



CONSOLIDATED FINANCIAL STATEMENTS
together with
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

as of March 31,2015

KUMAGAI GUMI CO., LTD.
TOKYO, JAPAN

Consolidated Balance Sheet

March 31, 2015

	(JPY million)	(US\$ thousand)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	71,711	597,592
Notes receivable, accounts receivable from completed construction contracts and other	115,929	966,075
Allowance for doubtful accounts	(188)	(1,567)
Inventories	5,082	42,350
Deferred tax assets	3,834	31,950
Other	17,507	145,892
	<u>213,875</u>	<u>1,782,292</u>
INVESTMENTS AND OTHER ASSETS:		
Investment securities	13,419	111,825
Stocks of unconsolidated subsidiaries and affiliates	1,796	14,967
Long-term loans receivable	790	6,583
Long-term loans receivable from unconsolidated subsidiaries and affiliates	418	3,483
Long-term non-operating accounts receivable	3,874	32,283
Claims provable in bankruptcy, claims provable in rehabilitation and other	307	2,558
Deferred tax assets	6,424	53,533
Other	3,071	25,592
Allowance for doubtful accounts	(3,513)	(29,275)
	<u>26,586</u>	<u>221,549</u>
PROPERTY AND EQUIPMENT		
Land	10,064	83,867
Buildings	14,444	120,367
Machinery and equipment	15,058	125,483
Leased assets	200	1,667
Construction in progress	263	2,192
	<u>40,029</u>	<u>333,576</u>
Accumulated depreciation	<u>(24,976)</u>	<u>(208,134)</u>
	<u>15,053</u>	<u>125,442</u>
TOTAL ASSETS	<u>255,514</u>	<u>2,129,283</u>

	(JPY million)	(US\$ thousand)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term loans payable	6,990	58,250
Notes and accounts payable, trade	107,814	898,450
Advances received on uncompleted construction contracts	14,712	122,600
Accrued expenses	3,568	29,733
Income taxes payable	4,832	40,267
Deposits received from employees	1,836	15,300
Provision for loss on construction contracts	581	4,842
Provision for contingent loss	7,297	60,808
Other	18,303	152,525
	<u>165,933</u>	<u>1,382,775</u>
LONG-TERM LIABILITIES:		
Long-term loans payable	12,948	107,900
Net defined benefit liability	22,990	191,583
Other	91	759
	<u>36,029</u>	<u>300,242</u>
NET ASSETS:		
Shareholders' equity:		
Capital stock ;		
Authorized - 753,200,000 shares		
Issued - 377,544,607 shares	13,341	111,175
Capital surplus	7,879	65,658
Retained earnings	29,100	242,500
Treasury stock		
- 3,782,351 shares	(632)	(5,267)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	4,097	34,142
Foreign currency translation adjustment	472	3,933
Remeasurements of defined benefit plans	(705)	(5,875)
 Total net assets	 <u>53,552</u>	 <u>446,266</u>
	<u>255,514</u>	<u>2,129,283</u>

Consolidated Statement of Income and Statement of Comprehensive Income

For the year ended March 31, 2015

Consolidated Statement of Income

	(JPY million)	(US\$ thousand)
NET SALES:		
Completed construction contracts	362,090	3,017,417
COST OF SALES:		
Completed construction contracts	333,052	2,775,434
Gross profit	29,038	241,983
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>12,934</u>	<u>107,783</u>
Operating income	16,104	134,200
OTHER INCOME (EXPENSE):		
Interest and dividends income	152	1,267
Interest expenses	(461)	(3,842)
Provision for contingent loss	(7,187)	(59,892)
Other, net	<u>1,422</u>	<u>11,850</u>
Income before income taxes	10,030	83,583
Income taxes		
Current	5,521	46,008
Deferred	<u>(917)</u>	<u>(7,642)</u>
Income before minority interests	5,426	45,217
Minority interests in income	<u>(33)</u>	<u>(275)</u>
NET INCOME	<u><u>5,459</u></u>	<u><u>45,492</u></u>
	<u>(JPY)</u>	<u>(US\$)</u>
PER SHARE OF COMMON STOCK		
Basic net income	¥15.72	\$0.13
Diluted net income	¥14.60	\$0.12

Consolidated Statement of Comprehensive Income

	(JPY million)	(US\$ thousand)
Income before minority interests	5,426	45,217
Other comprehensive income		
Valuation difference on available-for-sale securities	489	4,075
Foreign currency translation adjustment	221	1,842
Remeasurements of defined benefit plans	544	4,533
Share of other comprehensive income of associates accounted for using equity method	<u>4</u>	<u>33</u>
	1,258	10,483
Comprehensive income	<u>6,684</u>	<u>55,700</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,714	55,950
Comprehensive income attributable to minority interests	(30)	(250)

Consolidated Statement of Cash Flows

For the year ended March 31, 2015

	(JPY million)	(US\$ thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income taxes and minority interests	10,030	83,583
Depreciation and amortization	1,014	8,450
Amortization of goodwill	50	417
Increase (decrease) in allowance for doubtful accounts	(89)	(742)
Increase (decrease) in provision for contingent loss	5,785	48,208
Increase (decrease) in net defined benefit liability	50	417
Interest and dividends income	(152)	(1,267)
Interest expenses	461	3,842
Foreign exchange losses (gains)	12	100
Equity in (earnings) losses of affiliates	(35)	(292)
Loss (gain) on sales of investment securities	(851)	(7,092)
Decrease (increase) in notes and accounts receivable-trade	442	3,683
Decrease (increase) in costs on uncompleted construction contracts	1,314	10,950
Increase (decrease) in notes and accounts payable-trade	(418)	(3,483)
Increase (decrease) in advances received on uncompleted construction contracts	2,156	17,967
Increase (decrease) in other assets	(1,888)	(15,733)
Other, net	1,934	16,117
Sub-total	19,815	165,125
Interest and dividends income received	156	1,300
Interest expenses paid	(394)	(3,283)
Income taxes paid	(1,314)	(10,950)
Net cash provided by operating activities	18,263	152,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,540)	(12,833)
Proceeds from sales of property, plant and equipment	5	42
Purchase of investment securities	(278)	(2,317)
Purchase of shares from minority shareholders	(1,516)	(12,633)
Payments of loans receivable	(101)	(842)
Collection of loans receivable	298	2,483
Other, net	89	742
Net cash used in investing activities	(3,043)	(25,358)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term loans payable	(4,538)	(37,817)
Proceeds from long-term loans payable	12,951	107,925
Repayment of long term loans payable	(9,637)	(80,308)
Cash dividends paid to minority shareholders	(46)	(383)
Other, net	(68)	(567)
Net cash used in financing activities	(1,338)	(11,150)
EFFECT ON EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	211	1,758
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,093	117,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	57,610	480,083
CASH AND CASH EQUIVALENTS AT END OF PERIOD	71,703	597,525

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, 2015.

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

Company Name	Fiscal Year-End
GAEART TK Co., Ltd.	31 Mar. 2015
Technos Co., Ltd.	31 Mar. 2015
K&E Co., Ltd.	31 Mar. 2015
Techno-Space Creates Co., Ltd.	31 Mar. 2015
FATEC Co., Ltd.	31 Mar. 2015
Technical Support Co., Ltd.	31 Mar. 2015
Taiwan Kumagai Co., Ltd.	31 Dec. 2014

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 JPY120=US\$1, which was the approximate exchange rate at March 31, 2015.

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.

3. SUBSEQUENT EVENTS

On June 25, 2015, the Company sold to a third party the accounts receivable from construction contract of ¥2,660 million which had been classified and recorded as Long-term non-operating accounts receivable based on the assessment of its collectability.

Allowance for doubtful accounts of ¥2,149 million is deducted from the accounts receivable on the Balance Sheet of the fiscal year, and Reversal of allowance for doubtful accounts of ¥1,412 million will be recognized in the first quarter of the next year.