

# KUMAGAI GUMI

Annual Report  
2007



Illustration on front cover:

The new tunnel construction system "**SENS**" was developed and used for the first time in Japan on the Sanbongihara tunnel (Aomori Prefecture) of Tohoku Shinkansen. The "**SENS**" system is as follows: a) Use Shield Tunneling Method (**S**) to stabilize the cutting face. b) Use ECL Method (**E**) for early invert closure. c) Use NATM (**N**) for the primary supportlining. Thus, this unique system (**S**) incorporates the advantages of each method.

Received "the 2006 JSCE Outstanding Civil Engineering Achievement Award".

# 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.

## Message from the President:

Our consolidated group results for fiscal year 2007 show net sales of ¥326.9 bn (a 0.2% YoY increase). With respect to profits, because of a decrease in overall profit from completed construction even though general administrative costs decreased, operating profit was ¥4.7bn (a 55% YoY decrease), recurring profit was ¥3.9bn (a 56.5% YoY decrease), and net profit this period was ¥4.9bn (a 5.8% YoY decrease) including profits from the sale of securities.

Whilst the Japanese economy is recovering gradually, it is expected that the situation will continue to be severe for the domestic construction industry. Under these conditions our company will take measures as indicated below to strengthen the earning power of our main construction business and to aim for sustained growth.

With regard to domestic public works, we will concentrate our energies on the technological knowhow we have developed to meet the increasingly intense competition for orders in public engineering projects, and with all of the company's efforts we will start to expand business activities underwritten by this knowhow and competitiveness. We will also turn our skills to private-sector engineering such as the mobile communications business (the construction of wireless base stations for mobile phones) and public works renewal projects. We shall continue to respond swiftly to circumstances as they arise, such as the current trend of a shrinking market size.

In our domestic construction business, we will reinforce our tendering skills in our traditional construction business, our marketing of technology and our follow-up customer service. By being thoroughly focussed on customer satisfaction, we will also strengthen the foundation of our business

by developing opportunities for maintenance and renovation projects for which there is a latent demand. Based on our many construction achievements up until now, we shall pitch "Building Renovation" as a sales proposition. We will also develop new demand-led opportunities which aim to secure construction orders including fee-based arrangements and collaborative projects.

With regard to our overseas business, we again plan to restructure our cost base by reducing our overseas branches and downsizing the scope of our business.

Our slogan at Kumagai Gumi continues to be "Thrilling the Customer", through which, of course, we signal our commitment to delivering the highest levels of satisfaction from those of you for whom we construct buildings and those of you who use them upon completion. Our vision is "bold sincerity" in every project we undertake so that we win the praise of even those generations 50 and 100 years from now. Also we will continue to strive to gain the trust and support of society at large through internal controls to ensure compliance with all rules and regulations.



June 2007

Hiroshi Ota  
President  
Kumagai Gumi



# CONSOLIDATED FINANCIAL HIGHLIGHTS

*Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006.*

|   | (¥ million) |           | (US \$ thousand) |
|---|-------------|-----------|------------------|
|   | 2007        | 2006      | 2007             |
| <b>FOR THE YEAR:</b>                              |             |           |                  |
| Net sales .....                                   | ¥ 326,998   | ¥ 326,344 | \$ 2,771,167     |
| Net income .....                                  | 4,970       | 5,275     | 42,117           |
| <b>AT YEAR-END:</b>                               |             |           |                  |
| Total assets .....                                | ¥ 262,808   | ¥ 275,649 | \$ 2,227,184     |
| Net assets .....                                  | 49,937      | 46,169    | 423,197          |
| <b>PER SHARE OF COMMON STOCK ( ¥ AND US \$ ):</b> |             |           |                  |
| Net income .....                                  | ¥ 32.24     | ¥ 40.02   | \$ 0.27          |

*Note: Conversion into U.S. dollars has been made at the exchange rate of ¥118= US \$1 solely for convenience. Refer to Notes to the Financial Statements.*

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# FINANCIAL SECTION

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# CONSOLIDATED BALANCE SHEETS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries March 31, 2007 and 2006

| ASSETS   | (¥ million)      |                  | (US \$ thousand)    |
|--|------------------|------------------|---------------------|
|  | 2007             | 2006             | 2007                |
| <b>CURRENT ASSETS:</b>   |                  |                  |                     |
| Cash and cash equivalents.....                                     | ¥ 54,849         | ¥ 60,622         | \$ 464,818          |
| Time deposits .....  | 5                | 65               | 42                  |
| Notes and accounts receivable, trade .....                         | 122,529          | 115,903          | 1,038,385           |
| Allowance for doubtful accounts.....                               | (1,249)          | (1,187)          | (10,583)            |
| Inventories (Note 5).....  | 11,445           | 15,965           | 96,989              |
| Deferred income taxes (Note 12).....                               | 3,440            | 3,634            | 29,150              |
| Other current assets.....  | 21,675           | 25,774           | 183,687             |
|  | <u>212,694</u>   | <u>220,776</u>   | <u>1,802,488</u>    |
| <b>INVESTMENTS AND OTHER ASSETS (Note 8):</b>                      |                  |                  |                     |
| Investment securities (Note 4).....                                | 12,791           | 17,433           | 108,398             |
| Investments in unconsolidated subsidiaries and affiliates .....    | 4,841            | 4,621            | 41,022              |
| Long-term loans receivable.....                                    | 1,076            | 1,105            | 9,117               |
| Long-term loans to unconsolidated subsidiaries and affiliates..... | 101              | 95               | 859                 |
| Long-term receivables.....   | 6,197            | 5,017            | 52,514              |
| Claims to companies in bankruptcy, reorganization, etc.....        | 1,259            | 1,614            | 10,675              |
| Deferred income taxes (Note 12).....                               | 8,779            | 8,174            | 74,400              |
| Other.....   | 6,994            | 7,642            | 59,270              |
| Allowance for doubtful accounts.....                               | (6,747)          | (6,193)          | (57,177)            |
|  | <u>35,291</u>    | <u>39,508</u>    | <u>299,078</u>      |
| <b>PROPERTY AND EQUIPMENT (Note 8):</b>                            |                  |                  |                     |
| Land.....  | 10,282           | 10,405           | 87,134              |
| Buildings .....  | 12,928           | 13,282           | 109,558             |
| Machinery and equipment.....                                       | 14,013           | 14,989           | 118,754             |
| Construction in progress.....                                      | —                | 21               | —                   |
|  | <u>37,223</u>    | <u>38,697</u>    | <u>315,446</u>      |
| Accumulated depreciation.....                                      | (22,400)         | (23,332)         | (189,828)           |
|  | <u>14,823</u>    | <u>15,365</u>    | <u>125,618</u>      |
|  | ¥ <u>262,808</u> | ¥ <u>275,649</u> | \$ <u>2,227,184</u> |

The accompanying notes are an integral part of this statement.



| LIABILITIES AND NET ASSETS                               | <div style="text-align: center;">(¥ million)</div> |                  | <div style="text-align: center;">(US \$ thousand)</div> |
|--|--|------------------|---|
|  | 2007   | 2006             | 2007  |
| <b>CURRENT LIABILITIES:</b>                              |  |                  |   |
| Short-term borrowings (Note 6).....                      | ¥ 19,644   | ¥ 31,743         | \$ 166,478  |
| Current portion of long-term debt (Note 6).....          | 6,076  | 7,779            | 51,492  |
| Notes and accounts payable, trade.....                   | 113,897  | 107,284          | 965,225   |
| Advances received on uncompleted contracts (Note 9)..... | 13,161   | 15,984           | 111,536   |
| Accrued expenses.....                                    | 1,708  | 1,685            | 14,474  |
| Accrued income taxes.....                                | 516  | 727              | 4,371   |
| Employees' savings deposits.....                         | 2,228  | 2,179            | 18,878  |
| Other current liabilities.....                           | 22,609   | 26,606           | 191,600   |
|  | <u>179,839</u>                                     | <u>193,987</u>   | <u>1,524,054</u>  |
| <b>LONG-TERM LIABILITIES:</b>                            |  |                  |   |
| Long-term debt (Note 6).....                             | 16,180   | 20,016           | 137,122   |
| Accrued severance indemnities (Note 10).....             | 16,707   | 15,279           | 141,582   |
| Other long-term liabilities.....                         | 145  | 198              | 1,229   |
|  | <u>33,032</u>                                      | <u>35,493</u>    | <u>279,933</u>  |
| <b>CONTINGENT LIABILITIES (Note 15)</b>                  |  |                  |   |
| <b>NET ASSETS (Note 2):</b>                              |  |                  |   |
| Capital stock:   |  |                  |   |
| Authorized— 774,000,000 shares in 2007 and 2006          |  |                  |   |
| Issued — 207,596,504 shares in 2007 and                  |  |                  |   |
| 193,646,504 shares in 2006.....                          | 13,341   | 13,341           | 113,061   |
| Additional paid-in capital.....                          | 9,928  | 9,927            | 84,135  |
| Retained earnings.....                                   | 23,013   | 18,043           | 195,026   |
| Treasury stock, at cost.....                             | (505)  | (438)            | (4,278)   |
| Unrealized gain on available-for-sale securities.....    | 2,811  | 3,901            | 23,826  |
| Deferred loss on derivative instruments.....             | (0)  | —                | (2)   |
| Foreign currency statements translation adjustments..... | 24   | 65               | 203   |
|  | <u>48,612</u>                                      | <u>44,839</u>    | <u>411,971</u>  |
| Minority interests.....                                  | 1,325  | 1,330            | 11,226  |
|  | <u>49,937</u>                                      | <u>46,169</u>    | <u>423,197</u>  |
|  | <u>¥ 262,808</u>                                   | <u>¥ 275,649</u> | <u>\$ 2,227,184</u>                                     |

# CONSOLIDATED STATEMENTS OF INCOME

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

|   | (¥ million)    |                | (US \$ thousand) |
|---|----------------|----------------|------------------|
|   | 2007           | 2006           | 2007             |
| <b>NET SALES (Note 14):</b>                                   |                |                |                  |
| Contracts completed .....                                     | ¥ 326,998      | ¥ 326,344      | \$ 2,771,167     |
| <b>COST OF SALES (Note 14):</b>                               |                |                |                  |
| Cost of construction.....                                     | 306,655        | 299,727        | 2,598,771        |
| Gross profit.....   | 20,343         | 26,617         | 172,396          |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....</b>      | <b>15,555</b>  | <b>15,968</b>  | <b>131,820</b>   |
| Operating income .....  | 4,788          | 10,649         | 40,576           |
| <b>OTHER INCOME (EXPENSE):</b>                                |                |                |                  |
| Interest and dividend income .....                            | 382            | 641            | 3,238            |
| Interest expense.....   | (1,265)        | (1,657)        | (10,722)         |
| Equity in earnings (losses) of affiliates.....                | 136            | (27)           | 1,158            |
| Other, net (Note 11).....                                     | 1,891          | (3,331)        | 16,026           |
| <b>Income before income taxes and minority interest .....</b> | <b>5,932</b>   | <b>6,275</b>   | <b>50,276</b>    |
| <b>Income taxes (Note 12):</b>                                |                |                |                  |
| Current.....  | 487            | 756            | 4,130            |
| Deferred.....   | 428            | 334            | 3,628            |
|   | 915            | 1,090          | 7,758            |
| <b>Minority interest in consolidated subsidiaries .....</b>   | <b>(47)</b>    | <b>90</b>      | <b>(401)</b>     |
| <b>Net income.....</b>  | <b>¥ 4,970</b> | <b>¥ 5,275</b> | <b>\$ 42,117</b> |
| <b>PER SHARE OF COMMON STOCK (Note 13):</b>                   |                |                |                  |
| Net income.....   | ¥ 32.24        | ¥ 40.02        | \$ 0.27          |

The accompanying notes are an integral part of this statement.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

|                                 | Capital stock | Additional paid-in capital | Retained earnings | Treasury stock | Unrealized gain on available-for-sale securities | Deferred loss on derivative instruments | Foreign currency statements translation adjustments | Minority interests |
|---------------------------------|---------------|----------------------------|-------------------|----------------|--|---|---|--------------------|
| (¥ million)                     |               |                            |                   |                |  |   |   |                    |
| Balance at March 31, 2005.....  | ¥ 13,341      | ¥ 9,927                    | ¥ 12,768          | ¥ (251)        | ¥ 2,211  | ¥ -                                     | ¥ (41)  | ¥ 1,462            |
| Net income for the year.....    |               |                            | 5,275             |                |  |   |   |                    |
| Change in the current period... |               |                            |                   |                | 1,690  | -                                       | 106   | (132)              |
| Purchase of treasury stock..... |               |                            |                   | (187)          |  |   |   |                    |
| Balance at March 31, 2006.....  | ¥ 13,341      | ¥ 9,927                    | ¥ 18,043          | ¥ (438)        | ¥ 3,901  | ¥ -                                     | ¥ 65  | ¥ 1,330            |
| Net income for the year.....    |               |                            | 4,970             |                |  |   |   |                    |
| Disposal of treasury stock..... |               | 1                          |                   | 13             |  |   |   |                    |
| Change in the current period..  |               |                            |                   |                | (1,090)  | (0)                                     | (41)  | (5)                |
| Purchase of treasury stock..... |               |                            |                   | (80)           |  |   |   |                    |
| Balance at March 31, 2007.....  | ¥ 13,341      | ¥ 9,928                    | ¥ 23,013          | ¥ (505)        | ¥ 2,811  | ¥ (0)                                   | ¥ 24  | ¥ 1,325            |

|                                 | (US \$ thousand) |           |            |            |           |        |        |           |
|---------------------------------|------------------|-----------|------------|------------|-----------|--------|--------|-----------|
| Balance at March 31, 2006.....  | \$ 113,061       | \$ 84,126 | \$ 152,909 | \$ (3,712) | \$ 33,061 | \$ -   | \$ 548 | \$ 11,273 |
| Net income for the year.....    |                  |           | 42,117     |            |           |        |        |           |
| Disposal of treasury stock..... |                  | 9         |            | 107        |           |        |        |           |
| Change in the current period..  |                  |           |            |            | (9,235)   | (2)    | (345)  | (47)      |
| Purchase of treasury stock..... |                  |           |            | (673)      |           |        |        |           |
| Balance at March 31, 2007.....  | \$ 113,061       | \$ 84,135 | \$ 195,026 | \$ (4,278) | \$ 23,826 | \$ (2) | \$ 203 | \$ 11,226 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Kumagai Gumi Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2007 and 2006

|  | (¥ million)     |                 | (US \$ thousand)  |
|--|-----------------|-----------------|-------------------|
|  | 2007            | 2006            | 2007              |
| <b>Cash flows from operating activities:</b>                                 |                 |                 |                   |
| Income before income taxes and minority interest .....                       | ¥ 5,932         | ¥ 6,275         | \$ 50,276         |
| Depreciation and amortization .....  | 884             | 935             | 7,487             |
| Loss on asset impairment.....  | —               | 1,120           | —                 |
| Increase in provision for allowance for doubtful accounts.....               | 634             | 1,480           | 5,370             |
| Increase in accrued severance indemnities.....                               | 1,428           | 1,716           | 12,103            |
| Interest and dividends revenue.....  | (382)           | (642)           | (3,238)           |
| Interest expenses.....   | 1,265           | 1,657           | 10,722            |
| Foreign exchange gain.....   | (45)            | (215)           | (379)             |
| Equity in (earnings) losses of affiliates.....                               | (136)           | 27              | (1,158)           |
| Loss on valuation of marketable and investment securities.....               | 116             | 18              | 985               |
| Gain on sale of marketable and investment securities, net.....               | (3,492)         | (676)           | (29,595)          |
| Loss on disposal of property and equipment.....                              | 48              | 73              | 409               |
| Loss on valuation of property and equipment.....                             | 2               | 35              | 16                |
| Gain on sale of property and equipment, net.....                             | (60)            | (733)           | (507)             |
| (Increase) decrease in notes and accounts receivable.....                    | (6,648)         | 9,507           | (56,337)          |
| Decrease (increase) in uncompleted construction costs.....                   | 4,602           | (1,302)         | 39,000            |
| Increase (decrease) in notes and accounts payable.....                       | 6,645           | (4,486)         | 56,315            |
| (Decrease) increase in advances received on uncompleted contracts....        | (2,816)         | 2,742           | (23,865)          |
| Increase in other assets.....  | (1,035)         | (1,214)         | (8,769)           |
| Other, net.....  | 470             | 3,214           | 3,983             |
| Sub-total.....   | 7,412           | 19,531          | 62,818            |
| Interest and dividends received.....   | 381             | 664             | 3,232             |
| Interest paid.....   | (1,224)         | (1,649)         | (10,374)          |
| Income tax paid.....   | (808)           | (928)           | (6,853)           |
| Net cash provided by operating activities .....                              | 5,761           | 17,618          | 48,823            |
| <b>Cash flows from investing activities:</b>                                 |                 |                 |                   |
| Disbursements for acquisitions of marketable and investment securities....   | (473)           | (245)           | (4,009)           |
| Proceeds from sale of marketable and investment securities.....              | 6,444           | 2,629           | 54,612            |
| Proceeds from sale of investment in consolidated subsidiaries.....           | —               | 41              | —                 |
| Disbursements for acquisitions of property and equipment .....               | (247)           | (376)           | (2,093)           |
| Proceeds from sale of property and equipment .....                           | 242             | 1,311           | 2,050             |
| Disbursements for loans.....   | (363)           | (222)           | (3,076)           |
| Proceeds from collection of loans .....                                      | 438             | 1,281           | 3,714             |
| Other, net.....  | 125             | (178)           | 1,058             |
| Net cash provided by investing activities .....                              | 6,166           | 4,241           | 52,256            |
| <b>Cash flows from financing activities:</b>                                 |                 |                 |                   |
| Decrease in short-term borrowings .....                                      | (12,098)        | (1,585)         | (102,526)         |
| Proceeds from long-term debt.....  | 2,730           | —               | 23,136            |
| Disbursements for repayment of long-term debt.....                           | (8,268)         | (9,225)         | (70,070)          |
| Other, net.....  | (54)            | (156)           | (457)             |
| Net cash used in financing activities.....                                   | (17,690)        | (10,966)        | (149,917)         |
| <b>Translation differences on cash and cash equivalents.....</b>             |                 |                 |                   |
|  | (10)            | 297             | (90)              |
| <b>(Decrease) increase in cash and cash equivalents.....</b>                 | <b>(5,773)</b>  | <b>11,190</b>   | <b>(48,928)</b>   |
| <b>Cash and cash equivalents at beginning of year.....</b>                   | <b>60,622</b>   | <b>49,508</b>   | <b>513,746</b>    |
| <b>Cash and cash equivalents of subsidiaries excluded from consolidation</b> | <b>—</b>        | <b>(76)</b>     | <b>—</b>          |
| <b>Cash and cash equivalents at end of year.....</b>                         | <b>¥ 54,849</b> | <b>¥ 60,622</b> | <b>\$ 464,818</b> |

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, 2007 and 2006

## 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, ten of its consolidated subsidiaries and five of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2007.

In fiscal 2007, there was no changes in the scope of consolidation

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

| <b>Company Name</b>              | <b>Fiscal Year- End</b> |
|----------------------------------|-------------------------|
| GAEART TK Co., Ltd.              | 31 Mar. 2007            |
| Technos Co., Ltd.                | 31 Mar. 2007            |
| K&E Co., Ltd.                    | 31 Mar. 2007            |
| Techno-Space Creates Co., Ltd.   | 31 Mar. 2007            |
| FATEC CO., LTD.                  | 31 Mar. 2007            |
| Technical Support Co.,Ltd.       | 31 Mar. 2007            |
| Khiva Limited.                   | 31 Mar. 2007            |
| Taiwan Kumagai Co., Ltd.         | 31 Dec. 2006            |
| Thai Kumagai Co., Ltd.           | 31 Dec. 2006            |
| Kumagai Gumi (Malaysia) SDN.BHD. | 31 Dec. 2006            |

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.

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**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 net assets, 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) Allowance for doubtful accounts**

Allowance for doubtful accounts is provided in amounts considered to be appropriate based on the Company's past credit losses experience and evaluation of potential losses in the receivables outstanding.

**(g) 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 net assets section. Cost of sales is determined by the moving-average method.

Other securities are stated at cost.

**(h) 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.

**(i) 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 there of

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.

#### **(j) 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 transitional obligation 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 9 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 which is less than the average remaining years (5 to 9 years) of service of the active participants in the plans.

#### **(k) 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.

#### **(l) Appropriations of retained earnings**

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon shareholders' approval.

#### **(m) Accounting for the Impairment of Long-Lived Assets**

Effective April 1, 2005, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for the impairment of their long-lived assets held and used. Applying the new standard, long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flow. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the different between the carrying value of estimated future cash flows or comparable market values. The effect of adoption of the new accounting standard was to decrease income before income taxes by ¥1,120 million for the year ended March 31, 2006.

#### **(n) Accounting Standard for Statement for Presentation of Net Assets in the Balance Sheet**

Effective for the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted new accounting standards, "Accounting Standard for Statement for Presentation of Net Assets in the Balance Sheet", and "the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet", (collectively, the "New Accounting Standards"). Under the New Accounting Standards, the balance sheet comprises the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the shareholders' equity sections. The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation.

**(o) Accounting Standard for Statement of Changes in Net Assets**

Effective for the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted new accounting standards, "Accounting Standard for Statement of Changes in Net Assets", and "the Implementation Guidance for the Accounting Standard for Statement of Changes in Net Assets", (collectively, the "Additional New Accounting Standards"). Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required in Japan.

**3. 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 ¥118 = US\$1, which was the approximate exchange rate at March 31, 2007. 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.

**4. MARKETABLE AND INVESTMENT SECURITIES**

The breakdown of available-for-sale securities as of March 31, 2007 is as follows:

|                                   | Cost      | Fair value<br>(Carrying amount)<br>(¥ million) | Difference |
|-----------------------------------|-----------|--|------------|
| Marketable equity securities..... | ¥ 4,994   | ¥ 9,256  | ¥ 4,262    |
| Debentures.....                   | —         | —  | —          |
| Fund trust and other.....         | —         | —  | —          |
| Total.....                        | ¥ 4,994   | ¥ 9,256  | ¥ 4,262    |
|                                   |           | (US \$ thousand)                               |            |
| Marketable equity securities..... | \$ 42,326 | \$ 78,440                                      | \$ 36,114  |
| Debentures.....                   | —         | —  | —          |
| Fund trust and other.....         | —         | —  | —          |
| Total.....                        | \$ 42,326 | \$ 78,440                                      | \$ 36,114  |

The breakdown of available-for-sale securities as of March 31, 2006 is as follows:

|                                   | Cost    | Fair value<br>(Carrying amount)<br>(¥ million) | Difference |
|-----------------------------------|---------|--|------------|
| Marketable equity securities..... | ¥ 7,339 | ¥ 13,612                                       | ¥ 6,273    |
| Debentures.....                   | —       | —  | —          |
| Fund trust and other.....         | —       | —  | —          |
| Total.....                        | ¥ 7,339 | ¥ 13,612                                       | ¥ 6,273    |



**5. INVENTORIES** Inventories comprised the following:

| <i>March 31, 2007 and 2006</i>     | 2007            | 2006            | 2007             |
|------------------------------------|-----------------|-----------------|------------------|
|                                    | (¥ million)     |                 | (US \$ thousand) |
| Cost of uncompleted contracts..... | ¥ 11,005        | ¥ 15,607        | \$ 93,260        |
| Materials and supplies.....        | 440             | 358             | 3,729            |
|                                    | <b>¥ 11,445</b> | <b>¥ 15,965</b> | <b>\$ 96,989</b> |

**6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT** The weighted average interest rates on short-term bank loans were 2.45% at March 31, 2007 and 2006, respectively.

Long-term debt comprised the following:

| <i>March 31, 2007 and 2006</i>  | 2007            | 2006            | 2007              |
|---|-----------------|-----------------|-------------------|
|   | (¥ million)     |                 | (US \$ thousand)  |
| Loans, principally from banks and insurance, bearing weighted average interest of 2.56% and 2.33% at March 31, 2007 and 2006, respectively..... | ¥ 22,256        | ¥ 27,795        | \$ 188,614        |
| Less current portion.....   | 6,076           | 7,779           | 51,492            |
|   | <b>¥ 16,180</b> | <b>¥ 20,016</b> | <b>\$ 137,122</b> |

The aggregate annual maturities of long-term debt (including current portion) at March 31, 2007 were as follows:

| <i>Years ending March 31</i> | (¥ million)     | (US \$ thousand)  |
|------------------------------|-----------------|-------------------|
|                              | 2007.....       | ¥ 6,076           |
| 2008.....                    | 9,579           | 81,178            |
| 2009.....                    | 2,901           | 24,586            |
| 2010.....                    | 3,615           | 30,634            |
| 2011 and thereafter.....     | 85              | 724               |
|                              | <b>¥ 22,256</b> | <b>\$ 188,614</b> |

**7. 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.

| 8. PLEDGED ASSETS             | Assets pledged as collateral for short-term borrowings, long-term debt and other obligation were as follows:<br><i>March 31, 2007</i> | (¥ million)     | (US \$ thousand)  |
|-------------------------------|---|-----------------|-------------------|
|                               |   |                 |                   |
| Assets pledged as collateral: |   |                 |                   |
|                               | Investment and other assets.....  | ¥ 5,527         | \$ 46,836         |
|                               | Property and equipment.....   | 9,529           | 80,754            |
|                               |   | <u>¥ 15,056</u> | <u>\$ 127,590</u> |
| Liabilities secured thereby:  |   |                 |                   |
|                               | Short-term borrowings, long-term debt<br>and other obligation.....  | ¥ 1,633         | \$ 13,843         |

9. **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.

10. **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, a consolidated domestic subsidiary has both contributory and non-contributory funded pension plans.

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, 2007 and 2006*

|  | 2007              | 2006              | 2007                |
|--|-------------------|-------------------|---------------------|
|  | (¥ million)       |                   | (US \$ thousand)    |
| Projected benefit obligation .....                     | ¥ (28,659)        | ¥ (29,250)        | \$ (242,874)        |
| Fair value of plan assets.....                         | 879               | 667               | 7,453               |
| Unrecognized transition obligation.....                | 8,967             | 10,088            | 75,994              |
| Unrecognized prior service cost and actuarial loss.... | 2,106             | 3,216             | 17,845              |
| Net liability.....                                     | <u>¥ (16,707)</u> | <u>¥ (15,279)</u> | <u>\$ (141,582)</u> |

## (2) The components of net periodic benefit costs

For the year ended March 31, 2007 and 2006

|   | 2007        | 2006    | 2007             |
|---|-------------|---------|------------------|
|   | (¥ million) |         | (US \$ thousand) |
| Service cost.....                                       | ¥ 1,213     | ¥ 1,303 | \$ 10,284        |
| Interest cost.....                                      | 583         | 593     | 4,944            |
| Expected return on plan assets.....                     | (13)        | (16)    | (113)            |
| Amortization of transitional obligation.....            | 1,121       | 1,121   | 9,499            |
| Amortization of prior service cost and actuarial loss.. | 560         | 618     | 4,743            |
| Net periodic benefit cost.....                          | ¥ 3,464     | ¥ 3,619 | \$ 29,357        |

## (3) Assumptions used for the years ended March 31, 2007 and 2006

|   | 2007         | 2006         |
|---|--------------|--------------|
| Discount rate.....                                  | 2.0%         | 2.0%         |
| Expected rate of return on plan assets .....        | 2.0%         | 2.0%         |
| Amortization period of prior service cost.....      | 5 to 9 years | 5 to 9 years |
| Recognition period of actuarial gain/loss.....      | 5 to 9 years | 5 to 9 years |
| Amortization period of transitional obligation..... | 15 years     | 15 years     |

## 11. OTHER, NET IN OTHER INCOME (EXPENSES)

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

March 31, 2007 and 2006

|  | 2007        | 2006      | 2007             |
|--|-------------|-----------|------------------|
|  | (¥ million) |           | (US \$ thousand) |
| Gain on disposal of property and equipment, net.....           | ¥ 11        | ¥ 660     | \$ 98            |
| Loss on valuation of property and equipment.....               | (2)         | (35)      | (16)             |
| Loss from bad debt.....  | -           | (60)      | -                |
| Provision for allowance for doubtful accounts.....             | (1,098)     | (2,058)   | (9,307)          |
| Loss on valuation of marketable and investment securities..... | (116)       | (18)      | (985)            |
| Gain on sale of marketable and investment securities, net..... | 3,492       | 676       | 29,595           |
| Foreign exchange (loss)gain, net.....                          | (56)        | 252       | (475)            |
| Loss on asset impairment.....                                  | -           | (1,120)   | -                |
| Loss on lease cancellation.....                                | -           | (1,105)   | -                |
| Other, net.....  | (340)       | (523)     | (2,884)          |
|  | ¥ 1,891     | ¥ (3,331) | \$ 16,026        |

**12. 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, 2007 and 2006</i>                                    | <b>2007</b> | 2006     | <b>2007</b>      |
|---|-------------|----------|------------------|
|   | (¥ million) |          | (US \$ thousand) |
| Deferred Tax Assets:  |             |          |                  |
| Loss on valuation of property and equipment.....                  | ¥ 996       | ¥ 1,014  | \$ 8,445         |
| Accrued severance indemnities.....                                | 6,741       | 6,156    | 57,126           |
| Loss on valuation of golf club membership<br>right and other..... | 1,551       | 1,585    | 13,141           |
| Tax loss carry-forwards.....                                      | 94,279      | 97,666   | 798,971          |
| Others.....   | 7,664       | 6,913    | 64,952           |
| Subtotal.....   | 111,231     | 113,334  | 942,635          |
| Valuation Allowance.....  | (97,102)    | (98,789) | (822,898)        |
| Total.....  | 14,129      | 14,545   | 119,737          |
| Deferred Tax Assets:  |             |          |                  |
| Unrealized gain on available-for-sale securities..                | (1,727)     | (2,565)  | (14,633)         |
| Others.....   | (183)       | (172)    | (1,554)          |
| Total.....  | (1,910)     | (2,737)  | (16,187)         |
| Net deferred tax assets.....                                      | ¥ 12,219    | ¥ 11,808 | \$ 103,550       |

**13. PER SHARE DATA** The weighted average number of common shares used in computing net income per share for the years ended March 31, 2007 and 2006 were as follows:

|                  | Number of shares<br>(thousand) |
|------------------|--------------------------------|
| 2006.....        | 131,813                        |
| <b>2007.....</b> | <b>141,035</b>                 |

**14. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES** Purchases from and sales to unconsolidated subsidiaries and affiliates for the respective periods were as follows:

| <i>March 31, 2007 and 2006</i> | <b>2007</b> | 2006  | <b>2007</b>      |
|--------------------------------|-------------|-------|------------------|
|                                | (¥ million) |       | (US \$ thousand) |
| Purchases.....                 | ¥ 15        | ¥ 497 | \$ 133           |
| Sales.....                     | 272         | 1,121 | 2,306            |

**15. 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 ¥1,093 million (US\$9,261 thousand) at March 31, 2007. 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.

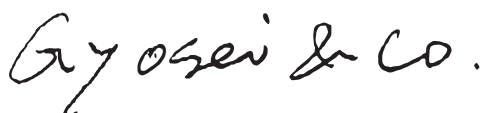
We have examined the consolidated balance sheets of Kumagai Gumi Co., Ltd. and its consolidated subsidiaries at March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for each of the two years in the period ended March 31, 2007, expressed in Japanese 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, 2007 and 2006, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2007, in conformity with generally accepted accounting principles and practices in Japan applied on a consistent basis.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2005, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for the impairment of their long-lived assets held and used.

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 3.



Tokyo, Japan  
June 28, 2007

**GYOSEI & Co.**  
**Certified Public Accountants**

Kojimachi Bldg., 3-3-6 Kudan Minami, Chiyoda-ku, Tokyo, Japan

# NON-CONSOLIDATED BALANCE SHEETS

Kumagai Gumi Co., Ltd. (Company Only) March 31, 2007 and 2006

| ASSETS   | (¥ million)      |                  | (US \$ thousand)    |
|--|------------------|------------------|---------------------|
|  | 2007             | 2006             | 2007                |
| <b>CURRENT ASSETS:</b>                                       |                  |                  |                     |
| Cash and cash equivalents .....                              | ¥ 41,421         | ¥ 54,001         | \$ 351,028          |
| Time deposits .....  | 5                | 5                | 42                  |
| Notes and accounts receivable, trade .....                   | 100,802          | 96,343           | 854,257             |
| Allowance for doubtful accounts .....                        | (969)            | (925)            | (8,212)             |
| Inventories (Note 4) .....                                   | 8,050            | 13,259           | 68,216              |
| Deferred income taxes (Note 9) .....                         | 3,440            | 3,622            | 29,150              |
| Other current assets .....                                   | 21,207           | 25,278           | 179,723             |
|  | <u>173,956</u>   | <u>191,583</u>   | <u>1,474,204</u>    |
| <b>INVESTMENTS AND OTHER ASSETS (Note 6):</b>                |                  |                  |                     |
| Investment securities .....                                  | 11,921           | 14,568           | 101,024             |
| Investments in subsidiaries and affiliates .....             | 4,624            | 4,624            | 39,186              |
| Long-term loans receivable .....                             | 926              | 938              | 7,845               |
| Long-term loans to subsidiaries and affiliates .....         | 1,073            | 1,462            | 9,097               |
| Long-term receivable .....                                   | 4,885            | 3,962            | 41,401              |
| Claims to companies in bankruptcy, reorganization, etc. .... | 5                | 4                | 39                  |
| Deferred income taxes (Note 9) .....                         | 6,422            | 6,280            | 54,423              |
| Other .....  | 6,394            | 7,886            | 54,188              |
| Allowance for doubtful accounts .....                        | (4,271)          | (3,514)          | (36,192)            |
|  | <u>31,979</u>    | <u>36,210</u>    | <u>271,011</u>      |
| <b>PROPERTY AND EQUIPMENT (Note 6):</b>                      |                  |                  |                     |
| Land .....   | 7,578            | 7,578            | 64,221              |
| Buildings .....  | 8,640            | 8,642            | 73,218              |
| Machinery and equipment .....                                | 5,322            | 5,668            | 45,104              |
|  | <u>21,540</u>    | <u>21,888</u>    | <u>182,543</u>      |
| Accumulated depreciation .....                               | (11,649)         | (11,805)         | (98,721)            |
|  | <u>9,891</u>     | <u>10,083</u>    | <u>83,822</u>       |
|  | <u>¥ 215,826</u> | <u>¥ 237,876</u> | <u>\$ 1,829,037</u> |

The accompanying notes are an integral part of this statement.

| LIABILITIES AND NET ASSETS                                | (¥ million)      |                  | (US \$ thousand)    |
|---|------------------|------------------|---------------------|
|   | 2007             | 2006             | 2007                |
| <b>CURRENT LIABILITIES:</b>                               |                  |                  |                     |
| Short-term borrowings .....                               | ¥ 19,444         | ¥ 31,543         | \$ 164,783          |
| Current portion of long-term debt.....                    | 5,870            | 7,520            | 49,751              |
| Notes and accounts payable, trade .....                   | 93,901           | 93,406           | 795,769             |
| Advances received on uncompleted contracts (Note 7) ..... | 9,810            | 13,855           | 83,136              |
| Accrued expenses .....                                    | 1,611            | 1,585            | 13,651              |
| Accrued income taxes .....                                | 329              | 356              | 2,788               |
| Employees' savings deposits.....                          | 2,227            | 2,176            | 18,874              |
| Other current liabilities .....                           | 20,595           | 25,133           | 174,531             |
|   | <u>153,787</u>   | <u>175,574</u>   | <u>1,303,283</u>    |
| <b>LONG-TERM LIABILITIES:</b>                             |                  |                  |                     |
| Long-term debt .....                                      | 15,847           | 19,222           | 134,293             |
| Accrued severance indemnities .....                       | 12,872           | 11,684           | 109,088             |
| Other long-term liabilities.....                          | 145              | 198              | 1,233               |
|   | <u>28,864</u>    | <u>31,104</u>    | <u>244,614</u>      |
| <b>CONTINGENT LIABILITIES (Note 11)</b>                   |                  |                  |                     |
| <b>NET ASSETS (Note 2):</b>                               |                  |                  |                     |
| Capital stock:  |                  |                  |                     |
| Authorized — 774,000,000 shares in 2007 and 2006          |                  |                  |                     |
| Issued — 207,596,504 shares in 2007 and                   |                  |                  |                     |
| 193,646,504 shares in 2006.....                           | 13,341           | 13,341           | 113,061             |
| Additional paid-in capital.....                           | 9,928            | 9,927            | 84,135              |
| Retained earnings.....                                    | 7,940            | 5,105            | 67,282              |
| Treasury stock, at cost.....                              | (394)            | (339)            | (3,340)             |
| Unrealized gain on available-for-sale securities.....     | 2,360            | 3,164            | 20,002              |
|   | <u>33,175</u>    | <u>31,198</u>    | <u>281,140</u>      |
|   | <u>¥ 215,826</u> | <u>¥ 237,876</u> | <u>\$ 1,829,037</u> |

# NON-CONSOLIDATED STATEMENTS OF INCOME

Kumagai Gumi Co., Ltd. (Company Only) Years ended March 31, 2007 and 2006

|   | (¥ million) |           | (US \$ thousand) |
|---|-------------|-----------|------------------|
|   | 2007        | 2006      | 2007             |
| <b>NET SALES:</b>   |             |           |                  |
| Contracts completed.....                                  | ¥ 263,532   | ¥ 265,569 | \$ 2,233,326     |
| <b>COST OF SALES :</b>                                    |             |           |                  |
| Cost of construction.....                                 | 247,564     | 243,495   | 2,097,999        |
| Gross profit.....   | 15,968      | 22,074    | 135,327          |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES .....</b> |             |           |                  |
| Operating income.....                                     | 11,882      | 12,336    | 100,698          |
|   | 4,086       | 9,738     | 34,629           |
| <b>OTHER INCOME (EXPENSES):</b>                           |             |           |                  |
| Interest and dividend income.....                         | 341         | 417       | 2,887            |
| Interest expense .....                                    | (1,243)     | (1,607)   | (10,537)         |
| Other, net (Note 8).....                                  | 388         | (3,681)   | 3,289            |
| Income before income taxes.....                           | 3,572       | 4,867     | 30,268           |
| <b>Income taxes (Note 9):</b>                             |             |           |                  |
| Current.....  | 129         | 286       | 1,091            |
| Deferred.....   | 608         | 210       | 5,154            |
|   | 737         | 496       | 6,245            |
| Net income .....  | ¥ 2,835     | ¥ 4,371   | \$ 24,023        |
| <b>PER SHARE OF COMMON STOCK (Note 10):</b>               |             |           |                  |
|   | (¥)         |           | (US \$)          |
| Net income.....   | ¥ 17.02     | ¥ 33.01   | \$ 0.14          |
| Cash dividends applicable to the period.....              | ¥ 1.50      | -         | \$ 0.01          |

The accompanying notes are an integral part of this statement.



# NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kumagai Gumi Co., Ltd. (Company Only) Years ended March 31, 2007 and 2006

|                                    | Capital<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings<br>(deficit) | Treasury<br>stock | Unrealized<br>gain on<br>available-<br>for-sale<br>securities |
|------------------------------------|------------------|----------------------------------|-----------------------------------|-------------------|---|
|                                    | (¥ million)      |                                  |                                   |                   |   |
| Balance at March 31, 2005 .....    | ¥ 13,341         | ¥ 9,927                          | ¥ 734                             | ¥ (183)           | ¥ 1,565   |
| Net income for the year .....      |                  |                                  | 4,371                             |                   |   |
| Change in the current period ..... |                  |                                  |                                   |                   | 1,599   |
| Purchase of treasury stock .....   |                  |                                  |                                   | (156)             |   |
| Balance at March 31, 2006 .....    | ¥ 13,341         | ¥ 9,927                          | ¥ 5,105                           | ¥ (339)           | ¥ 3,164   |
| Net income for the year .....      |                  |                                  | 2,835                             |                   |   |
| Disposal of treasury stock .....   |                  | 1                                |                                   | 13                |   |
| Change in the current period ..... |                  |                                  |                                   |                   | (804)   |
| Purchase of treasury stock .....   |                  |                                  |                                   | (68)              |   |
| Balance at March 31, 2007 .....    | ¥ 13,341         | ¥ 9,928                          | ¥ 7,940                           | ¥ (394)           | ¥ 2,360   |
|                                    | (US \$ thousand) |                                  |                                   |                   |   |
| Balance at March 31, 2006 .....    | \$ 113,061       | \$ 84,126                        | \$ 43,259                         | \$ (2,874)        | \$ 26,817   |
| Net income for the year .....      |                  |                                  | 24,023                            |                   |   |
| Disposal of treasury stock .....   |                  | 9                                |                                   | 107               |   |
| Change in the current period ..... |                  |                                  |                                   |                   | (6,815)   |
| Purchase of treasury stock .....   |                  |                                  |                                   | (573)             |   |
| Balance at March 31, 2007 .....    | \$ 113,061       | \$ 84,135                        | \$ 67,282                         | \$ (3,340)        | \$ 20,002   |

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, 2007 and 2006

- 
- 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. 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) Allowance for doubtful accounts**
- Allowance for doubtful accounts is provided in amounts considered to be appropriate based on the Company's past credit losses experience and evaluation of potential losses in the receivables outstanding.
- (f) 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 net assets section. Cost of sales is determined by the moving-average method.
- Other securities are stated at cost.
- (g) Investments in subsidiaries and affiliates**
- Investments in subsidiaries and affiliates are stated at cost.
- (h) 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.

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**(i) 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.

**(j) 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 (9 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 which is less than the average remaining years (9 years) of service of the active participants in the plans.

**(k) 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.

**(l) Appropriations of retained earnings**

Appropriations of retained earnings are reflected in the accompanying non-consolidated financial statements for the following year upon shareholders approval.

**(m) Accounting for the Impairment of Long-Lived Assets**

Effective April 1, 2005, the Company adopted a new accounting standard for the impairment of its long-lived assets held and used. This adoption of a new standard had no effect on the results of the Company.

**(n) Accounting Standard for Statement for Presentation of Net Assets in the Balance Sheet**

Effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standard for Statement for Presentation of Net Assets in the Balance Sheet", and "the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet", (collectively, the "New Accounting Standards"). Under the New Accounting Standards, the balance sheet comprises the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities and the shareholders' equity sections. The non-consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation.

### (o) Accounting Standard for Statement of Changes in Net Assets

Effective for the year ended March 31, 2007, the Company adopted new accounting standards, "Accounting Standard for Statement of Changes in Net Assets", and "the Implementation Guidance for the Accounting Standard for Statement of Changes in Net Assets", (collectively, the "Additional New Accounting Standards"). Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the non-consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, non-consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the non-consolidated financial statements although such statements were not required in Japan.

### 3. 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 ¥118=US\$1, which was the approximate exchange rate at March 31, 2007. 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.

### 4. INVENTORIES

| <i>March 31, 2007 and 2006</i>     | <b>2007</b> | 2006     | <b>2007</b>      |
|------------------------------------|-------------|----------|------------------|
|                                    | (¥ million) |          | (US \$ thousand) |
| Cost of uncompleted contracts..... | ¥ 8,010     | ¥ 13,216 | \$ 67,882        |
| Materials and supplies .....       | 40          | 43       | 334              |
|                                    | ¥ 8,050     | ¥ 13,259 | \$ 68,216        |

### 5. 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.

### 6. PLEDGED ASSETS

Assets pledged as collateral for short-term borrowings, long-term debt and other obligation were as follows:  
*March 31, 2007*

|  | (¥ million) | (US \$ thousand) |
|--|-------------|------------------|
| Assets pledged as collateral:                                    |             |                  |
| Investment and other assets.....                                 | ¥ 5,754     | \$ 48,764        |
| Property and equipment.....                                      | 9,250       | 78,390           |
|  | ¥ 15,004    | \$ 127,154       |
| Liabilities secured thereby:                                     |             |                  |
| Short-term borrowings, long-term debt and other obligation ..... | ¥ 894       | \$ 7,578         |

**7. 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.

**8. OTHER, NET IN OTHER INCOME (EXPENSES)** Other, net in other income (expenses) comprised the following:  
*March 31, 2007 and 2006*

|   | 2007         | 2006             | 2007             |
|---|--------------|------------------|------------------|
|   | (¥ million)  |                  | (US \$ thousand) |
| (Loss) gain on disposal of property and equipment, net.....       | ¥ (32)       | ¥ 128            | \$ (271)         |
| Loss on valuation of marketable and investment securities....     | (116)        | (16)             | (985)            |
| Gain on sale of marketable and investment securities, net.....    | 2,088        | 14               | 17,694           |
| Loss on valuation of property and equipment.....                  | -            | (31)             | -                |
| Provision for allowance for doubtful accounts.....                | (858)        | (2,043)          | (7,272)          |
| Loss on valuation of investments in subsidiaries and affiliates.. | -            | (116)            | -                |
| Foreign exchange gain, net.....                                   | (88)         | 269              | (741)            |
| Loss on lease cancellation.....                                   | -            | (1,105)          | -                |
| Other, net.....   | (606)        | (781)            | (5,136)          |
|   | <b>¥ 388</b> | <b>¥ (3,681)</b> | <b>\$ 3,289</b>  |

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

|   | 2007        | 2006     | 2007             |
|---|-------------|----------|------------------|
|   | (¥ million) |          | (US \$ thousand) |
| <i>March 31, 2007 and 2006</i>                                    |             |          |                  |
| Deferred Tax Assets:  |             |          |                  |
| Loss on valuation of property and equipment.....                  | ¥ 996       | ¥ 1,014  | \$ 8,445         |
| Accrued severance indemnities.....                                | 5,239       | 4,756    | 44,399           |
| Loss on valuation of golf club membership<br>right and other..... | 1,464       | 1,497    | 12,410           |
| Tax loss carry-forwards.....                                      | 92,906      | 96,226   | 787,341          |
| Others.....   | 5,878       | 4,935    | 49,810           |
| Subtotal.....   | 106,483     | 108,428  | 902,405          |
| Valuation Allowance.....  | (94,958)    | (96,308) | (804,733)        |
| Total.....  | 11,525      | 12,120   | 97,672           |
| Deferred Tax Assets:  |             |          |                  |
| Unrealized gain on available-for-sale securities.....             | (1,604)     | (2,172)  | (13,595)         |
| Others.....   | (59)        | (46)     | (504)            |
| Total.....  | (1,663)     | (2,218)  | (14,099)         |
| Net deferred tax assets.....                                      | ¥ 9,862     | ¥ 9,902  | \$ 83,573        |

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**10. PER SHARE DATA**

The weighted average number of common shares used in computing net income per share for the years ended March 31, 2007 and 2006 were as follows:

|                   | Number of shares<br>(thousand) |
|-------------------|--------------------------------|
| 2006 .....        | 132,434                        |
| <b>2007</b> ..... | <b>141,680</b>                 |

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**11. CONTINGENT LIABILITIES**

The Company was contingently liable for guarantees of debt of customers, subsidiaries and affiliates, in the amount of ¥1,673 million (US\$14,181 thousand) at March 31, 2007. 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)

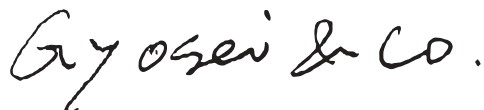
To the Board of Directors of  
Kumagai Gumi Co., Ltd.

We have examined the non-consolidated balance sheets of Kumagai Gumi Co., Ltd. at March 31, 2007 and 2006, and the related non-consolidated statements of income, changes in net assets for each of the two years in the period ended March 31, 2007, 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, 2007 and 2006, and the results of their operations for each of the two years in the period ended March 31, 2007, in conformity with generally accepted accounting principles and practices in Japan applied on a consistent basis.

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 3.



Tokyo, Japan  
June 28, 2007

**GYOSEI & Co.**  
**Certified Public Accountants**

Kojimachi Bldg., 3-3-6 Kudan Minami, Chiyoda-ku, Tokyo, Japan

# GLOBAL DIRECTORY

## HEAD OFFICE:

2-1, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8557, Japan  
Telephone: 81-3-3235-8641  
Facsimile: 81-3-5229-7090  
(Overseas Division)

## OVERSEAS BRANCHES:

### HONG KONG BRANCH

22nd Floor  
No. 625 King's Road  
North Point, Hong Kong  
Telephone: 852-2203-0888  
Facsimile: 852-2203-0555

### MALAYSIA BRANCH

Suit 809, 8th Floor  
Wisma Lim Foo Yong 86  
Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Telephone: 60-3-2144-1312  
Facsimile: 60-3-2144-3373

### THAILAND BRANCH

10th Floor, Le Concorde  
Tower 202, Rachadapisek  
Road, Huaykwang, Bangkok  
10320 Thailand  
Telephone: 66-2694-1190/94  
Facsimile: 66-2694-1195

### TAIWAN BRANCH

Room No. 1407, 12th Floor  
International Trade Building  
205 Section 1, Tun Hua  
South Road Taipei, Taiwan,  
Republic of China  
Telephone: 886-2-2721-0427  
Facsimile: 886-2-2741-2476

### PHILIPPINES BRANCH

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

### SHANGHAI BRANCH

0508 New Caohejing Tower,  
509 Cao Bao Road,  
Shanghai 200233  
People's Republic of China  
Telephone: 86-21-6485-2498  
Facsimile: 86-21-6485-1487

### SRI LANKA BRANCH

124 Barnes Place,  
Colombo 7, Sri Lanka  
Telephone: 94-11-2665126  
Facsimile: 94-11-2665126



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**PRINCIPAL SUBSIDIARIES  
AND AFFILIATES:**

**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

**PAPUA NEW GUINEA  
BRANCH**

Section 427, Allotment 3,  
Islander Drive, Waigani NCD  
Papua New Guinea  
Telephone: 675-325-3688  
Facsimile: 675-325-0629

**GAEART TK Co., Ltd.**

Head Office: Tokyo, Japan  
President: Toshikazu Fujii  
Capital: ¥1,000,000,000  
(US\$9,461,633)  
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: ¥300,000,000  
(US\$2,838,489)  
Major Activities:  
Plan, design, and  
construction for  
improvement of  
building and equipment.

**FATEC CO., LTD.**

Head Office: Tokyo, Japan  
President: Takayuki Aono  
Capital: ¥20,000,000  
(US\$189,232)  
Major Activities:  
Sales of construction  
materials and equipment  
developed by Kumagai's  
various technologies.

**TECHNOS Co., Ltd.**

Head Office: Toyokawa  
Aichi, Japan  
President: Masatoshi  
Nakagawa  
Capital: ¥470,000,000  
(US\$4,446,967)  
Major Activities:  
Production and sale of  
construction machinery and  
materials.  
Construction of  
underground diaphragm  
walls and noiseless  
vibration-free piles.  
Environmental business.

**Taiwan Kumagai Co., Ltd.**

Head Office: Taipei, Taiwan  
President: Shizuo Tashiro  
Capital: NT\$301,200,000  
(US\$9,110,708)  
Major Activities:  
Construction business in  
Taiwan.

(As of March 31, 2007)

Conversion into U.S. dollars  
at the rate of  
¥118.05=US\$1.00  
US\$1.00=NT\$33.06  
(As of March 31, 2007)

# MAJOR CONTRACTS

## Contracts awarded in fiscal year 2006:

### CIVIL ENGINEERING

Central Circular Route - Shinagawa Line Shield Tunnel (northbound) Construction Project

Owner: Metropolitan Expressway Co., Ltd.

Sendai City Subway East-West Line 6-chonome Section Construction Project

Owner: Sendai City Transportation Bureau

Higashidori Nuclear Power Station No.1, site preparation work, two other construction projects and the associated deconstruction project

Owner: The Tokyo Electric Power Company, Inc.

The Hokkaido Shinkansen, Shinmoheji Tunnel (East) 1 Construction Project

Owner: Japan Railway Construction, Transport and Technology Agency

Tomei Expressway (Improvement) Shake Viaduct No.1 (Substructure work) Construction Project

Owner: Central Nippon Expressway Co., Ltd.

### ARCHITECTURE

Higashitotsuka Station West Gate Tower (Tentative name) Construction Project

Owner: Towa Real Estate Development Co., Ltd., Daiwa System Co., Ltd.

Times Peace Square Construction Project, Section B

Owner: MID Urban Development Co., Ltd., Mitsui Fudosan Residential Co., Ltd., Sumitomo Realty & Development Co., Ltd., PanaHome Corporation

JUSCO Tottori Kita Shopping Center (Tentative name) Extension Construction Project

Owner: AEON Co., Ltd.

Neyagawa City Umegaoka Project (Tentative name) Construction Project

Owner: Mitsui Fudosan Residential Co., Ltd.

Makita Corporation HQ Administrative Building, Development Testing Building Construction Project

Owner: Makita Corporation

## Contracts completed in fiscal year 2006:

### CIVIL ENGINEERING

Zone SJ11 (4) - Zone 31 (Outer Route) Tunnel Construction Project

Owner: Metropolitan Expressway Co., Ltd.

Hiroshima Expressway Route 1 (Aki-Fuchu Road) Road Construction Project (Tunnel Section)

Owner: Hiroshima Expressway Public Corporation

Takou Dam Construction Project

Owner: Iwate Prefectural Government

Daini-Keihan (Osaka-Kita-Road) Kurachi district Substructure Construction and other projects

Owner: Ministry of Land, Infrastructure and Transport, Kinki Regional Development Bureau

Osaka Municipal Subway Imazatosuji Line Construction Work from, Kitaeguchi 4-chome Higashiyodogawa-ku to Zuiko 3-chome, Higashiyodogawa-ku and Zuiko Station Construction Work (Section 11)

Owner: Osaka Municipal Transportation Bureau

### ARCHITECTURE

Musashiurawa Station, District 8-1, Urban Redevelopment Project, Facility Building Construction

Owner: Musashiurawa Station District 8-1 Urban Redevelopment Union

Itoyacho Construction Project (Tentative name)

Owner: Daikyo Inc., Kanden Fudosan Co., Ltd.

Teyose District Class 1 Urban Redevelopment Project Facilities Buildings Construction

Owner: Teyose District Urban Redevelopment Union

Keikyu City Kaminagaya Collective Housing Construction Project

Owner: Keihin Electric Express Railway Co., Ltd., Keihin Real Estate Co., Ltd.

Times Peace Square Construction Project

Owner: MID Urban Development Co., Ltd., Mitsui Fudosan Co., Ltd., Sumitomo Realty & Development Co., Ltd., PanaHome Corporation.

## Contracts carried over to fiscal year 2007:

### CIVIL ENGINEERING

Southern Transport Development Project Highway Section From Kurundugahahetekma to Matara

Owner: Road Development Authority (Sri Lanka)

New Metrorail City Project

Owner: Public Transport Authority, Government of Western Australia

Route 8-Eagle's Nest Tunnel and Associated Works Project

Owner: Highways Department The Government of Hong Kong SAR

The Tohoku Shinkansen Line, Sanbongihara Tunnel and others projects 1, 2, 3

Owner: Japan Railway Construction, Transport and Technology Agency, Tohoku Shinkansen Bureau

Tokuyama Dam Construction Project, Phase III

Owner: Japan Water Agency

### ARCHITECTURE

Century Tsukuba Miraidaira Construction Project

Owner: Iida Sangyo Co., Ltd.

Osaki Station West-Gate Development Project (Tentative name)

Owner: Meidensha Corp., World Trade Center Building, Inc.

Makita Corporation Okazaki Factory A West Construction Project

Owner: Makita Corporation

Tosa City Hospital Construction Project

Owner: Tosa City Hospital Project Manager

Chiba Municipal Chiba High School, Renovation Project

Owner: Chiba City

## CORPORATE DATA

Date Incorporated:  
January 6, 1938 (Inaugurated in 1898)

Capital Stock:  
¥13,341 million  
(US\$113,061 thousand)  
(As of March 31, 2007)

Major Activities:

1. Engineering, architecture, and general construction
2. Design, manufacture, and sale of construction machinery and equipment
3. Construction-related consulting services

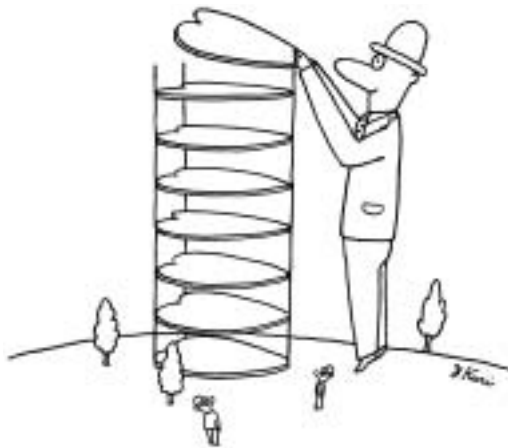
Number of Employees:

|                              |       |
|------------------------------|-------|
| Civil Engineers.....         | 879   |
| Architectural Engineers..... | 1,062 |
| Electrical Engineers.....    | 45    |
| Mechanical Engineers.....    | 30    |
| Administrative Staff.....    | 519   |
| Others.....                  | 4     |
| Total.....                   | 2,539 |

(As of March 31, 2007 )

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

We build with heart.



**KUMAGAI GUMI**

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