in foreign currencies are translated into Japanese yen at the historical rates of exchange. Overseas accumulated construction cost in progress in foreign currencies (included in inventories) is translated into Japanese yen at the monthly rates of exchange.

(c) Cash and cash equivalents

Cash and cash equivalents include time deposits which have original maturities of three months or less.

(d) Time deposits

Time deposits have original maturities of more than three months through one year.

(e) Marketable and investment securities

The Company listed all the securities as available-for-sale which are stated at fair value, with unrealized gains and losses net of taxes under shareholders' equity section. Cost of sales is determined by the moving-average method.

Other securities are stated at cost.

(f) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

(g) Inventories

Inventories other than materials and supplies are stated at accumulated construction cost for each project. Selling, general and administrative expenses are excluded from such cost. Materials and supplies are stated at cost determined by the moving-average method.

(h) Property, equipment and depreciation

Property and equipment, including significant renewals and additions, are carried at cost. The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the declining-balance method at rates based on estimated useful lives of the assets, according to general class, type of construction and use.

(i) Accrued severance indemnities

To provide for employees' severance indemnities, net period pension cost, which represents the amount recognized as the cost of a pension plan for the year, is accounted for based on the projected benefit obligation and the plan assets. The unrecognized obligation at transition is being amortized by the straight-line method over a period of 15 years.

The adjustment for actuarial assumptions is being amortized by the straight-line method over a period which is less than the average remaining years (12 years) of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded.

Prior service cost is being amortized by the straight-line method over a period of 15 years.

(j) Income taxes

Income taxes are accounted for by the asset and liability method.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

(k) Appropriations of retained earnings and disposition of deficit

Appropriations of retained earnings and disposition of deficit are accounted for and reflected in the accompanying non-consolidated financial statements when approved by the shareholders.

3. BUSINESS REVITALIZATION PLAN

The company created a "Three-Year Structural Reform Plan ("Plan")" based on splitting the company into two, one focused on construction, the other on real estate, in order to realize stable foundation for our operations.

Prior to splitting the company, as at March 31, 2003, based on the Plan the Company strictly appraised the assets and realized the potential losses of ¥304,101 million (US\$2,534,175 thousand) as extraordinary loss, and posted net loss of ¥320,466 million (US\$2,670,548 thousand) for the fiscal year, resulting in shareholders' capital deficiency of ¥283,919 million (US\$2,365,989 thousand). For the Company to free itself from this going concern issue, the Company and shareholders resolved that the current Common stock amount of ¥33,412 million (US\$278,430 thousand) will be reduced voluntarily by ¥30,071 million (US\$250,587 thousand) resulting in a total Common stock amount of ¥3,341 million (US\$27,843 thousand), and also the Company has received confirmation of financial support including acceptance of ¥268,400 million (US\$2,236,667 thousand) debt forgiveness and ¥30,000 million (US\$250,000 thousand) preferred shares from Sumitomo Mitsui Banking Corporation (SMBC) and other major financial institutions. This financial support will ensure elimination of shareholders' capital deficiency and the Company's financial position will be significantly improved with a certainty as of the semi-annual year-end of September 2003.

On October 1, 2003, the separate and independent corporate structure for construction and real estate businesses will be established. The construction company will concentrate its resources on its core customer-oriented business and restructure its business to provide a structure yielding stable profitability in the conditions of a shrunken construction market through such "3 Structural Reforms" (i.e. Concentration of Resources, Cost Reforms, and Financial Reforms) as outlined in the Plan.

Moreover, on May 19, 2003, the Company announced the "TK Integration Plan" which will implement the business merger with Tobishima Corporation with a target date of April 2005 or earlier. The Company will endeavor to change to be an excellent company of technology and management by enhanced competitiveness through merged and complementary effects of technology on areas of expertise.

4. UNITED STATES DOLLAR AMOUNTS

The United States dollar amounts included in the accompanying non-consolidated financial statements are presented solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120=US\$1, which was the approximate exchange rate at March 31, 2003. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into United States dollars at that rate.

5. INVENTORIES

Inventories comprised the following:

<i>March 31, 2003 and 2002</i>	2003	2002	2003
	(¥ million)		(US \$ thousand)
Cost of uncompleted contracts.....	¥ 13,796	¥ 32,129	\$114,970
Real estate for sale	7,750	15,958	64,587
Development projects in progress	20,342	52,007	169,514
Materials and supplies	402	552	3,346
	¥ 42,290	¥100,646	\$352,417

6. LEASES The lease payments under noncancelable financing leases are accounted for as rental expenses, and no asset or liability (other than a short-term liability for accrued rent payable) relating to the lease is recorded.

7. PLEDGED ASSETS Assets pledged as collateral for short-term borrowings and long-term debt were as follows:

March 31, 2003

	(¥ million)	(US \$ thousand)
Assets pledged as collateral:		
Notes receivable	¥ 6,883	\$ 57,362
Inventories	12,332	102,768
Investment securities	5,586	46,548
Investments in subsidiaries and affiliates	1,654	13,783
Long-term receivable.....	5,590	46,583
Land	412	3,436
Buildings	8,377	69,807
Other investments.....	3,377	28,141
	¥ 44,211	\$ 368,428
Liabilities secured thereby:		
Short-term borrowings and long-term debt	¥148,024	\$1,233,531

8. ADVANCES RECEIVED ON UNCOMPLETED CONTRACTS As is the customary practice in Japan, the Company receives progress payments from customers in accordance with the terms of the respective construction contracts.

9. OTHER, NET IN OTHER INCOME (EXPENSES) Other, net in other income (expenses) comprised the following:

March 31, 2003 and 2002

	2003	2002	2003
	(¥ million)		(US \$ thousand)
Loss on disposal of property and equipment, net	¥ (686)	¥ (1,045)	\$ (5,715)
Loss on valuation of marketable and investment securities....	(1,374)	(92)	(11,451)
Gain on sale of marketable and investment securities, net.....	517	4,557	4,307
Loss on valuation of inventories.....	(31,240)	(2,224)	(260,331)
Loss on valuation of fixed assets	(37,521)	(56)	(312,675)
Provision for allowance for doubtful accounts.....	(108,083)	(30,616)	(900,689)
Provision for loss on retirement allowance.....	(23,160)	-	(193,000)
Provision for allowance for the settlement of development projects	(11,934)	-	(99,449)
Loss on valuation of investments in subsidiaries and affiliates..	(63,878)	(603)	(532,319)
Write-off of investments in subsidiaries and affiliates.....	-	(292)	-
Foreign exchange gain, net.....	(614)	367	(5,119)
Other, net	(15,190)	(8,090)	(126,581)
	¥(293,163)	¥(11,094)	\$ (2,443,022)

10. INCOME TAXES Tax effects of significant temporary differences and loss carryforwards that result in deferred tax assets or liabilities were as follows:

<i>March 31, 2003 and 2002</i>	2003	2002	2003
	(¥ million)		(US \$ thousand)
Deferred Tax Assets:			
Loss on valuation of inventories.....	¥ 26,874	¥ 15,972	\$ 223,948
Loss on valuation of marketable and investment securities	51,463	55,246	428,857
Loss on valuation of fixed assets.....	14,791	1,753	123,255
Provision for loss on retirement allowance.....	9,426	-	78,551
Tax loss carry-forwards.....	141,070	77,001	1,175,589
Others.....	16,056	7,819	133,802
Subtotal.....	<u>259,680</u>	<u>157,791</u>	<u>2,164,002</u>
Valuation Allowance.....	<u>(259,680)</u>	<u>(128,732)</u>	<u>(2,164,002)</u>
Total.....	<u>-</u>	<u>29,059</u>	<u>-</u>
Deferred Tax Assets:			
Unrealized gain on available-for-sale securities..	<u>(637)</u>	<u>(1,143)</u>	<u>(5,308)</u>
Total.....	<u>(637)</u>	<u>(1,143)</u>	<u>(5,308)</u>
Net deferred tax assets.....	<u>¥ (637)</u>	<u>¥ 27,916</u>	<u>\$ (5,308)</u>

11. PER SHARE DATA

The weighted average number of common shares used in computing net income per share for the years ended March 31, 2003 and 2002 were as follows:

	Number of shares (thousand)
2002	668,160
2003	667,739

12. CONTINGENT LIABILITIES

The Company was contingently liable for guarantees of debt of customers, subsidiaries and affiliates, in the amount of ¥13,951 million (US\$116,261 thousand) at March 31, 2003. The guarantees are in respect of loans relating to purchases and development of land for civil engineering and architectural construction projects.

REPORT OF THE INDEPENDENT PUBLIC ACCOUNTANTS (NON-CONSOLIDATED)

To the Board of Directors of
Kumagai Gumi Co., Ltd.

We have examined the non-consolidated balance sheets of Kumagai Gumi Co., Ltd. at March 31, 2003 and 2002, and the related non-consolidated statements of income shareholders' equity for each of the two years in the period ended March 31, 2003, expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Kumagai Gumi Co., Ltd. at March 31, 2003 and 2002, and the results of their operations for each of the two years in the period ended March 31, 2003, in conformity with generally accepted accounting principles and practices in Japan applied on a consistent basis.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 3 to the non-consolidated financial statements, Kumagai Gumi Co., Ltd. developed the "Three-Year Structural Reform Plan" and appraised the assets and realized the potential losses of JPY304,101 million for the fiscal year and had capital deficiency of JPY283,919 million that raises substantial doubt about the ability to continue as a going concern. Management's plan in regards to these matters are also described in Note 3. The non-consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The United States dollar amounts shown in the non-consolidated financial statements referred to above have been translated solely for convenience. We have reviewed this translation and, in our opinion, the non-consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 4.



Tokyo, Japan
June 27, 2003

M. Serizawa & Co.
Certified Public Accountants

Shin-Yurakucho Bldg., 12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan

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Facsimile: 81-3-5229-7090
(Overseas Division)

OVERSEAS OFFICES AND BRANCHES:

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Facsimile: 65-6883-0653

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North Point, Hong Kong
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5th Floor, Chaiyo Building
91/1 Rama IX Rd
Huay Kwang, Huay Kwang
Bangkok 10320, Thailand
Telephone: 66-2-643-9434
Facsimile: 66-2-643-9438

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Room No. 1407, 12th Floor
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Republic of China
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Facsimile: 886-2-2741-2476

INDONESIA BRANCH

3A Fl., Setiabudi 2 Bldg.
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Indonesia
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Facsimile: 62-21-525-0708

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210 Middle Road
#07-04/08 IOI Plaza,
Singapore 188994
Telephone: 65-6338-5352
Facsimile: 65-6337-5082

PHILIPPINES BRANCH

2nd Floor, S&L Building
No.101 Dela Rosa Coner,
Esteban Streets,
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Metro Manila, Philippines
Telephone: 63-2-815-4660
Facsimile: 63-2-818-1756

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0710 New Caohejing Tower,
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People's Republic of China
Telephone: 86-21-6485-2498
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46/7 Navam Mawatha
Colombo 2, Sri Lanka
Telephone: 94-1-387424~7
Facsimile: 94-1-387423

VIETNAM BRANCH

Unit 205-207, 2nd Floor,
V-Tower, 649 Kim Ma Street,
Ba Dinh District,
Hanoi, Vietnam
Telephone: 84-4-7661501
Facsimile: 84-4-7661506

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Crosby Court, 38
Bishopsgate,
London EC2N 4AJ, U.K.
Telephone: 44-20-7815-0600
Facsimile:
44-20-7815-0804 (G3)
44-20-7626-2750 (G4)

AUSTRALIA BRANCH

Suite 21, Level 5,
88 Pitt Street,
Sydney NSW 2000
Australia
Telephone: 61-2-9221-2333
Facsimile: 61-2-9221-2197

PAPUA NEW GUINEA BRANCH

Level 1, Suite 5, Garden City
Angau Drive, Boroko, NCD,
Papua New Guinea
Telephone: 675-3253688
Facsimile: 675-3250629

NEW YORK BRANCH

1605 Broadway,
15th Floor,
New York, NY 10019, U.S.A.
Telephone: 1-212-391-8500
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TURKEY BRANCH

Halti Ziya Turkan Sokak,
Famas Plaza A Block Kat:
10/36,
80270 Okmaydani, Istanbul,
Turkey
Telephone: 90-212-320-4835~6
Facsimile: 90-212-320-4837

PRINCIPAL SUBSIDIARIES AND AFFILIATES:

GAEART Kumagai Co., Ltd.

Head Office: Tokyo, Japan
President: Yasuo Yamaguchi
Capital: ¥1,000,000,000
(US\$8,319,467)

Major Activities:

Construction and pavement
of roads and airports, other
civil engineering works and
architecture.

K&E Co., Ltd.

Head Office: Tokyo, Japan
President: Yasushi Higuchi
Capital: ¥100,000,000
(US\$831,946)

Major Activities:

Consulting and reform
building business
Installation of building equip-
ment.

HOUTECH 21 CO., LTD.

Head Office: Tokyo, Japan
 President: Hitoshi Nakagawa
 Capital: ¥100,000,000
 (US\$831,946)

Major Activities:
 Total planning, design
 development and
 construction for housing
 renewal projects.
 Importing, co-ordination and
 installation of furniture and
 construction material.

FATEC CO., LTD.

Head Office: Tokyo, Japan
 President: Takayuki Aono
 Capital: ¥20,000,000
 (US\$166,389)

Major Activities:
 Sales of construction
 materials and equipment
 developed by Kumagai's
 various technologies.

Technos Co., Ltd.

Head Office: Toyokawa
 Aichi, Japan
 President: Yoshiaki
 Nagashima
 Capital: ¥470,000,000
 (US\$3,910,149)

Major Activities:
 Production and sale of
 construction machinery and
 materials.
 Construction of underground
 diaphragm walls and
 noiseless vibration-free
 piles.

Tetsudo Sharyo Kogyo Co., Ltd.

Head Office: Tokyo, Japan
 President: Tsunenobu
 Takaba
 Capital: ¥48,000,000
 (US\$399,334)

Major Activities:
 Production and sale of
 pollution control machinery.

Kuroiso Kanko Kaihatsu Co., Ltd.

Head Office: Kuroiso
 Tochigi, Japan
 President: Hitoshi Nakagawa
 Capital: ¥142,000,000
 (US\$1,181,364)

Major Activities:
 Real estate and housing
 business.

Kumagai International Limited

Head Office: Hong Kong
 Director: Katsuhito Arai
 Capital: HK\$288,000,000
 (US\$36,922,462)

Major Activities:
 Real estate business and
 finance to Kumagai Gumi
 group.

P.T. KADI International

Head Office: Jakarta,
 Indonesia
 Vice President:
 Toshiaki Iizuka
 Capital: Rp207,500,000
 (US\$23,478)

Major Activities:
 Construction business in
 Indonesia.

Taiwan Kumagai Co., Ltd.

Head Office: Taipei, Taiwan
 Chairman: He Lien Lin
 President: Shizuo Tashiro
 Capital: NT\$311,200,000
 (US\$8,947,674)

Major Activities:
 Construction business in
 Taiwan.

Summa Kumagai, Inc.

Head Office: Manila,
 Philippines
 Chairman: Claudio B. Altura
 President: A.D. Altura
 Capital: P22,675,000
 (US\$428,222)

Major Activities:
 Construction business in
 the Philippines.

Thai Kumagai Co., Ltd.

Head Office: Bangkok,
 Thailand
 President: Satoshi Suzuki
 Capital: B30,000,000
 (US\$698,835)

Major Activities:
 Construction business in
 Thailand.

Kumagai Australia Pty. Ltd.

Head Office: Sydney
 NSW, Australia
 Director: Yuichi Ohata
 Capital: A\$268,899,000
 (US\$161,630,011)

Major Activities:
 Real estate and construction
 business in Australia.

KG Crowne Corporation

Head Office: New York, NY,
 U.S.A.
 President: Kazuo Kimata
 Capital: US\$95,170,526
 Major Activities:
 Investment, management
 and operation of hotel.

(As of July 1, 2003)

Conversion into U.S. dollars
 at the rate of
 ¥120.20=US\$1.00
 US\$1.00=Rp8838.23529
 =HK\$7.80013=NT\$34.77999
 =P52.95154=A\$1.66367
 =£0.63447=B42.92857

(As of March 31, 2003)

MAJOR CONTRACTS

Contracts awarded in fiscal 2003

CIVIL ENGINEERING

Takizawa Dam, Phase II
Owner: Water Resources Development Public Corporation

SJ11 Work Zone (4)–SJ31 Work Zone (Outer Surrounding) Tunnel, Phase 2
Owner: Metropolitan Expressway Public Corporation

Normal National Road No.39 Kamikawa-Cho Muka Tunnel
Owner: Ministry of Land, Infrastructure and Transport Hokkaido Regional Development Bureau

MTR Tshim Sha Tsui Station, Modification Works
Owner: Mass Transit Railway Corporation (MTRC)

Wanchai East and North Point Sewerage Tunnel
Owner: The Government of the Hong Kong Special Administrative Region of the People's Republic of China, Water supplies Department

ARCHITECTURE

New City Higashitotsuka Central District A Building Construction Project
Owner: Mitsui Fudosan Co.,Ltd.

Nishi Kagawa Park Homes
Owner: Mitsui Fudosan Co.,Ltd.

Tokyo Horse Race course Stand Rebuilding, Phase II (No.1 Work Zone)
Owner: Japan Racing Association (JRA)

Hann Star FAB III Construction Project
Owner: Hann Star Display Corp.

Ritsumeikan University, Biwako-Kusatsu Campus, Information, Science and Technology Department Building
Owner: Ritsumeikan University

Contracts completed in fiscal 2003

CIVIL ENGINEERING

Hamaoka Nuclear Power Generation Plant No.5 Water Intake Tower / Water Intake Tunnel
Owner: Chubu Electric Power Co.,Inc.

Site Formation and External Works accompanied with Ritsumeikan Uji High School Removal
Owner: Ritsumeikan University

Kawanabe Dam River General Development (Main Structure)
Owner: Kagoshima Prefectural Government

MRTA Bangkok Subway (Phase I), South Line Work
Owner: Metropolitan Rapid Transit Authority (MRTA)

Tseung Kwan O Extension Project, MTRC Contract 604 - Yau Tong Station
Owner: Mass Transit Railway Corporation (MTRC)

ARCHITECTURE

Refinery Building
Owner: Japan Nuclear Fuel Limited

Yusen Dougenzaka Building
Owner: Tosen Jisho Co.,Ltd.

Environmental Project Bureau Hirano Factory
Owner: Osaka Municipal Government

Mitsuzawa Park Mansion
Owner: Sumitomo Realty & Development Co.,Ltd.

NTT DoCoMo Tokai, Inc. Shizuoka Building
Owner: NTT DoCoMo Tokai, Inc.

Contracts carried over to fiscal 2003

CIVIL ENGINEERING

Kanagawa Power Generation Plant (Phase I), Civil Works (Headrace Work Zone)
Owner: Tokyo Electric Power Company

Construction of the Southern Transport Development Project
Owner: Road Development Authority of Sri Lanka

Delhi Metro Corridor Contract MC1A
Owner: Delhi Metro Rail Corporation Limited (DMRC)

Year 1994 State Subsidy Ookita River General Development Project, No.1-1 Koyama Dam Main Structure
Owner: Ibaraki Prefectural Government

Tokuyama Dam
Owner: Water Resources Development Public Corporation

ARCHITECTURE

Taipei 101
Owner: Taipei Financial Center Corporation

Sham Tseng Residential Development
Owner: Salisburgh Company Limited

Nishi-Kanda 3-chome North West District Urban Redevelopment
Owner: Nishi-Kanda 3-chome Urban Redevelopment Union

New City Higashitotsuka Central District B Building Construction Project
Owner: Mitsui Fudosan Co., Ltd., ORIX Real Estate Corporation

Hakodate Kyoai-kai Hospital
Owner: (Social Welfare Corporation) Hakodate Kyoai-kai

CORPORATE DATA

Date Incorporated:

January 6, 1938

(Inaugurated in 1898)

Shareholders' Equity:

¥ (283,919) million

(US\$ (2,365,989) thousand)

(As of March 31, 2003)

Major Activities:

1. Engineering, architecture, and general construction
2. Design, manufacture, and sale of construction machinery and equipment
3. Real estate and housing
4. Construction-related consulting services
5. Operation of hotels, health and medical facilities, sports facilities and recreation facilities

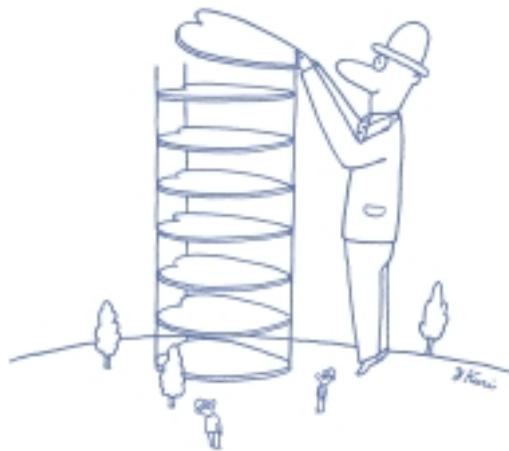
Number of Employees:

Civil Engineers.....	1,260
Architectural Engineers.....	1,735
Electrical Engineers.....	85
Mechanical Engineers.....	66
Administrative Staff.....	1,008
Others.....	13
Total.....	4,167

(As of March 31, 2003)

For further information, please contact the nearest local branch or the Overseas Division at the Head Office.

We build with heart.



KUMAGAI GUMI CO.,LTD.

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