

# The Kumagai Gumi Group Mid-term Management Plan

FY2024-2026

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*A New Path toward Sustainable Growth*

May 14, 2024

**KUMAGAI GUMI**  
—— Insight, Onsite, Farsight

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The Kumagai Gumi Group has developed its Mid-term Management Plan (FY2024-2026), beginning from FY2024.

This plan follows the long-term vision and the management policy set out in the previous Mid-term Management Plan (FY2021-2023), geared toward 2030 and beyond. It represents the Kumagai Gumi Group's efforts to realize a society in which **limited resources are recycled and people, society, and nature continue to prosper.**

Although the financial targets set out in the previous plan were not achieved to satisfaction, the Group has reaffirmed its basic policies of boosting the construction business, accelerating peripheral businesses, and enhancing the management base. It is aiming for a consolidated ordinary income of 30 billion yen by FY2026, and consolidated ordinary income of 50 billion yen in FY2035 under the long-term vision.

The Kumagai Group aims to prioritize customers, factoring in a “Quality for Happiness,” and **as a player in the construction service industry providing essential services to the public**, it will sincerely face social issues of both today and the future, striving to realize its vision for society.



## Review of the Previous Mid-term Management Plan (FY2021-2023): Financial Targets

- Consolidated sales and consolidated recurring income did not reach the targets due to a slowdown in the progress of major construction projects and rising material prices.
- ROE remained low as profits did not reach estimated heights.
- Dividends of JPY120 per share (FY2021) and JPY130 per share (FY2022) were paid out in line with the policy of stable shareholder returns. A dividend of JPY130 per share will be paid for FY2023.
- JPY10 billion worth of treasury shares were retired during the plan period.

### Slogan

#### Proactive Measures for Sustainable Growth

Looking ahead to 2030 and beyond, the first step toward realizing our long-term vision:

#### Four Basic Policies

##### Boosting Construction Contract Business

Strengthen and improve efficiency to increase profitability by strengthening our core business of construction contracts.

##### Enhancing Construction Peripheral Businesses

Create a solid income stream through prioritizing growth of construction-related peripheral businesses.

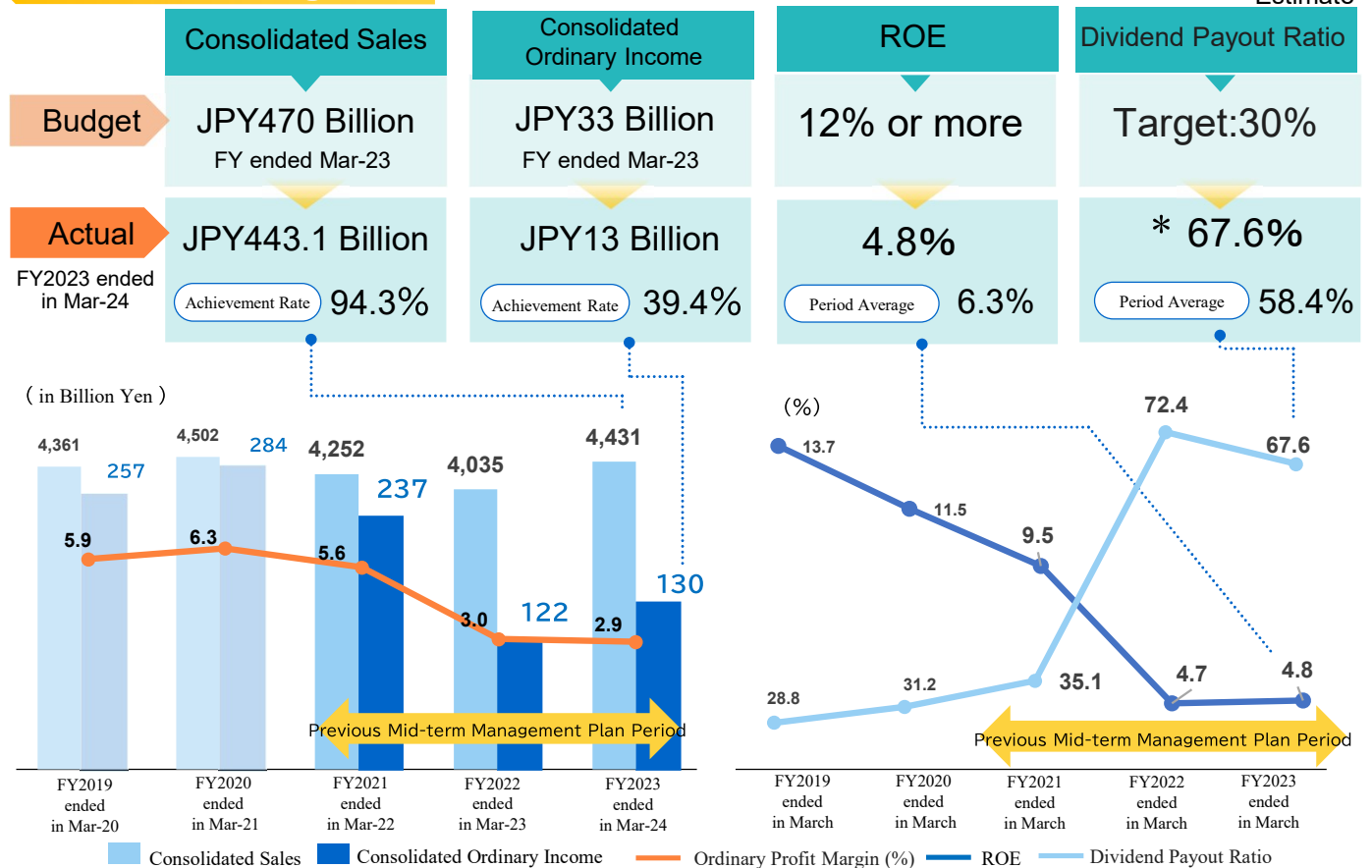
##### Developing New Business Fields

Create business opportunities to increase adaptability by targeting the development of areas that can contribute to the realization of the society we aspire to.

##### Strengthening the Management Capability

Further strengthen the ability to execute specific projects in accordance with our business plan.

### Financial Targets





## Environment

- We worked to achieve our CO2 emissions (Scope 1 and 2) targets through the active use of green power.
- Target mixed waste emission achieved through the active promotion of 3R activities.
- In FY2024, we will establish the Green Innovation Group within the Corporate Strategy Headquarters to incorporate environmental initiatives into our management strategy.



## Society

- Safety frequency rate fell short of the target due to an increase in accidents resulting in lost time. In FY2024, we will convert/restructure the Safety, Quality & Environment Division into the Safety Headquarters to further strengthen the safety management system.
- The goal for employees' overtime working hours was achieved through promoting the Action Plan for Workplace Reform and leveraging digital technology to improve business processes in our workplace. We will continue our efforts to reduce overtime work.



## Governance

- There were no serious legal or regulatory violations.

ESG Perspective	Evaluation index	Target	FY2021 Actual	FY2022 Actual	FY 2023 Actual
E	CO2 emission reduction rate (Scope 1 & 2) in FY2030 compared to FY2019	▲25%	▲17.3%	▲12.2%	In Progress*
	Mixed waste emission rate (total mixed waste emissions as a percentage of total construction waste emissions)	2.0% or less	1.8%	1.9%	1.3%
S	Safety frequency rate (number of deaths and injuries due to work-related accidents per million total actual working hours)	0.5 or less	0.63	0.69	0.98
	Amount of Employees' overtime working hours (average number of overtime hours per month)	30 hours or less	25.5 hours	21.4 hours	19.7 hours
G	Number of serious violations of laws and regulations (including administrative penalties and administrative actions)	0	0	0	0

\*The final calculation will be available in June 2024.

## Review of Mid-term Management Plan: Summary

- Low-profit construction projects commissioned under the harsh environment of the COVID-19, slowdown in investment progress, and soaring construction material prices, and delivery delays caused by the situations in Russia and Ukraine also affected construction progress, resulting in lower sales and profit.
- Although ESG initiatives were promoted throughout the company, the failure to achieve the safety frequency ratio target and the incident of inaccurate report, such as the Hokkaido Shinkansen Yotei Tunnel (Arishima) and Others Project—became a major point for reflection and of regret. In FY2024, we will improve our safety system and further strengthen our management abilities for the safety and quality of our projects.
- We have actively taken profit recovery measures, and although the impact from the previous years is likely to remain even in FY2024, we will see a full-fledged recovery from FY2025.

### Improvement of the Construction Contracting Business in Performance and Efficiency

**Domestic Civil Engineering:** Sales did not increase due to slowdowns in the progress of large-scale construction projects, which led to more work. Although profits were low, gross profit on completed projects is on a recovery trend due to stricter pre-order screening and the establishment of an organization specializing in cost control.

**Domestic Construction:** We successfully completed the projects within the specified periods that were commissioned during the time of intense competition of the coronavirus pandemic and post-Tokyo Olympics. Due to difficulties in securing equipment subcontractors and the rapidly rising prices of construction materials and equipment, these projects were not profitable. We have come to realize the need to pass on rising costs to prices, and there is a recovery trend in ensuring profitability at the outset of a project. Future sales and profits can be expected.

**Overseas Construction:** In the construction business in Taiwan, there has been high demand for large-scale construction projects including a landmark building, and both sales and profits have been trending steadily. We have been commissioned for a large-scale civil engineering work (sewage construction in Indonesia) for the first time in 15 years. We will continue to increase orders for civil engineering and construction work throughout Asia.

### Evolution of Construction Peripheral Businesses

- Due to changes in the social environment and lack of resources for executing growth strategies, actual investments during the period fell short of the JPY 40 billion target.
- The launch of the following peripheral businesses has been completed, and progress has been made in our efforts to diversify revenue sources from a medium- to long-term perspective. This includes real estate development, technological product manufacturing and sales of Black Bark Pellets, sale of cotter-type fittings, and renewable energy businesses such as SEP vessel ownership and the litate biomass power generation project.

\*See page 17 for details on collaboration with Sumitomo Forestry.

### Development of New Business Areas

- The Company launched the New Business Creation Project and selected multiple projects for commercialization. Among these, we have started capital investment and demonstration experiments related to smart primary industries.

### Reinforcement of Management Base

- Establish a digital transformation promotion system, renovate the existing core system, and promote standardization of information and communication technology at workplaces.
- Promote development of environmentally-friendly technologies. We have commercialized medium- and large-scale wood construction technologies in cooperation with Sumitomo Forestry.
- Regarding the 'new normal,' we have implemented various changes to work structure. (e.g. the flextime system at workplaces, staggered work hours, and telework)

## Social Background

- Shortage of labor force and shrinking domestic demand due to population decline, falling birthrate, and aging population
- Increasing social demands for realizing a carbon-neutral society
- Risk of economic downturn and uncertainty in price trends due to increased geopolitical risks such as the war in Ukraine, the U.S.-China conflict, and the situation in the Middle East
- Improvement of earning potential, including wage hikes through public-private collaboration. Expectations for economic growth led by private demand due to the boosting of corporate capital investment.

## Slogan for the Mid-term Management Plan (FY2024-2026)

# *A New Path toward Sustainable Growth*

Thoroughly strengthen earning power and customer appeal, while accelerating peripheral businesses, aiming for the management with multiple income streams.

### Issues To Be Addressed by Construction Company

Promotion of Construction Businesses

Business Portfolio Optimization

Environmentally-friendly Market Initiatives and Technologies

Ensure a Continuous Construction Workforce

- Construction investment in the Tokyo metropolitan area is expected to be on the same scale as in previous years.
- Expansion of the maintenance and repair market backed by increased stock
- Expanding markets related to disaster prevention/mitigation, national resilience, and major infrastructure renewal
- Domestic construction investment remains flat at the same scale as the previous years.
- Economic growth in overseas regions where populations are expected to grow

## Market Environment



- ◆ Under the Group Vision, we will steadily implement our long-term management plan.

## Group Vision

What the Kumagai Group Aims to Be

## Long-term Vision

Management Policy in the Next 10 Years

## Mid-term Management Plan

Policies, Strategies, and Goals for FY2024 - FY2026

***A New Path toward Sustainable Growth***

### Universal Thoughts

Enhance our unique on-site versatility\*<sup>1</sup>  
Create our unique value called *Quality for Happiness*\*<sup>2</sup>  
and continue to support customers and society going forward.

\*1. The onsite power produced by combining superior technical skills and excellent human capabilities.

\*2. In addition to the external and functional quality of the building, we provide high quality that ensures the continued satisfaction of the people who gather and use the building. We provide Quality for Happiness at every stage from sales, design, and construction to the after-sales service stage.

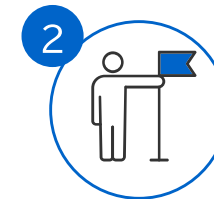
### Roles to Play

Contribute to creating a society in which limited resources are recycled and people, society, and nature can continue to prosper. To be a highly sought after leader in the construction industry.

### Basic Policies



Strengthening  
construction  
business



Accelerating  
peripheral  
businesses\*<sup>3</sup>



Enhancing  
management  
base

\*3 Creation of new businesses included.



- ◆ We have set numerical targets for the five financial indicators during the plan period.

**Consolidated Sales**

(FY2026 ending in March-27)

**JPY500  
billion****Consolidated Income**

(FY2026 ending in March-27)

**JPY30  
billion****The Mid-term Management Plan  
Financial Targets and  
Indicators****ROE**

(FY2026 ending in March-27)

**10% or more****Equity Ratio**

(FY2026 ending in March-27)

**Approx. 45%**

Striving to balance financial  
soundness and capital  
efficiency

**Dividend Payout  
Ratio**

(FY2026 ending in March-27)

**Approx. 40%**

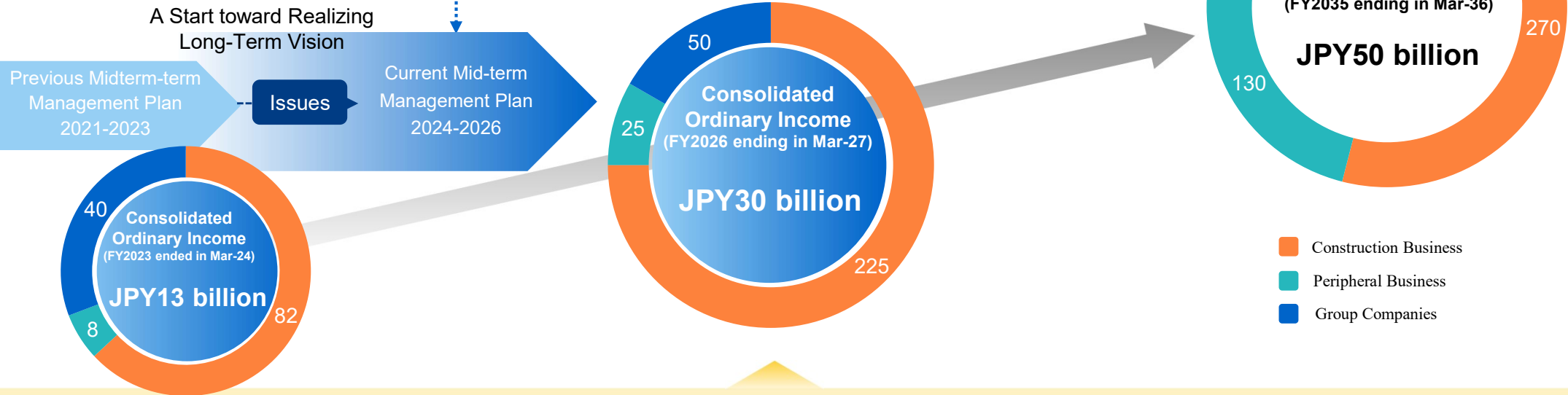
Our basic policy is to return  
profits in a reasonable and  
stable manner.

## Mid-term Management Plan Overview: Roadmap to Realizing Our Vision for the Future

- ◆ The Kumagai Gumi Group will work under three new basic policies in the next three years in order to build a solid framework for realizing its long-term vision.

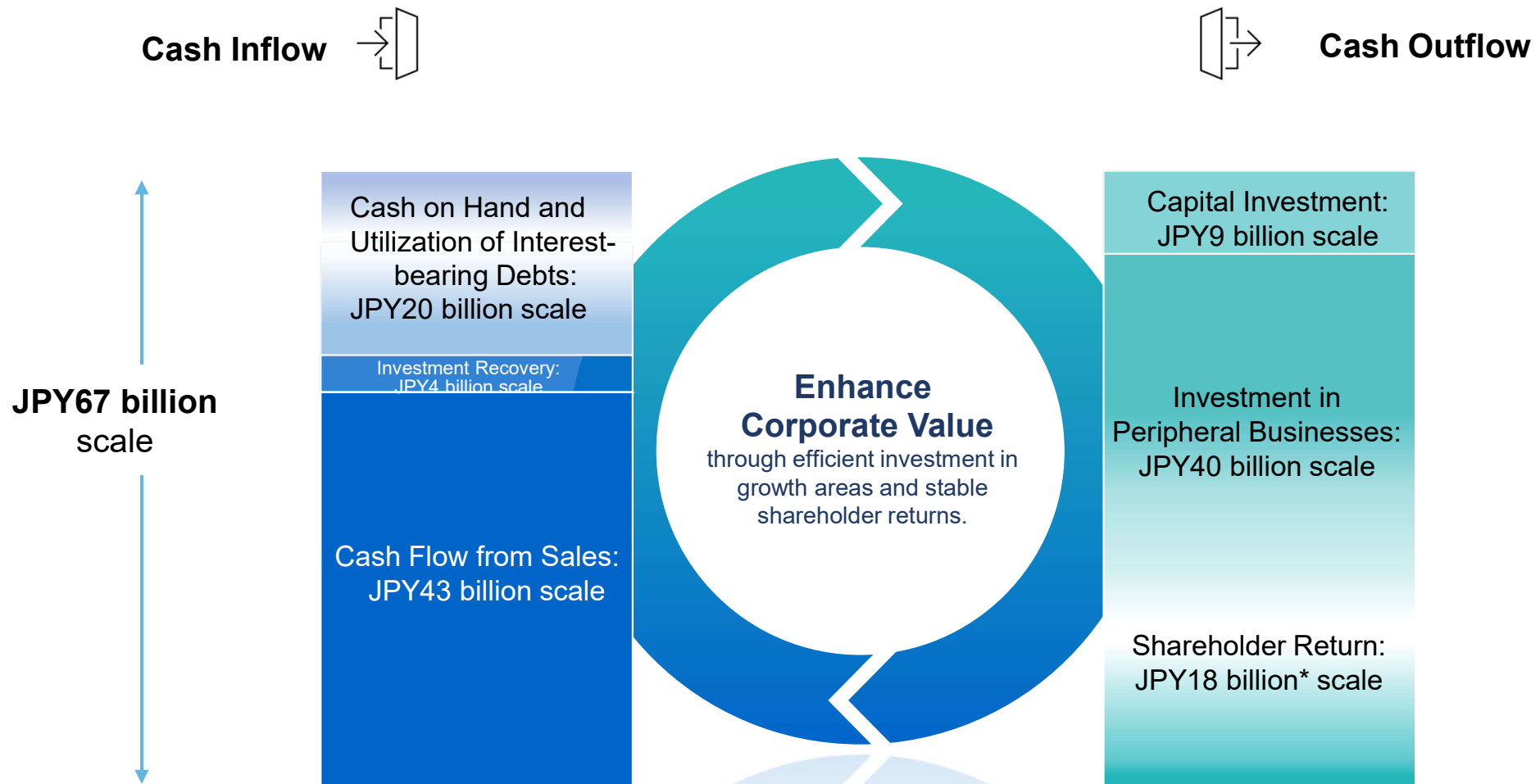


Thoroughly strengthen profitability and customer appeal while accelerating peripheral businesses. Aim for management with multiple revenue streams.



- Profitability estimated at the time of receiving orders will improve significantly from FY2023 onward. The positive impact on business performance will be seen by FY26. The negative impact of unprofitable construction works is expected to be mostly resolved by the end of FY2024.
- Investment returns in the peripheral business will be realized during the Plan period. We will continue to strengthen our strategy review and monitoring functions to accelerate the positive impact of investment.

- In order to enhance corporate value, we strive to optimize capital efficiency while maintaining financial integrity with an equity ratio of approximately 45%. Our basic policy is to consistently and reliably return profits to shareholders.
- We are targeting a payout ratio of 40%, but will flexibly consider additional returns, including the purchase of treasury shares, depending upon changes in the business environment and the progress of individual business strategies and investments.



\*Dividend amount based on financial results from 2023 through 2025. Dividends for the last year of the plan (FY2026) are not included.

## Mid-term Management Plan (FY2024-2026): Investment Portfolio

- We plan to invest JPY40 billion in peripheral businesses and JPY9 billion in capital expenditures during the plan period.
- Returns from the previous investment will be partially realized during the period.
- An Investment Strategy Committee chaired by the Kumagai Gumi president will be set up as a management council starting in FY2024 to study, formulate, and monitor company-wide investment strategies, while inviting outside advisors as committee members who can provide guidance.
- Investments will also be expanded in order to enhance the management infrastructure.(See p.24 - p.26)

FY2021 ended in Mar-22 –  
FY2023 ended in Mar-24

**Investment Amount**

**JPY17 Billion**

**Recognized Income**

**JPY400 Million**

### Investment in Peripheral Businesses: JPY17 Billion

**Real Estate Development:  
JPY10.5 Billion**

**Renewable Energy:  
JPY6 Billion**

**Other  
Businesses:  
JPY500  
Million**

**Capital Expenditures**

**JPY5 Billion**

- Real Estate Development: JPY100 Million
- Renewable Energy: JPY50 Million
- Other Businesses: JPY250 Million

◆ Investments in other management infrastructure  
R&D, human capital, digital transformation: **JPY13 Billion**

FY2024 ending in Mar-25 –  
FY2026 ending in Mar-27

**Investment Amount**

**JPY40 Billion**

**Recognized Income**

**JPY4 Billion**

### Investment in Peripheral Businesses: JPY40 Billion

**Real Estate Development:  
JPY25 Billion**

**Renewable  
Energy:  
JPY10 Billion**

**Other  
Businesses:  
JPY5 Billion**

**Capital Expenditures**

**JPY9 Billion**

- Real Estate Development: JPY3 Billion
- Other Businesses: JPY1 Billion

◆ Investments in other management infrastructure  
R&D, human capital, digital transformation: **JPY21 Billion**

\*Income recognized during the period  
for cumulative investments

FY2027 ending in Mar-28 –  
FY2035 ending in Mar-36

To realize our long-term vision, we will continue to invest even beyond the plan period, and will aim for an annual income of JPY13 Billion by FY2035.



## Basic Policy-1

**Strengthening construction business**

Reinforce our core construction business and increase profitability.

**Domestic Civil Engineering Business**

- Major Infrastructure Renewal/Improvement
- Renewable Energy
- Prevention/Mitigation, National Land Resiliency
- Resource Circulation

**Domestic Building Construction**

- Environmentally Friendly Building
- Various Plants
- Medium- and Large-scale Wooden Construction
- Urban Redevelopment
- Data centers

**Overseas Construction**

- Infrastructure Development in Southeast Asia
- Commercial Facilities in Vietnam
- Construction Business in Taiwan

## Basic Policy-2

**Accelerating peripheral businesses**

Accelerate construction peripheral businesses positioned as growth areas and create solid sources of earnings.

**Real Estate Development Business**

- General Real Estate Investment
- Diversified Real Estate Investment
- Development Projects in Europe, U.S., and Southeast Asia
- Regional Revitalization Projects in Japan
- The Iidabashi Redevelopment Project in Tokyo

**Renewable Energy Business**

- Offshore Wind Power Generation using SEP vessels(Construction, Operations, and Maintenance)
- Overseas Power Generation Projects

**Technological Products Business**

- Decarbonized Biomass Fuel Production and Sale
- Cotter-type joint Sale

**New Business Creation and Other Businesses**

- Environmentally Friendly Hybrid Agriculture
- Renewable Energy Source Sharing & EMS Package Businesses
- Domestic PPP/PFI Projects
- Road Tunnel MOM Projects

## Basic Policy-3

**Enhancing management base**

Further strengthen the foundation that supports management and increase business development efficiency.

**Research and Technology Development**

- Innovate construction technology to create a prosperous society, and develop human resources
- Further enhance construction technology through digital and robot technology
- Develop environmentally friendly technologies to help realize a sustainable society

**Human Capital Infrastructure**

- Maximize Human Resource Value
- Boost Organizational Power

**Digital Transformation**

- Digital Experts Management
- Streamline Construction Management
- Digital Solutions

## Strengthening Construction Business: Domestic Civil Engineering

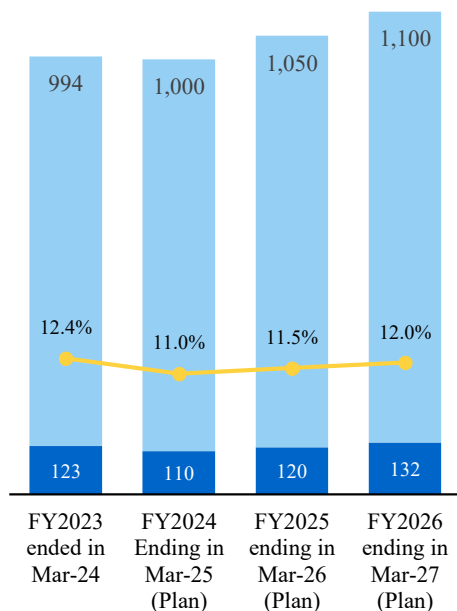


### Market Trends

- Both public and private investment remained strong due to recovery in capital investment.
- Solid investment in highway renewal projects.
- Increase in maintenance projects for aging infrastructure facilities.
- Expansion of renewable energy-related markets toward carbon neutrality.

### Targeted Numbers (in Billion Yen)

- Sales
- Gross Revenues from Completed Construction Contracts
- Profit Margin



### Our Strengths

1. Utilization of various technologies in existing construction types, including tunnels and shield tunneling.
2. Extensive construction experience in large-scale toll road renewal projects. (e.g. The Cotter Slab Method)
3. Disaster recovery-related technologies, including unmanned construction and ICT technologies.
4. High-precision underwater positioning system such as Aqua Marionette Technology.
5. Robotization initiatives for mountain tunnels, including remote robot and automatic spraying machine systems.

### Focus Areas

1. Major Infrastructure Renewal  
e.g. Large-scale toll road renewal and infrastructure facilities
2. Renewable Energy  
e.g. Hydroelectric power, onshore and offshore wind power
3. Disaster prevention/mitigation and national land resilience  
e.g. Disaster restoration and watershed flood control construction
4. Resource Recycling  
e.g. Industrial waste disposal site and biomass power generation

### Priority of Implementation

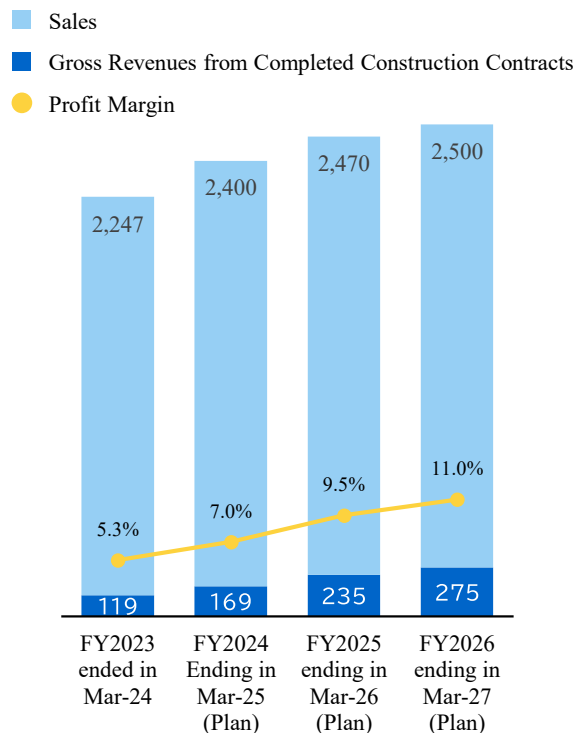
1. **Improve Order System**  
Reinforce company-wide bidding system to increase commissions for public works projects.
2. **Improve Profit Margin**  
Target profit of 12% through thorough cost estimation at the time of bidding and formation of a design review team.
3. **Strengthen the Design Department for Floor Slab Replacement Work**  
Reinforce the design division through M&A, etc.
4. **Approach to Renewable Energy Projects**  
Establish the preliminary study method and system for EPC projects.
5. **Promote Digital Transformation**  
Differentiate from competitors by actively developing unmanned construction technologies.
6. **Reform Production Processes**  
Create a new system to focus on safety and quality control by shifting on-site peripheral work into in-house work.
7. **Pass on Knowledge and Skills Systematically**  
Promote knowledge management by training and developing curriculum to enable workers to acquire the knowledge and skills of a foreman after 10 years with the company.
8. **Strengthen Relationships with Subcontractors**  
Secure a stable supply of construction workers and work load.

# Strengthening Construction Business: Domestic Building Construction



Sanda Station C Block Area Type 1 Urban Redevelopment Project Hyogo Prefecture, Japan

## Targeted Numbers (in Billion Yen)



## Market Trends

- Housing market: steady growth, especially in the Tokyo metropolitan area
- Healthcare-related markets: restructuring and expansion of local healthcare systems
- E-commerce market: increased investment in logistics facilities due to the “logistical issues in 2024”
- Accommodations market expansion due to recovery of inbound travel demand
- Data center market: high volume data processing capacity and increased investment in data centers
- Markets related to decarbonization and carbon neutrality due to growing social consciousness regarding recycling

## Our Strengths

1. Versatility based on our extensive track record in a wide range of markets
2. A wealth of experience in medical facilities, high-rise residences, and educational facilities
3. Initiatives for medium- and large-scale wooden construction geared toward carbon neutrality
4. High special order/design-build ratio
5. Business alliance with Sumitomo Forestry
6. Strong collaboration between our civil engineering and building departments

## Focus Areas

1. Environmentally Friendly Building
2. Various Plants
3. Medium- to Large Scale Wooden Buildings
4. Urban Redevelopment
5. Data Centers

## Priority of Implementation

### 1. Recovery of profitability

Eliminate low-profit construction work by carefully examining estimates and contract conditions.  
Early setup of a construction system using front loading at the sales stage.  
Ensure profit by strict cost management, guidance and support after the start of construction.

### 2. Enhancement of company-wide comprehensive capabilities

Step up collaboration and management of a company-wide system that integrates sales, design, and construction.

### 3. Strategic acquisition of markets and clients to enhance expertise

Increase track records in ZEB, DC, medium/large-scale wooden buildings, public facilities (environment, waste treatment facilities, funeral halls) by further strengthening proposal capabilities.

### 4. Development of technologies that contribute to a recycling-oriented society

Efforts to develop environmentally friendly construction technology, building sophistication technology, and competitiveness enhancement technology

### 5. Initiatives toward next-generation comprehensive earthquake-resistant technology

Develop high-standard building technology with further consideration for earthquake resistance and habitability.

## Strengthening Construction: Business Overseas Construction

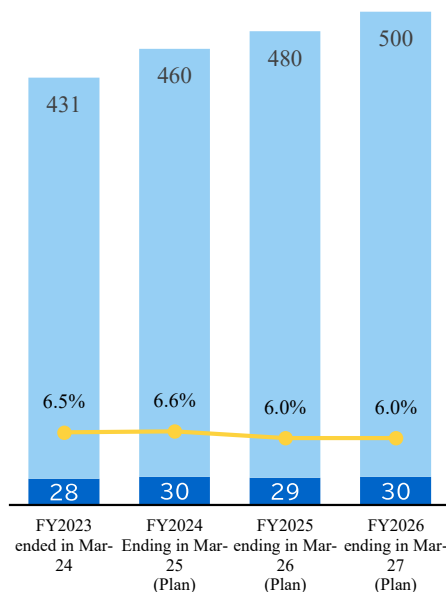


### Market Trends

- Infrastructure exports to Southeast Asia for SDGs' purposes are on the rise.
- Increase in commercial facilities in Vietnam where a demographic bonus is expected.
- Active investment in gasoline, EV, and biogas-related businesses in India.
- Expansion of the real estate development market in the Asian region.

### Targeted Numbers (in Billion Yen)

- Sales
- Gross Revenues from Completed Construction Contracts
- Profit Margin



### Our Strengths

- 【Civil Engineering】**  
Infrastructure development capabilities using shield and propulsion technologies
- 【Building Construction】**  
Technical capabilities honed through experience in constructing super high-rise buildings, large-scale shopping centers, and high-end residential buildings  
Unparalleled brand power in Taiwan

### Focus Areas

1. Infrastructure Development in Southeast Asia
2. Shopping Mall Development in Vietnam
3. Construction Business in Taiwan

### Priority of Implementation

#### 【General】

1. Develop and penetrate overseas markets in preparation for shrinking domestic market
2. Increase the skill of overseas staff by training them in Japan.

#### 【Civil Engineering】

1. Reinforce the existing construction system:  
Reinforce the construction system for ODA projects in Indonesia
2. Establish New Construction Systems:  
Establish construction systems in the Southeast Asia (other than Indonesia)

#### 【Building Construction】

1. Reinforcement of Construction System  
Reinforce construction system for commercial facility projects in Vietnam.  
Strengthen partnerships with local construction companies in Vietnam.  
Further strengthen sales and construction systems for high-end condominiums in Taiwan.  
Initiatives for sustainable landmark projects in Taiwan



## ◆ Real Estate Development Business

Investment Amount  
during the Mid-term Plan Period

JPY25 Billion

Estimated Income  
during the Mid-term Plan Period\*

JPY3 Billion

\* Estimated income from cumulative investments recognized during the period



Iwaki Station Namiki Street Area Type 1 Urban Redevelopment Project

### Domestic Real Estate

#### General Real Estate Investment

- We plan to participate in construction projects for future redevelopment projects as well as generate rental income from real estate investments, mainly in the Tokyo metropolitan and the Kansai areas.

#### Regional Revitalization Projects

- Full-scale efforts will be made for the redevelopment, management and operation of Katsuyama Dinosaur Forest (Nagaoyama Comprehensive Park) in Fukui Prefecture (Park-PFI project).

#### Diversification of Real Estate Investment

- Diversify real estate investments by utilizing non-recourse loans and collaborating with other companies.

## The Iidabashi Redevelopment Project

We are actively promoting redevelopment projects around Iidabashi Station.

In the Shimomiyabi-cho district, where we are participating as a project partner, the "Shimomiyabi-cho District Urban Area Redevelopment Preparation Association" was established. In April 2023, we further established the "Iidabashi Station Area Infrastructure Development Policy", and the momentum for redevelopment is growing.

We have also begun preparatory activities for the establishment of a council in the Ageba-cho district, and individual explanations to all rights holders have begun.



Hoa Lanh Township Development Project, Vietnam

### Overseas Real Estate

Participation in real estate development projects in Europe, the U.S., and Southeast Asia, leveraging our alliance with Sumitomo Forestry.

#### The Hoa Lanh Township Development Project, Vietnam

- The township development will be launched in collaboration with Sumitomo Forestry, NTT Urban Development, and Kim Oanh Group, a major local real estate developer.

#### Real Estate Fund Investment

- We plan to participate in profitable projects and development projects in Southeast Asia, which is experiencing remarkable growth, and in Europe and the United States, where environmental awareness is high.

## ● Renewable Energy



Investment Amount  
during the Mid-term Plan Period

**JPY10 Billion**

Estimated Income  
during the Mid-term Plan Period\*

\*Estimated income from cumulative investments recognized during the period

### Entry into Offshore Wind Power Generation Business using our owned SEP vessels – Construction, and Operations & Maintenance

The operation is scheduled to begin in the fall of 2025. This machine is capable of accommodating 15MW-class super-large wind turbines, and can be installed at great depths below sea level due to its long legs, which allows for construction work in deep water in both fixed and floating fields.

- A large-scale investment in the construction of large SEP vessels is expected to boost earnings in FY2027 and beyond. We will also aim for synergy with orders for offshore wind power construction projects.

### Overseas Power Generation Business

- Aiming to participate in renewable energy power generation projects such as offshore wind and solar power, mainly in the Southeast Asia.

## ● Tech Products Business



Investment Amount  
during the Mid-term Plan Period

**JPY4 Billion**

Estimated Income  
during the Mid-term Plan Period\*

**JPY800 Million**

### Production and Sales of Decarbonized Biomass Fuels

- Since 2023, we have been working on a business of manufacturing and selling "Black Bark Pellet" (BBP, domestic bark wood raw materials).
- We aim to make a decarbonized society with reduced CO2 emissions, and contribute to a stable power supply by revitalizing the domestic forestry industry and using co-fired materials for coal-fired power generation.

We also aim to diversify our earnings by exporting our semi-carbonization technology to other countries.

### Cotter-type Joints Sales Business – cumulative sales reached 10,000 by 2023

- In collaboration with our partner companies, we have started selling "cotter-type joints" used in the cotter slab construction method, which is our specialty, in expressway renewal construction. We will further promote and expand the sales of this product to large-scale expressway renewal and repair projects carried out by companies like NEXCO East, Central, and West.

## ● New Business Creation



Investment Amount  
during the Mid-term Plan Period

**JPY1 Billion**

Estimated Income  
during the Mid-term Plan Period\*

**JPY200 Million**

### Environmentally Friendly Hybrid Agriculture

- We will promote an environmentally friendly hybrid agriculture business that combines aquaponic and algae culture, i.e. land-based aquaculture and hydroponic cultivation.

### Renewable Energy Power Supply and EMS Package Business

- We will participate in the project to build an energy management system (EMS) by supplying power derived from renewable energy and utilizing PPA, storage batteries, etc.

### Domestic PPP/PFI Projects

- We will continue to participate in PPP/PFI projects with the aim of contributing to the construction business.

### Road Tunnels MOM Projects

- Kumagai Gumi operates four road tunnel management, operations, and maintenance (MOM) projects in Hong Kong.
- Leveraging our experience in the MOM business and tunnel construction, we will further expand and develop our infrastructure MOM business in Hong Kong.

## Overall Summary

Since the start of the business and capital alliance in 2017, we have built up experience focusing on medium- and large-scale wooden construction projects and environmentally friendly real estate investments.

During this period, we have expanded the medium- to large-scale wooden construction business, the main target of our alliance, halfway toward our goal. We have primarily considered cost competitiveness, including the effects of what is called “wood shocks” and inflation, as well as compliance with regulations regarding fire proofing and earthquake resistance. (\*1)

Meanwhile, social expectations for the active use of wood resources and the spread of wooden buildings are increasing year by year as a path toward a decarbonized society. Based on the cooperative achievements in other business fields that we have gradually built up, we are now at a stage where further proactive collaboration is necessary.

\*1 Wooden construction rate in 2018: 47.0% for the overall building market, 14.1% for low-rise nonresidential (3 floors or less), and 0.06% for mid-rise buildings (4 floors or more).

Wooden construction rate in 2022: 45.5% in the overall building market, 14.0% in low-rise non-residential buildings (3 floors and below), and 0.08% in mid-rise buildings (4 floors and above).

Source: Statistical Survey of Construction Starts 2022 by Ministry of Land, Infrastructure, Transport and Tourism

## Summary by Division

## ● Lignification and Green Building Projects

Marketing the two types of value-added proposals: the "with TREE" brand, medium- to large-scale wooden buildings, and environmentally friendly green architecture, we won collaborative projects by leveraging the strengths of both companies.



## Major Orders Received

New Construction for  
the KAGA Project

Ehime Prefectural  
Government  
Second Annex  
Reconstruction

Detached New School  
Building for  
Midorigaoka  
Elementary School

T-LOGI Akiruno

Nishi-Shinjuku  
5-chome Project

H'O Shiba Park

Wood Design Award

## ● Renewable Energy

We established a company to manufacture and sell "Black Bark Pellets\*2" and started construction of a manufacturing plant.

\*2 Biomass fuel made from bark wood (tree bark)/WE

## ● Overseas Business

We invested in development projects and real estate funds in the U.S. and Indonesia.

## ● Joint Research and Development

We developed the “KS Wood Buckling Restrained Brace”.

We developed “PRISM”, a generic type of design technology.

## Joint Achievements (over the past six years)

Orders Received \*3 JPY97 billion

Sales JPY71 billion

Gross Profit  
from  
Completed  
Construction JPY4.4 billion

Amount Invested \*4 JPY7.3 billion

\*3 Includes projects which both companies were involved in from the design stage and contributed to the orders received by our Group companies.

\*4 Our investment in the project in which both companies participate.



	Joint Efforts	Joint Achievements
<b>Lignification and Green Building Projects</b>  <div> <div>Cumulative Orders Received</div> <div>JPY97 Billion</div> </div> <div> <div>Cumulative Sales</div> <div>JPY71 Billion</div> </div> 	<div> <div>Launch of the "with TREE" Brand</div>  </div> <div> <div>Introduced "One Click LCA" CO2 Calculation Software</div> </div> <div> <div>Value-added Proposals for Building Green</div> </div>	<ul style="list-style-type: none"> <li>Jointly launched a medium- to large-scale wooden construction brand in March 2021. ➡ As a result, together we won several wooden construction contracts, including the H<sup>1</sup> O series of office buildings and public facilities, through JV formation and cooperation in material procurement.</li> <li>Visualizing the benefits of reducing environmental impact and receiving orders for joint projects.</li> <li>We jointly made environmentally value-added proposals for building design and green space planning by our architectural design and construction professionals and green planners. ➡ As a result, we won orders for environmental green building projects for residences, university facilities and office buildings (PREX series) through our joint efforts.</li> </ul>
<b>Renewable Energy</b>  <div> <div>Accumulated Investment</div> <div>JPY300 Million</div> </div>  	<div> <div>Local Energy System Corporation, a business operating company, set up for production and sales of "Black Bark Pellets" (BBP)</div> </div> <div> <div>Study on Biomass Power Generation in Japan</div> </div>	<ul style="list-style-type: none"> <li>The operating company was established in May 2023 and upon the construction of their first plant, located in Saijo City, Ehime Prefecture, began to manufacture BBP (Black Bark Pellet). The raw material, will be procured mainly from Sumitomo Forestry Forest Service Co., Ltd. BBP is also used as co-firing material for coal-fired power plants to reduce CO2 emissions.</li> <li>Due to lack of profitability after a detailed review, it was decided not to commercialize the proposed project.</li> </ul>
<b>Overseas Business</b>  <div> <div>Accumulated Investment</div> <div>JPY7 Billion</div> </div> 	<div> <div>Structure ESG-friendly real estate and wood building development projects in the U.S., Australia and Europe</div> </div> <div> <div>Joint participation in development projects in Southeast Asia - Indonesia and Vietnam</div> </div>	<ul style="list-style-type: none"> <li>Kumagai Gumi invested in the ESG-friendly real estate fund structured by Sumitomo Forest and Crescent Communities.</li> <li>We also participated in the development project of an ESG-friendly wooden rental office in Dallas, U.S.</li> <li>We jointly participated in commercial complex development projects in Indonesia.</li> </ul>
<b>Joint Research and Development</b>   	<div> <div>Joint Development of "KS Wood Buckling Restrained Brace"</div> </div> <div> <div>Development of general-purpose design technology for high-rise wooden buildings to increase demand for wood (PRISM).</div> </div> <div> <div>Research on labor saving through automation of forestry machinery systems (the operations of this systems will be applied on the moon)</div> </div>	<ul style="list-style-type: none"> <li>The KS wood buckling-restrained brace reinforces a steel core using a combination of LVL and plywood to provide stable deformation performance without loss of bearing capacity even in compression, achieving seismic performance equivalent or superior to that of conventional buckling-restrained braces.</li> <li>Building Research Institute, (National R&amp;D Agency) has contracted Sumitomo Forestry to prepare a primary design example of a glued laminated timber structure using a wooden frame construction method with buckling-constrained braces. Kumagai Gumi will collaborate on this task.</li> <li>Conducted study and conceptual design of an unmanned and automated overhead line collection system by integrating forestry technology, unmanned construction technology, plant and temporary construction engineering, and winch technology.</li> </ul>



## Policies

- In the medium- to large-scale wooden construction business, Kumagai Gumi aims to further increase orders by leveraging the knowledge and project proposal capabilities it has accumulated through its collaboration with Sumitomo Forestry, as well as Sumitomo Forestry's brand power in wooden construction.
- We also aim to expand our business domain both by continuing to invest in overseas real estate development, which is one of Sumitomo Forestry's fortes, and by considering participation in environmentally friendly real estate businesses in Japan.

### ● Construction

- Strive to further reinforce the two pillars of our alliance: the "with TREE" brand, and environmentally green building construction.
- Strengthen proposals for various CO<sub>2</sub> reduction technologies to meet customer needs.

The Kumagai Gumi Group  
Three-Year Goals

Orders Received

Medium- and large-scale wooden buildings, sustainable buildings, and others.

**JPY120 Billion**

Net Sales

**JPY100 Billion**

Net Profit from  
Completed Projects

**JPY9 Billion<sup>\*1</sup>**

<sup>\*1</sup>Aim for a profit margin of 9% or more.

### ● Investment

- Continued investment in overseas real estate development businesses and domestic real estate development business.
- Establishment of "Black Bark Pellet Business" base, manufacturing and sales business.
- Participation in overseas renewable energy projects.

The Kumagai Gumi Group  
Three-Year Goals

Amount Invested

**JPY10 Billion Scale**

Recognized Revenue  
during the Plan Period <sup>\*2</sup>

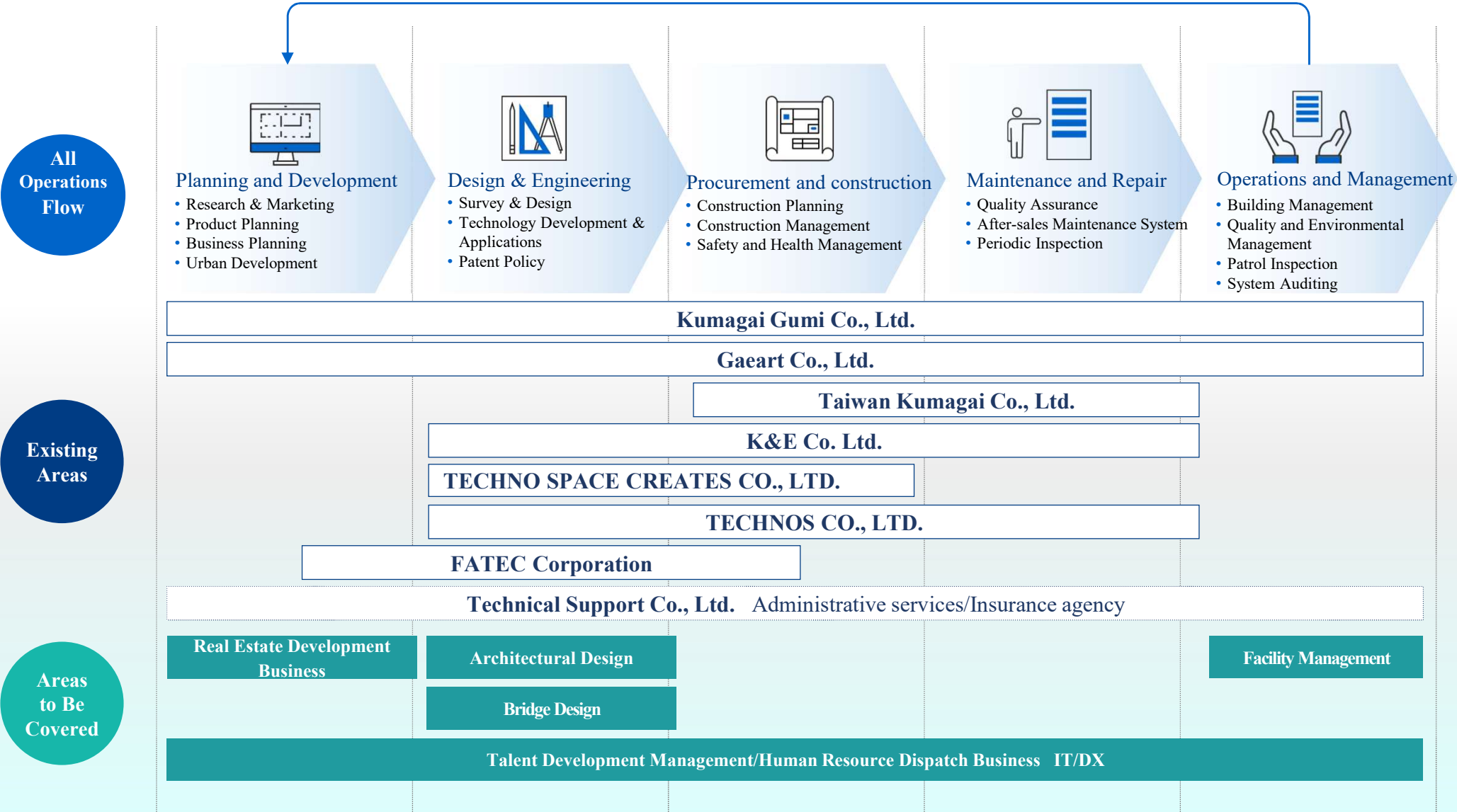
**Approx. JPY3 Billion**

<sup>\*2</sup> Revenue recognized during the period on the cumulative investments.

### ● Technological Development

- Promote technological developments that can help create a decarbonized society, including the development of wood-based construction technologies.

- Enhance the potential of the entire Kumagai Gumi Group by further strengthening collaboration within its group companies and enhancing it through M&As and other means.



Group Companies	Policies and Priority Measures		Group Companies	Policies and Priority Measures	
 <p><b>Gaeart Co., Ltd.</b></p> <p><b>Manufacturing and sale of road paving and asphalt mixtures</b></p>	<p>Receive orders for large-scale construction projects.</p>	<ul style="list-style-type: none"> <li>Take measures to improve our corporate rating score.</li> <li>Enhance technical proposal capability and cost estimation accuracy.</li> <li>Bolster technical sales force and expand our client base.</li> <li>Strengthen technical sales geared toward consultants.</li> <li>Proactive involvement in industry-government-academia collaboration.</li> </ul>	 <p><b>Taiwan Kumagai Co., Ltd.</b></p> <p><b>Taiwan Construction Projects</b></p>	<p>Bolster Sales Force</p>	<ul style="list-style-type: none"> <li>Refine order-taking capabilities. Establish the front-loading system.</li> <li>Proactive information dissemination, leveraging the superiority of the "Huacuma" brand. It's not grammatically wrong, but I'm not sure what kind of information they're disseminating or what their brand is superior.</li> </ul>
	<p>Create and manage sales offices more efficiently.</p>	<ul style="list-style-type: none"> <li>Improve our office environment for more efficient construction management.</li> <li>Ensure an appropriate level of construction gross profit.</li> <li>Assert control over valuation requirements.</li> </ul>		<p>Strengthen On-site Versatility</p>	<ul style="list-style-type: none"> <li>Restructure training programs.</li> <li>Quality assurance through enhanced inspections and feedback of inspection results.</li> </ul>
	<p>Further promote outside sales of our original products.</p>	<ul style="list-style-type: none"> <li>Secure sales from large-scale projects through integrated engineering, construction, and operations efforts.</li> <li>Enhance collaboration among the group companies.</li> <li>Devise a program for the sale of proprietary product technologies.</li> </ul>		<p>Secure and Develop Human Resources</p>	<ul style="list-style-type: none"> <li>Pass on skills and expertise to the new generation and improve employee training.</li> <li>Raise the level of employees through active participation in outside training programs.</li> <li>Enhance employee engagement through institution-wide improvements.</li> </ul>
 <p><b>K&amp;E Co., Ltd.</b></p> <p><b>Building and Facility Renovation</b></p>	<p>Bolster Sales Force</p>	<ul style="list-style-type: none"> <li>Set up a system for receiving special orders for large-scale construction work.</li> <li>Restructure strategies to win contract orders.</li> <li>Consider M&amp;A opportunities and differentiate from competitors.</li> </ul>	 <p><b>FATEC Corporation</b></p> <p><b>Technology Trading Company</b></p>	<p>Bolster Sales Force</p>	<ul style="list-style-type: none"> <li>Expand trading company functions within the Kumagai Group.</li> <li>Promote public relations using advertising media.</li> <li>Earn official certifications and accreditations for proprietary products.</li> </ul>
	<p>Secure and Develop Human Resources</p>	<ul style="list-style-type: none"> <li>Restructure training programs.</li> <li>Implement policies to enhance employee.</li> </ul>		<p>Secure and Develop Human Resources</p>	<ul style="list-style-type: none"> <li>Employee training to achieve management goals.</li> <li>Improve productivity and employee retention rates.</li> </ul>
	<p>Creation of New Businesses</p>	<ul style="list-style-type: none"> <li>Collaboration among the Group Companies beyond boundaries.</li> <li>Consideration of entering the FM business through M&amp;A.</li> </ul>		<p>Commercialize new technologies and products</p>	<ul style="list-style-type: none"> <li>Establish a business scheme for KMLA Sensor.</li> <li>Expand sales of materials for cotter slab construction method.</li> <li>Identify and commercialize new products.</li> </ul>
 <p><b>TECHNOS CO., LTD.</b></p> <p><b>Construction materials and equipment manufacturing Environmental Business Civil Engineering Renewal</b></p>	<p>Refine Uniqueness and Originality</p>	<ul style="list-style-type: none"> <li>Develop new products such as construction survey automation and wood structure support.</li> <li>Develop new construction methods for bridge slab dismantling technology and core materials construction accuracy control system.</li> <li>Become carbon neutral.</li> <li>Promote cross-industrial alliances.</li> </ul>	 <p><b>TECHNO SPACE CREATES CO., LTD.</b></p> <p><b>Construction Drawing Education Business</b></p>		
	<p>Increased Productivity</p>	<ul style="list-style-type: none"> <li>Reduce fixed cost through standardization, automation, and information technology.</li> <li>Improve profitability by further encouraging collaboration among group companies.</li> <li>Visualize operations through the use of information technology.</li> </ul>		<p>Secure and Develop Human Resources</p>	<ul style="list-style-type: none"> <li>Shorten the training period by reviewing preexisting training methods.</li> <li>Training and education for managers.</li> <li>Create an adaptable system.</li> </ul>
	<p>Secure and Develop Human Resources</p>	<ul style="list-style-type: none"> <li>Strengthen public relations and recruiting activities</li> <li>Ensure long term excellence through expert training by craftsmen.</li> <li>Assist employees in obtaining professional development certifications.</li> </ul>	 <p><b>Technical Support Co., Ltd.</b></p> <p><b>Administrative Work Insurance Agent</b></p>	<p>Improve Profitability</p>	<ul style="list-style-type: none"> <li>Promote labor savings through the development of operational manuals.</li> <li>Increase orders received by supporting multiple BIM softwares.</li> </ul>
				<p>General</p>	<ul style="list-style-type: none"> <li>Expand the scope of outsourcing.</li> <li>Recommend insurance products that contribute to construction insurance and welfare program.</li> </ul>
				<p>Human Resource Development</p>	<ul style="list-style-type: none"> <li>Expand employee education, including training and seminars.</li> <li>Shape the next generation of leaders.</li> </ul>
				<p>Practical Aspect</p>	<ul style="list-style-type: none"> <li>Support for systems implementation and workstyle reform.</li> <li>Expand operations and continue new business initiatives.</li> <li>Explore new forms of insurance contracts.</li> </ul>

## Research &amp; Technology development

- Deepen construction technology and develop human resources to realize a prosperous society.
- Promote digital and robotic technologies geared toward advancing construction capabilities.
- Develop environmentally friendly technologies that can help create a sustainable society.

Investment Amount:  
Research and Technological Development  
during the Plan Period

**JPY10 Billion Scale \***

\* JPY2.5 billion for capital expenditures included

## Now (2024)

## Near Future

## Distant Future (2050)

- Human Resource Development and Effective Deployment
- Accumulation and Transfer of Group Knowledge and Skills
- Collaboration with Outside Organizations

1. Construction Technology  
that Contributes to Society  
Deepening Existing Domains

- Building construction methods; Foundations
- Civil engineering methods; disaster prevention technology
- Material development, ZEB/ Building sound environments

2. Digitalization and Robotization

Explore Existing Areas

- Inspection technology; BIM/CIM
- Remote control; optimization

3. Decarbonized Society

Explore Existing Areas

- Medium- to large-scale wooden construction and methods
- Tree-planting greening methods

1. × 2. = Construction Technology Innovation  
through Digital Transform-  
ation → Developing New Areas

- Construction automation (by AI and robots)  
→ Improved productivity and safety
- Quality control automation (by AI and robots)  
→ improved accuracy, information sharing and utilization
- Mobility support (use of wireless power feeder boards)  
→ Transportation revolution; contribution to GX
- Data science (utilization of risking)  
→ advanced information gathering/analysis and application
- Strengthen BIM collaboration (BIM design, BIM cost estimation, BIM production, and BIM -FM)

3. A De-Carbonized Society

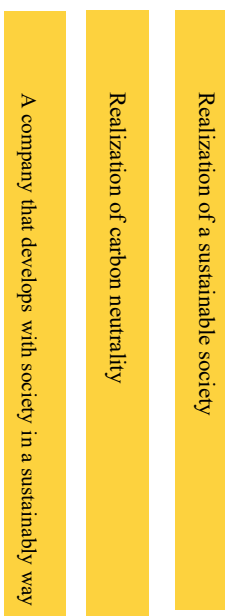
Exploring New Fields of Business

- Algae (utilization of innovative ingredients)
- GX technology (utilization of storage batteries and energy fields)

Strengthen the foundation for technological development

- Strengthening the technology research institute's functions
- Secure and develop data science professionals

The Future We Seek through  
Technological Development



Toward A Safe and  
Secure Society

Building the City of the Future





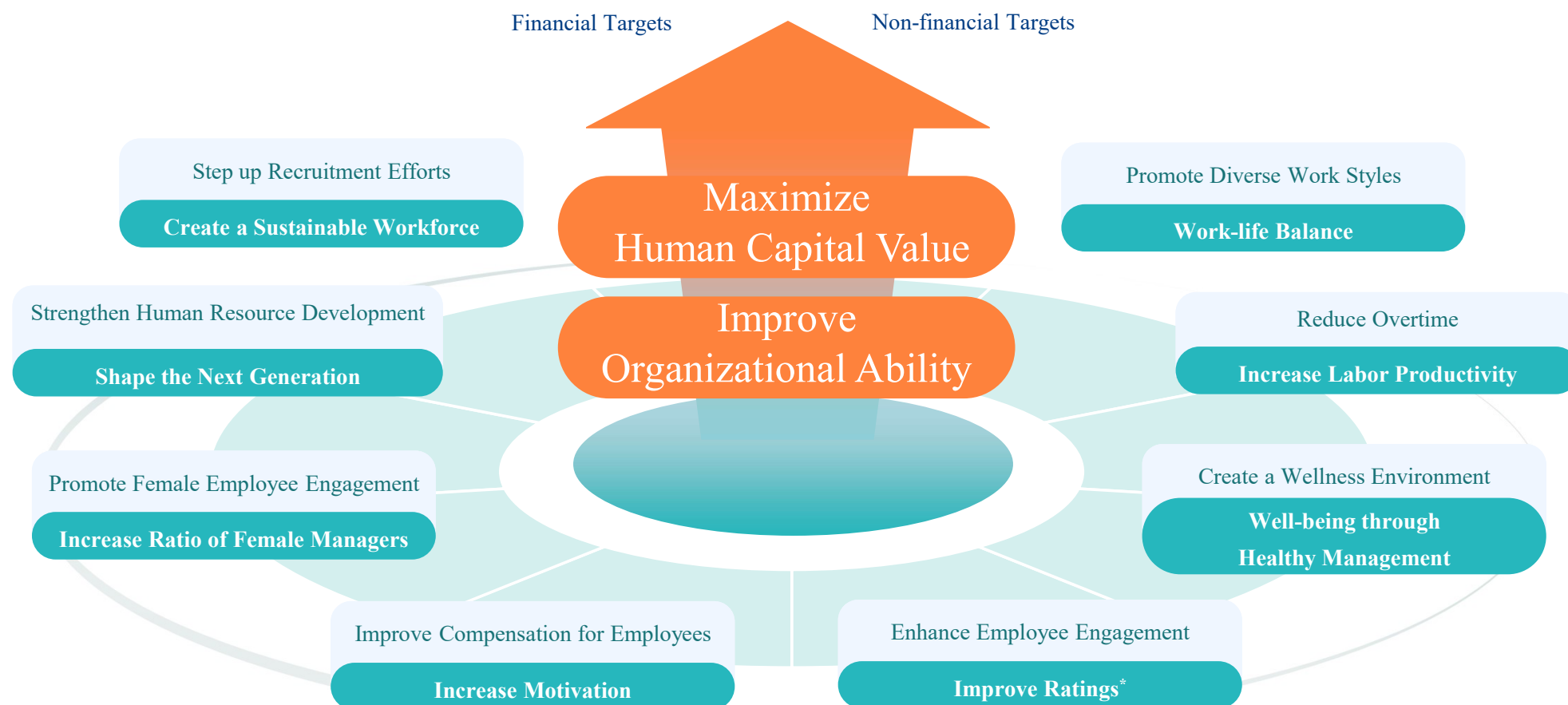
- ◆ We will expand investment in human resources, which is the source of sustainable growth and the core of our business activities, in order to maximize the value of our human resources in terms of both quantity and quality, and to build a human capital base that contributes to the enhancement of our corporate value.

Investment Amount\*:  
Human Resource Development  
during the plan period

**JPY 6 Billion Scale**

\*Investment in new policy measures.

## Increase in Corporate Value



\* Motivation Cloud by Link and Motivation Inc.

## Enhancement of the Management Base: Digital Transformation Strategy

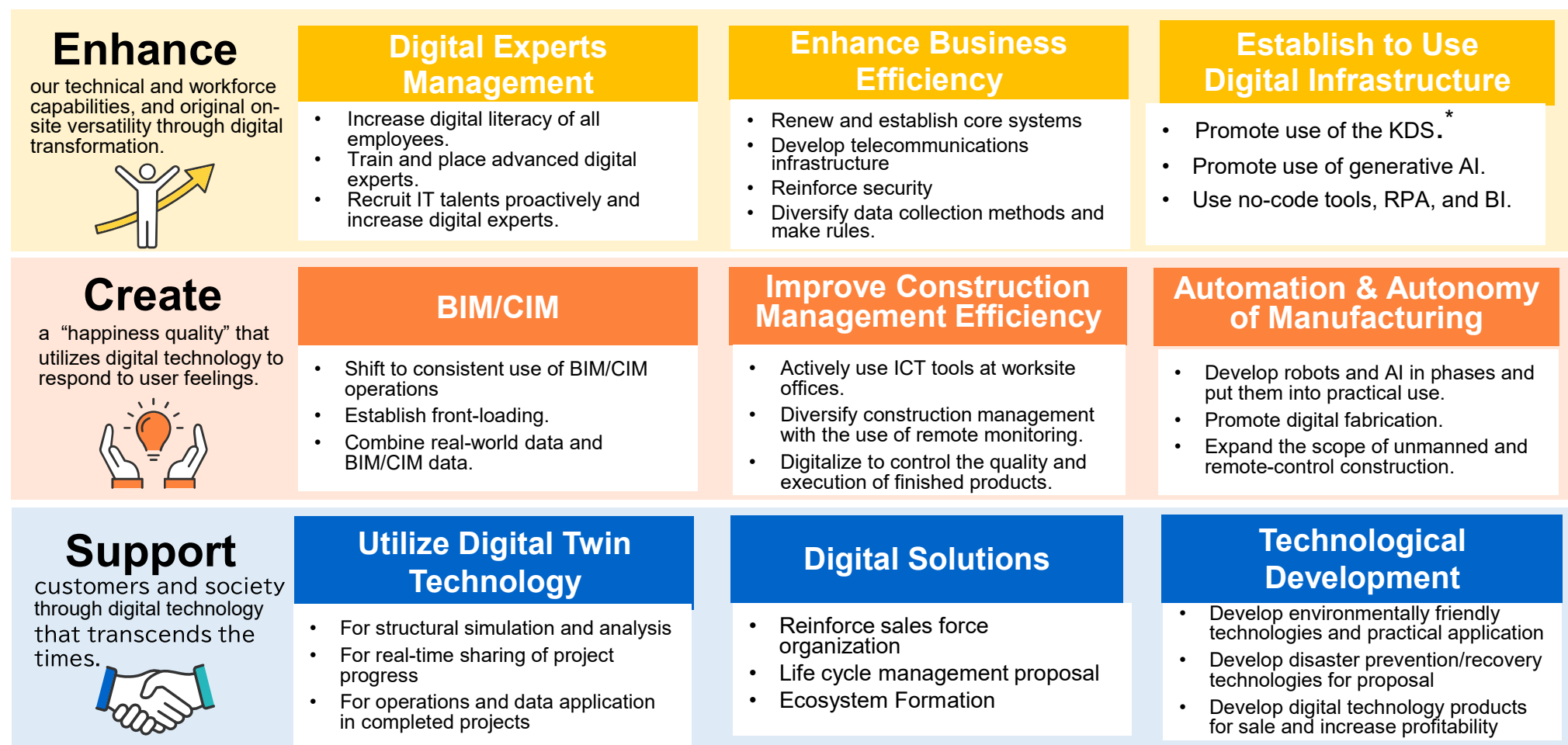
Kumagai Gumi designated April 2019 as its first year of digital transformation, and has been promoting its 2021-2023 Digital Transformation Strategy.

We have developed a Digital Transformation Strategy for 2024-2026, which aims to improve operational efficiency, improve productivity, solve social issues, and create new value by developing advanced digital experts, transforming our business to be more data-centric, reinforcing our digital infrastructure, updating new core systems, and utilizing AI technology.

Investment Amount:  
Digital Transformation  
during the Plan Period

**JPY8 Billion Scale\***










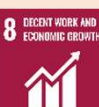







\* JPY1 billion for capital expenditures included






\*It stands for Kumagai Gumi Deep Smarts, a system that stores current and past worksite data in the cloud and makes it available to everyone.

## ESG Initiative Policy - Key Issues and Specific Issues

As of May 2024, we have revised the key issues and reviewed specific issues.

	Key Issues	Specific Issues	SDGs
	Response to Climate Change Risks	Accomplishment of carbon neutrality. Further increase renewable energy business.	 
	Promote Environmentally Friendly Business	Accomplishment of zero emissions. Boost wooden construction business. Development of environmentally friendly technologies. Accomplishment of Nature Positive.	 
	Creating the well-being workplace For all employees	Human capital management. Handing down skills and technologies Promotion of DX. Achieve work-life balance. Promotion of diversity and inclusion. Securing skilled workers in the construction industry. Create an environment of wellness. <b>Occupational Health &amp; Safety</b>	 
	Achievement of Sustainable Communities	Ensure quality and integrity in manufacturing Attractive communities development. Development of resilient social infrastructure. Initiatives to solve social issues. Initiatives for emergencies such as natural disasters.	    
	Enhancing of Corporate Governance	Strengthening compliance. Strengthening risk management. Improvements of the effectiveness of the board of directors. Respect for human rights.	 
	Proactive Relationships with Multi-stakeholders	Strengthening customer satisfaction. Strengthening supply chain management. Strengthening information disclosure. Active dialogue with investors	

# Indicators and Targets for Major Efforts to Address Specific Issues

	Efforts and Specific Actions in Business	Indicators	Targets during the Plan Period
<b>E</b> 	1. <b>Activities to reduce CO2 emissions</b>	Reduction Rate for Scope 1+2 Reduction Rate for Scope 3 (FY 2019 Standard)	Scope 1+2: 42% reduction Scope 3: 25% reduction (Target for FY2029)
	2. <b>Enhance of renewable energy business.</b>	The number of initiatives in the renewable energy business.	10 or more in Japan; 4 or more in other countries
	3. <b>Mixed waste reduction</b>	Total mixed waste discharge rate	2% or less each FY
	4. <b>Strengthening R&amp;D carbon neutrality</b>	The number of new R & D initiatives (New projects begun)	6 or more
<b>S</b> 	1. <b>Annual hiring plan achievement Increase employee engagement</b>	The number of new graduates hired Engagement rating	Review each fiscal year Rating: BB
	2. <b>Balance work and private life; Efforts to efficiency and standardization operations</b>	Encouraging the use of paid time off; The number of work overtime.	8 days off in a 4-week(on-site) each FY 30 hours or less each FY
	3. <b>Action plan for supporting women's engagement at work place.</b>	Rate of new female managers; Rate of men taking paternity leave	7% or more each FY 70% or more each FY
	4. <b>Improvement of safety management standards</b>	Frequency rate	0.5 or less each FY
<b>G</b> 	1. <b>Establishment of internal and external systems to prevent legal violations</b>	The amount of serious legal violations	0 cases
	2. <b>Evaluate and improve the effectiveness of the Board of Directors</b>	Evaluations by internal and outside experts	Improved evaluation
	3. <b>Initiatives to prevent and mitigate human rights risks</b>	Conduct human rights due diligence	Expansion of target companies
	4. <b>Proactive dialogue with institutional investors, etc.</b>	The number of participants in meetings and financial results presentations	10% increase from the previous year



## Environment



Signed and joined UN  
GLOBAL COMPACT



Endorsement of  
recommendations by  
Task Force on Climate-related  
Financial Disclosures (TCFD)



Certified as an SBT Initiative  
Company



A- List for CDP Climate  
Change Division



Selected as a Supplier  
Engagement Leader of the  
CDP Supplier Engagement  
Assessment



Joined the international  
initiative RE100



Certified as an ECO FIRST  
company



Joined Japan Climate Leaders  
Partnership (JCLP)  
as a supporting member



Registered as a ZEB  
developer



Registered as a ZEH  
developer



Selected as a constituent of the  
S&P/JPX Carbon Efficient Index

Endorsed the Keidanren (Japan  
Business Federation) Declaration  
of Biodiversity Initiative

## Diversity

## Digital Transformation



Earned the third highest level  
of *Eruboshi* certification



Certified as an Excellent  
Corporation for Health  
Management 202 in the large  
corporation division.



Selected as a *Nadeshiko*  
brand.



Selected as one of the 100 New  
Diversity Management  
Companies.



Selected as a component of the  
FTSE Blossom Japan Sector  
Relative Index



Selected as a “DX Certified  
Business” by the Ministry of  
Economy, Trade and Industry



Awarded “Silver” in the  
PRIDE Index for LGBTQ  
Initiatives



Certified as a “Company  
Supporting Child-Rearing”  
(*Kurumin* Certification)

# KUMAGAI GUMI

—— Insight, Onsite, Farsight

Concerning Presumptive Statements:

Any statements regarding future conditions, including strategies, plans, and numerical targets, contained in this document are based on the information currently available to the Company and certain reasonable assumptions, but are subject to change due to shifts in the business environment and other factors.