



CONSOLIDATED FINANCIAL STATEMENTS
together with
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

as of March 31,2010

KUMAGAI GUMI CO., LTD.
TOKYO, JAPAN

Consolidated Balance Sheet

March 31, 2010

	(JPY million)	(US\$ thousand)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	31,885	342,849
Notes and accounts receivable, trade	98,547	1,059,645
Allowance for doubtful accounts	(2,420)	(26,021)
Inventories	6,314	67,892
Deferred income taxes	2,175	23,387
Other current assets	9,728	104,602
	146,229	1,572,354
INVESTMENTS AND OTHER ASSETS:		
Investment securities	8,227	88,462
Investments in unconsolidated subsidiaries and affiliates	4,379	47,086
Long-term loans receivable	1,088	11,699
Long-term loans to unconsolidated subsidiaries and affiliates	351	3,774
Long-term receivable	8,605	92,527
Claims to companies in bankruptcy, reorganization, etc.	733	7,882
Deferred income taxes	9,502	102,172
Other	4,303	46,270
Allowance for doubtful accounts	(7,319)	(78,699)
	29,869	321,173
PROPERTY AND EQUIPMENT		
Land	10,235	110,054
Buildings	13,148	141,376
Machinery and equipment	13,732	147,656
Leased Assets	67	719
Construction in progress	2	22
	37,184	399,827
Accumulated depreciation	(23,176)	(249,204)
	14,008	150,623
TOTAL ASSETS	190,106	2,044,150

	(JPY million)	(US\$ thousand)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term borrowings	23,254	250,043
Notes and accounts payable, trade	73,043	785,409
Advances received on uncompleted contracts	5,484	58,968
Accrued expenses	1,369	14,720
Accrued income taxes	415	4,462
Employees' savings deposits	2,116	22,753
Allowance for losses on construction contracts	829	8,914
Other current liabilities	14,519	156,118
	<u>121,029</u>	<u>1,301,387</u>
LONG-TERM LIABILITIES:		
Long-term debt	6,483	69,710
Accrued severance indemnities	18,222	195,935
Other long-term liabilities	61	656
	<u>24,766</u>	<u>266,301</u>
NET ASSETS:		
Shareholders' Equity:		
Capital stock ;		
Authorized - 753,200,000 shares		
Issued - 220,744,607 shares	13,341	143,452
Additional paid-in capital	7,882	84,752
Retained earnings	21,642	232,710
Treasury stock, at cost		
- 2,963,265 shares	(519)	(5,581)
Valuation and translation adjustment:		
Unrealized gain on available-for-sale securities	772	8,301
Foreign currency statements translation adjustments	(205)	(2,204)
Minority interests	1,398	15,032
Total net assets	<u>44,311</u>	<u>476,462</u>
	<u>190,106</u>	<u>2,044,150</u>

Consolidated Statement of Income

For the year ended March 31, 2010

	(JPY million)	(US\$ thousand)
NET SALES:		
Contracts completed	266,544	2,866,065
COST OF SALES:		
Cost of construction	247,829	2,664,828
Gross profit	18,715	201,237
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13,721	147,538
Operating Income	4,994	53,699
OTHER INCOME (EXPENSE):		
Interest and dividend income	298	3,204
Interest expense	(1,000)	(10,753)
Provision of allowance for doubtful debts	(1,810)	(19,462)
Other, net	511	5,495
Income before income taxes	2,993	32,183
Income taxes		
Current	339	3,645
Deferred	95	1,022
Income before minority interests	2,559	27,516
Minority interests in income	112	1,204
NET INCOME	2,447	26,312

	(JPY)	(US\$)
PER SHARE OF COMMON STOCK		
Basic net income	¥13.70	\$0.15
Diluted net income	¥7.52	\$0.08

Consolidated Statement of Cash Flows

For the year ended March 31, 2010

	(JPY million)	(US\$ thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income taxes	2,993	32,183
Depreciation and amortization	1,111	11,946
Impairment loss	48	516
Increase (decrease) in allowance for doubtful accounts	(717)	(7,710)
Increase (decrease) in provision for retirement benefits	867	9,323
Interest and dividends income	(298)	(3,204)
Interest expenses	1,000	10,753
Foreign exchange losses (gains)	(2)	(22)
Equity in (earnings) losses of affiliates	(23)	(247)
Loss (gain) on valuation of short-term and long term investment securities	27	290
Loss (gain) on sales of short-term and long term investment securities	(231)	(2,484)
Loss on retirement of noncurrent assets	21	226
Loss (gain) on sales of noncurrent assets	(12)	(129)
Decrease (increase) in notes and accounts receivable-trade	61	656
Decrease (increase) in costs on uncompleted construction contracts	4,710	50,645
Increase (decrease) in notes and accounts payable-trade	(9,709)	(104,398)
Increase (decrease) in advances received on uncompleted construction contracts	(7,711)	(82,914)
Increase (decrease) in other assets	4,126	44,366
Other, net	737	7,925
Sub-total	(3,002)	(32,279)
Interest and dividends income received	313	3,366
Interest expenses paid	(1,005)	(10,806)
Income taxes paid	(232)	(2,495)
Net cash provided by operating activities	(3,926)	(42,214)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(483)	(5,194)
Proceeds from sales of property, plant and equipment	7	75
Purchase of short-term and long term investment securities	(265)	(2,849)
Proceeds from sale short-term and long term investment securities	899	9,667
Payments of loans receivable	(390)	(4,194)
Collection of loans receivable	375	4,032
Other, net	540	5,806
Net cash provided by investing activities	683	7,343
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(3,512)	(37,763)
Proceeds from long-term loans payable	6,393	68,742
Repayment of long term loans payable	(3,292)	(35,398)
Other, net	(16)	(172)
Net cash used in financing activities	(427)	(4,591)
EFFECT ON EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	167	1,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,503)	(37,666)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	35,373	380,355
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,870	342,689

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, seven of its consolidated subsidiaries and four of its affiliates accounted for applying the equity method as at and for the year ended March 31, 2010.

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

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2010
Technos Co., Ltd.	31 Mar. 2010
K&E Co.,Ltd.	31 Mar. 2010
Techno-Space Creates Co.,Ltd.	31 Mar. 2010
FATEC CO.,LTD.	31 Mar. 2010
Technical Support Co.,Ltd.	31 Mar. 2010
Taiwan Kumagai Co., Ltd.	31 Dec. 2009

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 JPY93=US\$1, which was the approximate exchange rate at March 31, 2010. 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.