



**CONSOLIDATED FINANCIAL STATEMENTS**  
together with  
**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

as of March 31,2013

**KUMAGAI GUMI CO., LTD.**  
TOKYO, JAPAN

# Consolidated Balance Sheet

March 31, 2013

	(JPY million)	(US\$ thousand)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and deposits	37,182	395,553
Notes receivable, accounts receivable from completed construction contracts and other	105,167	1,118,798
Allowance for doubtful accounts	(183)	(1,947)
Inventories	6,643	70,670
Deferred tax assets	1,525	16,223
Other	13,068	139,022
	<u>163,402</u>	<u>1,738,319</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities	10,513	111,840
Stocks of unconsolidated subsidiaries and affiliates	1,617	17,202
Long-term loans receivable	1,068	11,362
Long-term loans receivable from unconsolidated subsidiaries and affiliates	423	4,500
Long-term non-operating accounts receivable	4,828	51,362
Claims provable in bankruptcy, claims provable in rehabilitation and other	308	3,277
Deferred tax assets	7,376	78,468
Other	3,588	38,170
Allowance for doubtful accounts	(4,516)	(48,043)
	<u>25,205</u>	<u>268,138</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	10,246	109,000
Buildings	13,798	146,787
Machinery and equipment	14,115	150,160
Leased assets	169	1,798
Construction in progress	19	202
	<u>38,347</u>	<u>407,947</u>
Accumulated depreciation	<u>(24,153)</u>	<u>(256,947)</u>
	<u>14,194</u>	<u>151,000</u>
<b>TOTAL ASSETS</b>	<u>202,801</u>	<u>2,157,457</u>

	(JPY million)	(US\$ thousand)
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term loans payable	12,487	132,840
Notes and accounts payable, trade	84,457	898,479
Advances received on uncompleted construction contracts	10,865	115,585
Accrued expenses	1,240	13,191
Income taxes payable	506	5,383
Deposits received from employees	1,782	18,957
Provision for loss on construction contracts	968	10,298
Other	16,001	170,224
	<u>128,306</u>	<u>1,364,957</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans payable	10,040	106,809
Provision for retirement benefits	18,915	201,223
Other	69	734
	<u>29,024</u>	<u>308,766</u>
<b>NET ASSETS:</b>		
Shareholders' equity:		
Capital stock ;		
Authorized - 753,200,000 shares		
Issued - 224,744,607 shares	13,341	141,926
Capital surplus	7,878	83,809
Retained earnings	21,355	227,181
Treasury stock		
- 3,467,187 shares	(551)	(5,862)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,042	21,723
Foreign currency translation adjustment	(120)	(1,277)
Minority interests	1,526	16,234
Total net assets	<u>45,471</u>	<u>483,734</u>
	<u>202,801</u>	<u>2,157,457</u>

# Consolidated Statement of Income and Statement of Comprehensive Income

For the year ended March 31, 2013

## Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
<b>NET SALES:</b>		
Completed construction contracts	260,753	2,773,968
<b>COST OF SALES:</b>		
Completed construction contracts	250,345	2,663,245
Gross profit	10,408	110,723
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>11,575</u>	<u>123,138</u>
Operating loss	(1,167)	(12,415)
<b>OTHER INCOME ( EXPENSE):</b>		
Interest and dividends income	166	1,766
Interest expenses	(657)	(6,989)
Other, net	<u>1,850</u>	<u>19,681</u>
<b>Income before income taxes</b>	192	2,043
Income taxes		
Current	482	5,128
Deferred	<u>701</u>	<u>7,458</u>
Loss before minority interests	(991)	(10,543)
Minority interests in income	<u>92</u>	<u>978</u>
<b>NET LOSS</b>	<u>(1,083)</u>	<u>(11,521)</u>
	<u>(JPY)</u>	<u>(US\$)</u>
<b>PER SHARE OF COMMON STOCK</b>		
Basic net loss	(¥5.91)	(\$0.06)
Diluted net income	—	—

## Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Loss before minority interests	(991)	(10,543)
Other comprehensive income		
Valuation difference on available-for-sale securities	808	8,596
Foreign currency translation adjustment	303	3,223
Share of other comprehensive income of associates accounted for using equity method	<u>4</u>	<u>43</u>
	1,115	11,862
<b>Comprehensive income</b>	<b><u>124</u></b>	<b><u>1,319</u></b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	31	330
Comprehensive income attributable to minority interests	93	989

## Consolidated Statement of Cash Flows

For the year ended March 31, 2013

	(JPY million)	(US\$ thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income taxes and minority interests	192	2,043
Depreciation and amortization	963	10,245
Increase (decrease) in allowance for doubtful accounts	(2,086)	(22,191)
Increase (decrease) in provision for retirement benefits	(85)	(904)
Interest and dividends income	(166)	(1,766)
Interest expenses	657	6,989
Foreign exchange losses (gains)	(176)	(1,872)
Equity in (earnings) losses of affiliates	(19)	(202)
Loss (gain) on valuation of short-term and long term investment securities	22	234
Loss on retirement of noncurrent assets	52	553
Loss (gain) on sales of noncurrent assets	1	11
Decrease (increase) in notes and accounts receivable-trade	1,171	12,457
Decrease (increase) in costs on uncompleted construction contracts	(690)	(7,340)
Increase (decrease) in notes and accounts payable-trade	(1,154)	(12,277)
Increase (decrease) in advances received on uncompleted construction contracts	3,225	34,309
Increase (decrease) in other assets	670	7,128
Other, net	1,873	19,923
Sub-total	4,450	47,340
Interest and dividends income received	169	1,798
Interest expenses paid	(643)	(6,840)
Income taxes paid	(436)	(4,638)
Net cash provided by operating activities	3,540	37,660
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,456)	(15,489)
Proceeds from sales of property, plant and equipment	47	500
Purchase of short-term and long term investment securities	(260)	(2,766)
Payments of loans receivable	(294)	(3,128)
Collection of loans receivable	262	2,787
Other, net	274	2,915
Net cash used in investing activities	(1,427)	(15,181)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term loans payable	(3,465)	(36,862)
Proceeds from long-term loans payable	4,042	43,000
Repayment of long term loans payable	(3,677)	(39,117)
Cash dividends paid to minority shareholders	(18)	(191)
Other, net	(90)	(958)
Net cash used in financing activities	(3,208)	(34,128)
<b>EFFECT ON EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	528	5,617
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(567)	(6,032)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	37,734	401,426
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	37,167	395,394

## Notes to the Consolidated Financial Statements

### 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Kumagai Gumi Co.,Ltd.(the Company) and its consolidated subsidiaries (the Companies) prepared their financial statements in accordance with accounting principles and practices generally accepted in Japan.

The accompanying consolidated financial statements of the Companies are translations of the consolidated financial statements prepared by the Company in accordance with the Japanese Financial Instruments and Exchange Law and audited by Gyosei & Co..

In consideration of the purpose of the consolidated financial statements, most of their footnotes have been omitted.

In preparing the consolidated financial statements, 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.

#### - 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, seven of its consolidated subsidiaries and three of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2013.

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

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2013
Technos Co., Ltd.	31 Mar. 2013
K&E Co., Ltd.	31 Mar. 2013
Techno-Space Creates Co., Ltd.	31 Mar. 2013
FATEC Co., Ltd.	31 Mar. 2013
Technical Support Co., Ltd.	31 Mar. 2013
Taiwan Kumagai Co., Ltd.	31 Dec. 2012

All significant intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated subsidiaries and affiliates that are not 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. 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 JPY94=US\$1, which was the approximate exchange rate at March 31, 2013.

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.