



CONSOLIDATED FINANCIAL STATEMENTS
together with
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

as of March 31,2009

KUMAGAI GUMI CO., LTD.
TOKYO, JAPAN

Consolidated Balance Sheet

31-Mar-09

(JPY million)

(US\$ thousand)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	35,373	360,949
Notes and accounts receivable, trade	98,548	1,005,592
Allowance for doubtful accounts	(1,892)	(19,306)
Inventories	11,024	112,490
Deferred income taxes	2,139	21,827
Other current assets	10,990	112,142
	<u>156,182</u>	<u>1,593,694</u>

INVESTMENTS AND OTHER ASSETS:

Investment securities	8,521	86,949
Investments in unconsolidated subsidiaries and affiliates	4,334	44,224
Long-term loans receivable	1,032	10,531
Long-term loans to unconsolidated subsidiaries and affiliates	351	3,582
Long-term receivable	8,203	83,704
Claims to companies in bankruptcy, reorganization, etc.	4,446	45,367
Deferred income taxes	9,678	98,755
Other	5,214	53,205
Allowance for doubtful accounts	(8,546)	(87,204)
	<u>33,233</u>	<u>339,113</u>

PROPERTY AND EQUIPMENT

Land	10,268	104,776
Buildings	13,105	133,724
Machinery and equipment	13,796	140,776
Leased Assets	13	132
Construction in progress	5	51
	<u>37,187</u>	<u>379,459</u>
Accumulated depreciation	<u>(22,862)</u>	<u>(233,286)</u>
	<u>14,325</u>	<u>146,173</u>

TOTAL ASSETS

203,740 2,078,980

LIABILITIES AND NET ASSETS

	(JPY million)	(US\$ thousand)
CURRENT LIABILITIES:		
Short-term borrowings	25,116	256,286
Notes and accounts payable, trade	82,612	842,980
Advances received on uncompleted contracts	13,194	134,633
Accrued expenses	2,005	20,459
Accrued income taxes	440	4,490
Employees' savings deposits	2,264	23,102
Allowance for losses on construction contracts	956	9,755
Other current liabilities	13,185	134,542
	<u>139,772</u>	<u>1,426,247</u>
LONG-TERM LIABILITIES:		
Long-term debt	5,030	51,327
Accrued severance indemnities	17,355	177,092
Other long-term liabilities	60	612
	<u>22,445</u>	<u>229,031</u>
NET ASSETS:		
Shareholder's Equity:		
Capital stock ;		
Authorized - 774,000,000 shares		
Issued - 219,944,607 shares	13,341	136,133
Additional paid-in capital	7,884	80,448
Retained earnings	19,195	195,867
Treasury stock, at cost		
- 2,847,188 shares	(513)	(5,235)
Valuation and translation adjustment:		
Unrealized gain on available-for-sale securities	644	6,571
Foreign currency statements translation adjustments	(313)	(3,194)
Minority interests	1,285	13,112
Total net assets	<u>41,523</u>	<u>423,702</u>
	<u>203,740</u>	<u>2,078,980</u>

Consolidated Statements of Income

For the year ended March 31, 2009

(JPY million)

(US\$ thousand)

NET SALES:

Contracts completed	284,112	2,899,101
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COST OF SALES:

Cost of construction	265,196	2,706,082
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Gross profit	18,916	193,019
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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	14,675	149,745
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Operating Income	4,241	43,274
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OTHER INCOME (EXPENSE):

Interest and dividend income	317	3,235
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Interest expense	(1,052)	(10,735)
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Provision of allowance for doubtful accounts	(5,899)	(60,194)
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Other, net	(2,172)	(22,162)
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Income before income taxes	(4,565)	(46,582)
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Income taxes

Current	458	4,673
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Deferred	623	6,357
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Income after income taxes	(5,646)	(57,612)
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Minority interest in consolidated subsidiaries	21	214
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NET INCOME

	<u>(5,667)</u>	<u>(57,826)</u>
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(JPY)

(US\$)

PER SHARE OF COMMON STOCK

Net Income

(¥33.12)

(\$0.34)

Consolidated Statements of Cash Flows

For the year ended March 31, 2009

(JPY million)

(US\$ thousand)

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before income taxes	(4,565)	(46,582)
Depreciation and amortization	1,136	11,592
Impairment loss	6	61
Increase in allowance for doubtful accounts	5,708	58,245
Decrease in provision for retirement benefits	(185)	(1,888)
Interest and dividends income	(317)	(3,235)
Interest expenses	1,052	10,735
Foreign exchange losses	466	4,755
Equity in earnings of affiliates	(2)	(20)
Loss on valuation of short-term and long term investment securities	77	786
Gain on sales of short-term and long term investment securities	(183)	(1,867)
Loss on retirement of noncurrent assets	38	388
Loss on sales of noncurrent assets	1	10
Decrease in notes and accounts receivable-trade	24,855	253,622
Increase in costs on uncompleted construction contracts	(2,795)	(28,520)
Decrease in notes and accounts payable-trade	(12,655)	(129,133)
Increase in advances received on uncompleted construction contracts	2,311	23,582
Increase in other assets	(9,003)	(91,867)
Other, net	4,158	42,429
Subtotal	10,103	103,093
Interest and dividends income received	336	3,429
Interest expenses paid	(839)	(8,561)
Income taxes paid	(697)	(7,112)
Net cash provided by operating activities	8,903	90,849

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(772)	(7,878)
Proceeds from sales of property, plant and equipment	9	92
Purchase of short-term and long term investment securities	(31)	(316)
Proceeds from sales of short-term and long term investment securities	1,282	13,082
Payments of loans receivable	(498)	(5,082)
Collection of loans receivable	487	4,969
Other, net	1,839	18,765
Net cash provided by investing activities	2,316	23,632

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase in short-term loans payable	2,916	29,755
Proceeds from long-term loans payable	240	2,449
Repayment of long-term loans payable	(10,017)	(102,214)
Cash dividends paid	(727)	(7,418)
Cash dividends paid to minority shareholders	(91)	(929)
Other, net	(8)	(82)
Net cash used in financing activities	(7,687)	(78,439)

EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(1,100)	(11,224)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,432	24,818
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF SUBSIDIARIES	52	531
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	32,889	335,602
CASH AND CASH EQUIVALENTS AT END OF PERIOD	35,373	360,951

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 a translation 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 re-classifications 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, ten of its consolidated subsidiaries and four of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2009.

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

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2009
Technos Co., Ltd.	31 Mar. 2009
K&E Co.,Ltd.	31 Mar. 2009
Techno-Space Creates Co.,Ltd.	31 Mar. 2009
FATEC CO.,LTD.	31 Mar. 2009
Technical Support Co.,Ltd.	31 Mar. 2009
Khiva Limited.	31 Mar. 2009
Taiwan Kumagai Co., Ltd.	31 Dec. 2008
Thai Kumagai Co., Ltd.	31 Dec. 2008
Kumagai Gumi (Malaysia) SDN. BHD.	31 Dec. 2008

All significant intercompany accounts and transactions are eliminated in consolidation. Investments in other unconsolidated subsidiaries and affiliates accounted for applying the equity method are stated at cost.

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

2 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 JPY98=US\$1, which was the approximate exchange rate at March 31, 2009. 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.